UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended March 30, 2024

☐ **Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from to
Commission File Number 001-32833

TransDigm Group Incorporated

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

41-2101738
(I.R.S. Employer Identification No.)

1350 Euclid Avenue,	**Suite 1600,**	**Cleveland, Ohio**	**44115**
(Address of principal executive offices)			**(Zip Code)**

(216) 706-2960
(Registrant’s telephone number, including area code)

1301 East 9th Street, Suite 3000, Cleveland, Ohio 44114

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, non-accelerated filer, smaller reporting company or emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-Accelerated Filer	☐	Smaller Reporting Company	☐
Emerging Growth Company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	**Trading Symbol:**	**Name of each exchange on which registered:**
Common Stock, $0.01 par value	TDG	New York Stock Exchange

The number of shares outstanding of TransDigm Group Incorporated’s common stock, par value $.01 per share, was 55,958,480 as of April 30, 2024.

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PART I: FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in millions, except share amounts)
(Unaudited)

		March 30, 2024		September 30, 2023
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$	4,288	$	3,472
Restricted cash		550		—
Trade accounts receivable—Net		1,201		1,230
Inventories—Net		1,753		1,616
Prepaid expenses and other		490		420
Total current assets		8,282		6,738
PROPERTY, PLANT AND EQUIPMENT—NET		1,288		1,255
GOODWILL		9,051		8,988
OTHER INTANGIBLE ASSETS—NET		2,709		2,747
OTHER NON-CURRENT ASSETS		247		242
TOTAL ASSETS	$	21,577	$	19,970
LIABILITIES AND STOCKHOLDERS' DEFICIT				
CURRENT LIABILITIES:				
Current portion of long-term debt	$	625	$	71
Short-term borrowings—trade receivable securitization facility		450		349
Accounts payable		302		305
Accrued and other current liabilities		858		854
Total current liabilities		2,235		1,579
LONG-TERM DEBT		21,331		19,330
DEFERRED INCOME TAXES		606		627
OTHER NON-CURRENT LIABILITIES		427		412
Total liabilities		24,599		21,948
TD GROUP STOCKHOLDERS' DEFICIT:				
Common stock - $.01 par value; authorized 224,400,000 shares; issued 61,622,411 and 60,995,513 at March 30, 2024 and September 30, 2023, respectively		1		1
Additional paid-in capital		2,664		2,440
Accumulated deficit		(3,870)		(2,621)
Accumulated other comprehensive loss		(118)		(98)
Treasury stock, at cost; 5,688,639 shares at March 30, 2024 and September 30, 2023, respectively		(1,706)		(1,706)
Total TD Group stockholders' deficit		(3,029)		(1,984)
NONCONTROLLING INTERESTS		7		6
Total stockholders' deficit		(3,022)		(1,978)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$	21,577	$	19,970

See notes to condensed consolidated financial statements

TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Amounts in millions, except per share amounts)
(Unaudited)

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	March 30, 2024	April 1, 2023	March 30, 2024	April 1, 2023
NET SALES	$ 1,919	$ 1,592	$ 3,708	$ 2,989
COST OF SALES	767	663	1,515	1,268
GROSS PROFIT	1,152	929	2,193	1,721
SELLING AND ADMINISTRATIVE EXPENSES	248	199	467	369
AMORTIZATION OF INTANGIBLE ASSETS	37	35	72	68
INCOME FROM OPERATIONS	867	695	1,654	1,284
INTEREST EXPENSE—NET	326	295	626	581
REFINANCING COSTS	28	5	28	9
OTHER INCOME	(6)	(2)	(8)	(3)
INCOME FROM OPERATIONS BEFORE INCOME TAXES	519	397	1,008	697
INCOME TAX PROVISION	115	93	222	164
NET INCOME	404	304	786	533
LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(1)	—	(1)	(1)
NET INCOME ATTRIBUTABLE TO TD GROUP	$ 403	$ 304	$ 785	$ 532
NET INCOME APPLICABLE TO TD GROUP COMMON STOCKHOLDERS	$ 403	$ 304	$ 684	$ 494
Earnings per share attributable to TD Group common stockholders:				
Basic and diluted	$ 6.97	$ 5.32	$ 11.83	$ 8.65
Cash dividends paid per common share	$ —	$ —	$ 35.00	$ —
Weighted-average shares outstanding:				
Basic and diluted	57.8	57.1	57.8	57.1

See notes to condensed consolidated financial statements

TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in millions)
(Unaudited)

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	March 30, 2024	April 1, 2023	March 30, 2024	April 1, 2023
Net income	$ 404	$ 304	$ 786	$ 533
Less: Net income attributable to noncontrolling interests	(1)	—	(1)	(1)
Net income attributable to TD Group	$ 403	$ 304	$ 785	$ 532
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustment	(60)	43	31	180
Unrealized gains (losses) on derivatives	2	(31)	(51)	(9)
Pension and post-retirement benefit plans adjustment	—	—	—	—
Other comprehensive (loss) income, net of tax, attributable to TD Group	(58)	12	(20)	171
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO TD GROUP	$ 345	$ 316	$ 765	$ 703

See notes to condensed consolidated financial statements

TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
(Amounts in millions, except share amounts)
(Unaudited)

	TD Group Stockholders								
	Common Stock					Treasury Stock			
	Number of Shares	Par Value	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Number of Shares	Value	Noncontrolling Interests	Total
BALANCE— September 30, 2022	60,049,685	$ 1	$ 2,113	$ (3,914)	$ (267)	(5,688,639)	$(1,706)	$ 7	$(3,766)
Changes in noncontrolling interest of consolidated subsidiaries, net	—	—	—	—	—	—	—	1	1
Accrued unvested dividend equivalents and other	—	—	—	(1)	—	—	—	—	(1)
Compensation expense recognized for employee stock options	—	—	24	—	—	—	—	—	24
Exercise of employee stock options	121,490	—	27	—	—	—	—	—	27
Net income attributable to TD Group	—	—	—	228	—	—	—	—	228
Foreign currency translation adjustment, net of tax	—	—	—	—	137	—	—	—	137
Unrealized gain on derivatives, net of tax	—	—	—	—	22	—	—	—	22
Pension and postretirement benefit plans adjustment, net of tax	—	—	—	—	—	—	—	—	—
BALANCE— December 31, 2022	60,171,175	$ 1	$ 2,164	$ (3,687)	$ (108)	(5,688,639)	$(1,706)	$ 8	$(3,328)
Accrued unvested dividend equivalents and other	—	—	—	(1)	—	—	—	—	(1)

See notes to condensed consolidated financial statements

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TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
(Amounts in millions, except share amounts)
(Unaudited)

	TD Group Stockholders								
	Common Stock					Treasury Stock			
	Number of Shares	Par Value	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Number of Shares	Value	Noncontrolling Interests	Total
BALANCE—September 30, 2023	60,995,513	$ 1	$ 2,440	$ (2,621)	$ (98)	(5,688,639)	$(1,706)	$ 6	$(1,978)
Changes in noncontrolling interest of consolidated subsidiaries, net	—	—	—	—	—	—	—	1	1
Special dividends ($35 per share) and dividend equivalents	—	—	—	(2,020)	—	—	—	—	(2,020)
Accrued unvested dividend equivalents and other	—	—	—	(7)	—	—	—	—	(7)
Compensation expense recognized for employee stock options	—	—	26	—	—	—	—	—	26
Exercise of employee stock options	216,150	—	52	—	—	—	—	—	52
Net income attributable to TD Group	—	—	—	382	—	—	—	—	382
Foreign currency translation adjustment, net of tax	—	—	—	—	91	—	—	—	91
Unrealized loss on derivatives, net of tax	—	—	—	—	(53)	—	—	—	(53)
Pension and postretirement benefit plans adjustment, net of tax	—	—	—	—	—	—	—	—	—
BALANCE—December 30, 2023	61,211,663	$ 1	$ 2,518	$ (4,266)	$ (60)	(5,688,639)	$(1,706)	$ 7	$(3,506)

See notes to condensed consolidated financial statements

TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in millions)

(Unaudited)

	Twenty-Six Week Periods Ended	
	March 30, 2024	April 1, 2023
OPERATING ACTIVITIES:		
Net income	$ 786	$ 533
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	71	61
Amortization of intangible assets and product certification costs	72	68
Amortization of debt issuance costs, original issue discount and premium	22	20
Amortization of inventory step-up	3	2
Amortization of loss contract reserves	(17)	(19)
Refinancing costs	28	9
Non-cash stock and deferred compensation expense	111	77
Deferred income taxes	(1)	—
Foreign currency exchange losses	5	22
Changes in assets/liabilities, net of effects from acquisitions and sales of businesses:		
Trade accounts receivable	36	(33)
Inventories	(114)	(176)
Income taxes (receivable) payable	(136)	21
Other assets	(23)	(26)
Accounts payable	(9)	6
Accrued interest	61	14
Accrued and other liabilities	(30)	(72)
Net cash provided by operating activities	865	507
INVESTING ACTIVITIES:		
Capital expenditures	(84)	(66)
Acquisition of businesses, net of cash acquired	(87)	(10)
Net cash used in investing activities	(171)	(76)
FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	165	119
Dividends and dividend equivalent payments	(2,038)	(38)
Proceeds from issuance of senior secured notes, net	5,887	2,066
Repayments of senior secured notes	(4,400)	—
Proceeds from term loans, net	2,689	6,235
Proceeds from trade receivable securitization facility, net	99	—
Repayment on term loans	(1,730)	(7,303)
Financing costs and other, net	(4)	(11)
Net cash provided by financing activities	668	1,068
EFFECT OF EXCHANGE RATE CHANGES ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	4	18
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	1,366	1,517
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	3,472	3,001
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	$ 4,838	$ 4,518

See notes to condensed consolidated financial statements

TRANSDIGM GROUP INCORPORATED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TWENTY-SIX WEEK PERIODS ENDED MARCH 30, 2024 AND APRIL 1, 2023
(UNAUDITED)

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1. BASIS OF PRESENTATION

As used in this Quarterly Report on Form 10-Q, unless the context otherwise requires, the terms “Company”, “TD Group”, “TransDigm”, “we” or “us” refer to TransDigm Group Incorporated and its subsidiaries.

Principles of Consolidation

The financial information included herein is unaudited; however, the information reflects all adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the Company’s condensed consolidated financial statements for the interim periods presented. These financial statements and notes should be read in conjunction with the financial statements and related notes for the fiscal year ended September 30, 2023 included in TD Group’s Annual Report on Form 10-K filed on November 9, 2023. As disclosed therein, the Company’s annual consolidated financial statements were prepared in conformity with generally accepted accounting principles in the United States (“U.S. GAAP”). The September 30, 2023 condensed consolidated balance sheet was derived from TD Group’s audited financial statements. The results of operations for the twenty-six week period ended March 30, 2024 are not necessarily indicative of the results to be expected for the full year.

Reclassifications

Certain reclassifications have been made to the prior year amounts to conform to the current year presentation, none of which are material.

New Accounting Pronouncements Issued

In October 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2023-06, “Disclosure Improvements: Codification Amendments in Response to the SEC’s Disclosure Update and Simplification Initiative,” to amend certain disclosure and presentation requirements for a variety of topics within the ASC. These amendments align the requirements in the ASC to the removal of certain disclosure requirements set out in Regulation S-X and Regulation S-K, announced by the SEC. The effective date for each amended topic in the ASC is either the date on which the SEC’s removal of the related disclosure requirement from Regulation S-X or Regulation S-K becomes effective, or on June 30, 2027, if the SEC has not removed the requirements by that date. Early adoption is prohibited. The Company does not expect that the application of this standard will have an impact on our condensed consolidated financial statements and disclosures.

In November 2023, the FASB issued ASU 2023-07, “Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures.” ASU 2023-07 expands disclosures about a public business entity's reportable segments and provides for more detailed information about a reportable segment's expenses. Additionally, ASU 2023-07 requires all segment profit or loss and assets disclosures to be provided on an annual and interim basis. This standard is effective for annual periods beginning after December 15, 2023 and interim periods within fiscal years beginning one year later. Early adoption is permitted. The Company is currently evaluating this standard to determine its impact on our disclosures.

In December 2023, the FASB issued ASU 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures,” which requires a public business entity to disclose specific categories in its annual effective tax rate reconciliation and disaggregated information about significant reconciling items by jurisdiction and by nature. The ASU also requires entities to disclose their income tax payments (net of refunds) to international, federal, and state and local jurisdictions. The standard makes several other changes to income tax disclosure requirements. This standard is effective for annual periods beginning after December 15, 2024, and requires prospective application with the option to apply it retrospectively. Early adoption is permitted. The Company is currently evaluating this standard to determine its impact on our disclosures.

2. ACQUISITIONS

CPI Electron Device Business – On November 9, 2023, the Company entered into a definitive agreement to acquire all the outstanding stock of the Electron Device Business of Communications & Power Industries (“CPI”), a portfolio company of TJC, L.P., for approximately $1,385 million in cash. CPI’s Electron Device Business is a leading global manufacturer of electronic components and subsystems primarily serving the aerospace and defense market. Its products are highly engineered, proprietary components with significant aftermarket content and a strong presence across major aerospace and defense platforms. The acquisition is expected to close in fiscal 2024, subject to regulatory approval in the United States (“U.S.”) and customary closing conditions. In February 2024, TransDigm received regulatory approval from the United Kingdom. The acquisition is expected to be financed through existing cash on hand, inclusive of a portion of the cash proceeds from the new long-term debt issued in the first quarter of fiscal 2024. Refer to Note 7, “Debt,” for further disclosure of the aforementioned debt issuances.

Calspan Corporation – On May 8, 2023, the Company acquired all the outstanding stock of Calspan Corporation (“Calspan”) for approximately $730 million in cash, which includes a $1 million working capital settlement paid in the first quarter of fiscal 2024. The acquisition was financed through existing cash on hand. Calspan operates from seven primary facilities within the U.S. and is a leading independent provider of proprietary highly engineered testing and technology development services and systems primarily for the aerospace and defense industry. Calspan’s state of the art transonic wind tunnel is used across a range of important aftermarket-focused development activities for both the commercial and defense aerospace end markets. The services and systems are primarily proprietary with significant aftermarket content. Calspan's operating results are included within TransDigm's Airframe segment as of the May 8, 2023 acquisition date.

The Company accounted for the Calspan acquisition using the acquisition method of accounting and third-party valuation appraisals and included the results of operations of the acquisition in its condensed consolidated financial statements from the effective date of the acquisition. The total purchase price of Calspan was allocated to the underlying assets acquired and liabilities assumed based upon the respective fair value at the date of acquisition. To the extent the purchase price exceeded the fair value of the net identifiable tangible and intangible assets acquired, such excess was allocated to goodwill.

The Company utilized both the cost and market approaches to value property, plant and equipment, which consider external transactions and other comparable transactions, estimated replacement and reproduction costs, and estimated useful lives and consideration for physical, functional and economic obsolescence. The fair values of acquired intangibles are determined based on an income approach, using estimates and assumptions that are deemed reasonable by the Company. Significant assumptions include the discount rates and certain assumptions that form the basis of the forecasted results of the acquired business including revenue, earnings before interest, taxes, depreciation and amortization (“EBITDA”), growth rates, royalty rates and technology obsolescence rates. These assumptions are forward looking and could be affected by future economic and market conditions.

Pro forma net sales and results of operations for the Calspan acquisition had it occurred at the beginning of the twenty-six week period ended April 1, 2023 are not material and, accordingly, are not provided.

As of March 30, 2024, the measurement period (not to exceed one year) is open; therefore, the assets acquired and liabilities assumed related to the Calspan acquisition are subject to adjustment until the end of the respective measurement period, including those related to deferred taxes and income taxes.

The allocation of the estimated fair value of assets acquired and liabilities assumed in the Calspan acquisition as of the May 8, 2023 acquisition date, as well as measurement period adjustments recorded within the permissible one year measurement period, are summarized in the table below (in millions):

	Preliminary Allocation	Measurement Period Adjustments [2]	Adjusted Preliminary Allocation
Assets acquired (excluding cash):			
Trade accounts receivable	$ 39	$ —	$ 39
Inventories	2	—	2
Prepaid expenses and other	40	(3)	37
Property, plant and equipment	105	234	339
Goodwill	367	(87)	280 [1]
Other intangible assets	243	(142)	101 [1]
Other non-current assets	7	—	7
Total assets acquired (excluding cash)	803	2	805
Liabilities assumed:			
Accounts payable	10	(1)	9
Accrued and other current liabilities	50	4	54
Deferred income taxes	8	(3)	5
Other non-current liabilities	6	1	7
Total liabilities assumed	74	1	75
Net assets acquired	$ 729	$ 1	$ 730

(1) Of the approximately $280 million of goodwill recognized for the acquisition, the Company expects that approximately $222 million will be deductible for tax purposes. Of the approximately $101 million of other intangible assets recognized for the acquisition, the Company expects that approximately $86 million will be deductible for tax purposes. The goodwill and intangible assets are expected to be deductible over 15 years.

(2) Measurement period adjustments primarily related to the adjustments in the fair values of the acquired property, plant and equipment and other intangible assets from the third-party valuation. A substantial portion of the measurement period adjustments to property, plant and equipment relates to the fair value of the transonic wind tunnel. The offset to the measurement period adjustments was to goodwill.

DART Aerospace Acquisition – On March 1, 2024, the Company's DART Aerospace subsidiary (“DART”), which is included within TransDigm’s Airframe segment, completed an acquisition of all the outstanding stock of FPT Industries (“FPT”) for approximately $57 million in cash. The allocation of the purchase price remains preliminary and will likely change, though not materially, in future periods up to the expiration of the respective one year measurement period as fair value estimates of the assets acquired and liabilities assumed are finalized. The Company expects that all of the approximately $35 million of goodwill and $19 million of other intangible assets recognized for the acquisition will be deductible for tax purposes over 15 years.

Pro forma net sales and results of operations for the DART acquisition, had it occurred at the beginning of the twenty-six week periods ended March 30, 2024 or April 1, 2023 are not material and, accordingly, are not provided.

Extant Aerospace Acquisitions – For the twenty-six week period ended March 30, 2024, the Company's Extant Aerospace subsidiary, which is included within TransDigm’s Power & Control segment, completed a series of acquisitions of substantially all of the assets and technical data rights of certain product lines, each meeting the definition of a business, for a total purchase price of $29 million. The allocation of the purchase price remains preliminary and will likely change, though not materially, in future periods up to the expiration of the respective one year measurement period as fair value estimates of the assets acquired and liabilities assumed are finalized. The Company expects that all of the approximately $14 million of goodwill and $7 million of other intangible assets recognized for the acquisition will be deductible for tax purposes over 15 years.

For the fiscal year ended September 30, 2023, the Company's Extant Aerospace subsidiary, completed a series of acquisitions of substantially all of the assets and technical data rights of certain product lines, each meeting the definition of a business, for a total purchase price of $24 million. The allocation of the purchase price remains preliminary and will likely change, though not materially, in future periods up to the expiration of the respective one year measurement period as fair value estimates of the assets acquired and liabilities assumed are finalized. The Company expects that all of the approximately $12 million of goodwill and $6 million of other intangible assets recognized for the acquisitions will be deductible for tax purposes over 15 years.

Pro forma net sales and results of operations for the Extant Aerospace product line acquisitions, had they occurred at the beginning of the twenty-six week periods ended March 30, 2024 or April 1, 2023 are not material and, accordingly, are not provided.

The acquisitions completed by the Company strengthen and expand the Company’s position to design, produce and supply highly engineered proprietary aerospace components in niche markets with significant aftermarket content and provide opportunities to create value through the application of our three core value-driven operating strategy (obtaining profitable new business, continually improving our cost structure, and providing highly engineered value-added products to customers). The purchase prices paid reflect the current EBITDA and cash flows, as well as the future EBITDA and cash flows expected to be generated by the businesses, which are driven in most cases by the recurring aftermarket consumption over the life of a particular aircraft, estimated to be approximately 25 to 30 years.

3. REVENUE RECOGNITION

TransDigm's sales are concentrated in the aerospace and defense industry. The Company’s customers include: distributors of aerospace components, commercial airlines, large commercial transport and regional and business aircraft original equipment manufacturers (“OEMs”), various armed forces of the U.S. and friendly foreign governments, defense OEMs, system suppliers, and various other industrial customers.

The Company recognizes revenue from contracts with customers using the five step model prescribed in ASC 606. A substantial portion of the Company's revenue is recorded at a point in time basis. Revenue is recognized from the sale of products or services when obligations under the terms of the contract are satisfied and control of promised goods or services have transferred to the customer. Control is transferred when the customer has the ability to direct the use of and obtain benefits from the goods or services. Revenue is measured at the amount of consideration the Company expects to be paid in exchange for goods or services.

In certain contracts, control transfers to the customer over time, primarily in contracts where the customer is required to pay for the cost of both the finished and unfinished goods at the time of cancellation plus a reasonable profit relative to the work performed for products that were customized for the customer. Therefore, we recognize revenue over time for those agreements that have a right to margin and where the products being produced have no alternative use.

Based on our production cycle, it is generally expected that goods related to the revenue will be shipped and billed within twelve months. For revenue recognized over time, we estimate the amount of revenue attributable to a contract earned at a given point during the production cycle based on certain costs, such as materials and labor incurred to date, plus the expected profit, which is a cost-to-cost input method.

We consider the contractual consideration payable by the customer and assess variable consideration that may affect the total transaction price. Variable consideration is included in the estimated transaction price when there is a basis to reasonably estimate the amount, including whether the estimate should be constrained in order to avoid a significant reversal of revenue in a future period. These estimates are based on historical experience, anticipated performance under the terms of the contract and our best judgment at the time.

When contracts are modified to account for changes in contract specifications and requirements, the Company considers whether the modification either creates new or changes the existing enforceable rights and obligations. Contract modifications that are for goods or services that are not distinct from the existing contract, due to the significant integration with the original good or service provided, are accounted for as if they were part of that existing contract. The effect of a contract modification to an existing contract on the transaction price and our measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue on a cumulative catch-up basis. When the modifications include additional performance obligations that are distinct and at relative stand-alone selling price, they are accounted for as a new contract and performance obligation, which are recognized prospectively.

The Company’s payment terms vary by the type and location of the customer and the products or services offered. The Company does not offer any payment terms that would meet the requirements for consideration as a significant financing component.

Shipping and handling fees and costs incurred in connection with products sold are recorded in cost of sales in the condensed consolidated statements of income, and are not considered a performance obligation to our customers.

The Company pays sales commissions that relate to contracts for products or services that are satisfied at a point in time or over a period of one year or less and are expensed as incurred. These costs are reported as a component of selling and administrative expenses in the condensed consolidated statements of income.

Contract Assets and Liabilities – Contract assets reflect revenue recognized and performance obligations satisfied in advance of customer billing or reimbursable costs related to a specific contract. Contract liabilities (Deferred revenue) relate to payments received in advance of the satisfaction of performance under the contract. We receive payments from customers based on the terms established in our contracts. The following table summarizes our contract assets and liabilities balances (in millions):

	March 30, 2024	September 30, 2023
Contract assets, current [1]	$ 206	$ 191
Contract assets, non-current [2]	—	1
Total contract assets	206	192
Contract liabilities, current [3]	114	79
Contract liabilities, non-current [4]	7	8
Total contract liabilities	121	87
Net contract assets	$ 85	$ 105

(1) Included in prepaid expenses and other on the condensed consolidated balance sheets.

(2) Included in other non-current assets on the condensed consolidated balance sheets.

(3) Included in accrued and other current liabilities on the condensed consolidated balance sheets.

(4) Included in other non-current liabilities on the condensed consolidated balance sheets.

The increase in the Company's total contract assets at March 30, 2024 compared to September 30, 2023 is primarily due to the timing and status of work in process and/or milestones of certain contracts. The increase in the Company's total contract liabilities at March 30, 2024 compared to September 30, 2023 is primarily due to the receipt of advance payments. For the twenty-six week period ended March 30, 2024, the revenue recognized that was previously included in contract liabilities was approximately $19 million.

Refer to Note 11, “Segments,” for disclosures related to the disaggregation of revenue.

Allowance for Credit Losses – The Company's allowance for credit losses is the allowance for uncollectible accounts. The allowance for uncollectible accounts reduces the trade accounts receivable balance to the estimated net realizable value equal to the amount that is expected to be collected.

The Company’s method for developing its allowance for credit losses is based on historical write-off experience, the aging of receivables, an assessment of the creditworthiness of customers, economic conditions and other external market information and supportable forward-looking information. The allowance also incorporates a provision for the estimated impact of disputes with customers. All provisions for allowances for uncollectible accounts are included in selling and administrative expenses. The determination of the amount of the allowance for uncollectible accounts is subject to judgment and estimation by management. If circumstances change or economic conditions deteriorate or improve, the allowance for uncollectible accounts could increase or decrease.

As of March 30, 2024 and September 30, 2023, the allowance for uncollectible accounts was $32 million and $31 million, respectively. The allowance for uncollectible accounts is assessed individually at each operating unit by the operating unit’s management team.

4. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share (in millions, except per share data) using the two-class method:

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	March 30, 2024	April 1, 2023	March 30, 2024	April 1, 2023
Numerator for earnings per share:				
Net income	$ 404	$ 304	$ 786	$ 533
Less: Net income attributable to noncontrolling interests	(1)	—	(1)	(1)
Net income attributable to TD Group	403	304	785	532
Less: Dividends paid on participating securities [1]	—	—	(101)	(38)
Net income applicable to TD Group common stockholders—basic and diluted	$ 403	$ 304	$ 684	$ 494
Denominator for basic and diluted earnings per share under the two-class method:				
Weighted-average common shares outstanding	55.7	54.7	55.6	54.6
Vested options deemed participating securities	2.1	2.4	2.2	2.5
Total shares for basic and diluted earnings per share	57.8	57.1	57.8	57.1
Earnings per share—basic and diluted	$ 6.97	$ 5.32	$ 11.83	$ 8.65

(1) Represents dividend equivalent payments of approximately $101 million, of which $18 million was accrued as of September 30, 2023 and the remaining $83 million was associated with the November 2023 $35.00 dividend declaration, and $38 million, respectively, for the twenty-six week periods ended March 30, 2024 and April 1, 2023. No special dividends were declared or paid on participating securities, including dividend equivalent payments, for the thirteen week periods ended March 30, 2024 and April 1, 2023.

5. INVENTORIES

Inventories are stated at the lower of cost or net realizable value. Cost of inventories is generally determined by the average cost and the first–in, first–out (“FIFO”) methods and includes material, labor and overhead related to the manufacturing process.

Inventories consist of the following (in millions):

	March 30, 2024	September 30, 2023
Raw materials and purchased component parts	$ 1,222	$ 1,144
Work-in-progress	512	455
Finished goods	240	226
Total	1,974	1,825
Reserves for excess and obsolete inventory	(221)	(209)
Inventories—Net	$ 1,753	$ 1,616

6. INTANGIBLE ASSETS

Other intangible assets–net in the condensed consolidated balance sheets consist of the following (in millions):

	March 30, 2024			September 30, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Trademarks and trade names	$ 1,017	$ —	$1,017	$ 1,019	$ —	$1,019
Technology	2,140	940	1,200	2,124	888	1,236
Order backlog	5	3	2	7	6	1
Customer relationships	639	153	486	623	136	487
Other	9	5	4	9	5	4
Total	$ 3,810	$ 1,101	$2,709	$ 3,782	$ 1,035	$2,747

The aggregate amortization expense on identifiable intangible assets is approximately $37 million and $35 million for the thirteen week periods ended March 30, 2024 and April 1, 2023, respectively. The aggregate amortization expense on identifiable intangible assets is approximately $72 million and $68 million for the twenty-six week periods ended March 30, 2024 and April 1, 2023, respectively.

As disclosed in Note 2, “Acquisitions,” the estimated fair value of the net identifiable tangible and intangible assets acquired is based on the acquisition method of accounting. The fair value of the net identifiable tangible and intangible assets acquired will be finalized within the measurement period (not to exceed one year). Intangible assets acquired during the twenty-six week period ended March 30, 2024 are summarized in the table below (in millions):

	Gross Amount	Amortization Period
Intangible assets not subject to amortization:		
Goodwill	$ 49	
	49	
Intangible assets subject to amortization:		
Technology	15	20 years
Order backlog	1	1.5 years
Customer relationships	10	20 years
	26	
Total	$ 75	

The following is a summary of changes in the carrying value of goodwill by segment from September 30, 2023 through March 30, 2024 (in millions):

	Power & Control	Airframe	Non-aviation	Total
Balance at September 30, 2023	$ 4,194	$ 4,701	$ 93	$ 8,988
Goodwill acquired during the period (Note 2)	14	35	—	49
Purchase price allocation adjustments [1]	—	35	—	35
Currency translation adjustments and other	4	(25)	—	(21)
Balance at March 30, 2024	$ 4,212	$ 4,746	$ 93	$ 9,051

(1) Related to the opening balance sheet adjustments recorded from the acquisition of Calspan completed during the third quarter of fiscal 2023, within the allowable measurement period (not to exceed one year). Refer to Note 2, “Acquisitions,” for further information.

The Company performs its annual impairment test for goodwill and other intangible assets as of the first day of the fourth fiscal quarter of each year, or more frequently, if events or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. We have assessed the changes in events and circumstances through the second quarter of fiscal 2024 and concluded that no triggering events occurred that required interim quantitative testing.

7. DEBT

The Company’s debt consists of the following (in millions):

	March 30, 2024			
	Gross Amount	Debt Issuance Costs	Original Issue (Discount) or Premium	Net Amount
Short-term borrowings—trade receivable securitization facility	$ 450	$ —	$ —	$ 450
Term loans	$ 7,230	$ (27)	$ (46)	$ 7,157
7.50% senior subordinated notes due 2027 (“7.50% 2027 Notes”)	550	(2)	—	548
5.50% senior subordinated notes due 2027 (“5.50% 2027 Notes”)	2,650	(11)	—	2,639
6.75% secured notes due 2028 (“2028 Secured Notes”)	2,100	(17)	(9)	2,074
4.625% senior subordinated notes due 2029 (“4.625% 2029 Notes”)	1,200	(7)	—	1,193
4.875% senior subordinated notes due 2029 (“4.875% 2029 Notes”)	750	(5)	—	745
6.375% secured notes due 2029 (“2029 Secured Notes”)	2,750	(25)	(1)	2,724
6.875% secured notes due 2030 (“2030 Secured Notes”)	1,450	(13)	—	1,437
7.125% secured notes due 2031 (“2031 Secured Notes”)	1,000	(9)	(8)	983
6.625% secured notes due 2032 (“2032 Secured Notes”)	2,200	(20)		2,180
Government refundable advances	17	—	—	17
Finance lease obligations	259	—	—	259
	22,156	(136)	(64)	21,956
Less: current portion	627	(2)	—	625
Long-term debt	$21,529	$ (134)	$ (64)	$21,331

	September 30, 2023			
	Gross Amount	Debt Issuance Costs	Original Issue (Discount) or Premium	Net Amount
Short-term borrowings—trade receivable securitization facility	$ 350	$ (1)	$ —	$ 349
Term loans	$ 6,249	$ (22)	$ (48)	$ 6,179
6.25% secured notes due 2026 (“2026 Secured Notes”)	4,400	(25)	2	4,377
7.50% 2027 Notes	550	(2)	—	548
5.50% 2027 Notes	2,650	(12)	—	2,638
2028 Secured Notes	2,100	(19)	(10)	2,071
4.625% 2029 Notes	1,200	(7)	—	1,193
4.875% 2029 Notes	750	(5)	—	745
2030 Secured Notes	1,450	(14)	—	1,436
Government refundable advances	21	—	—	21
Finance lease obligations	193	—	—	193
	19,563	(106)	(56)	19,401
Less: current portion	71	—	—	71
Long-term debt	$19,492	$ (106)	$ (56)	$19,330

Accrued interest, which is classified as a component of accrued and other current liabilities on the condensed consolidated balance sheets, was $186 million and $125 million as of March 30, 2024 and September 30, 2023, respectively.

First Quarter of Fiscal 2024 Activity

Amendment No. 13 and Incremental Term Loan Assumption Agreement – On November 28, 2023, the Company entered into Amendment No. 13 and Incremental Term Loan Assumption Agreement (herein, “Amendment No. 13”) to the Second Amended and Restated Credit Agreement dated as of June 4, 2014 (the “Credit Agreement”). Under the terms of Amendment No. 13, the Company, among other things, issued $1,000 million in Tranche J term loans maturing February 28, 2031. The Tranche J term loans bear interest at a rate of adjusted Term Secured Overnight Financing Rate (“Term SOFR”) plus 3.25%. The Tranche J term loans were issued at a discount of 0.25%, or approximately $3 million. The Tranche J term loans were fully drawn on November 28, 2023 and the other terms and conditions that apply to the Tranche J term loans are substantially the same as the terms and conditions that apply to the term loans immediately prior to Amendment No. 13. Principal payments commence on March 31, 2024, in which $3 million will be paid on a quarterly basis up to the maturity date.

The Company capitalized $10 million in debt issuance costs associated with the Tranche J term loans during the twenty-six week period ended March 30, 2024.

Issuance of $1,000 million Senior Secured Notes due 2031 – On November 28, 2023, the Company entered into a purchase agreement in connection with a private offering of $1,000 million in aggregate principal amount of 7.125% senior secured notes due 2031 (the “2031 Secured Notes”) at an issue price of 99.25% of the principal amount, which represents an approximately $8 million discount. The 2031 Secured Notes were issued pursuant to an indenture, dated as of November 28, 2023, amongst TransDigm Inc., as issuer, TransDigm Group and the other subsidiaries of TransDigm Inc. named therein, as guarantors. The 2031 Secured Notes are guaranteed, on a senior secured basis, by TransDigm Group and each of TransDigm Inc.’s direct and indirect restricted subsidiaries that is a borrower or guarantor under TransDigm’s senior secured credit facilities or that issues or guarantees any capital markets indebtedness of TransDigm or any of the guarantors in an aggregate principal amount of at least $200 million. The 2031 Secured Notes and guarantees rank equally in right of payment with all of TransDigm’s and the guarantors’ existing and future senior indebtedness, senior in right of payment to any of TransDigm’s and the guarantors’ existing and future indebtedness that is, by its terms, expressly subordinated in right of payment to the 2031 Secured Notes and guarantees, and structurally subordinated to all of the liabilities of TransDigm’s non-guarantor subsidiaries. The Company expects to use the proceeds of the offering of the 2031 Secured Notes, along with the proceeds from the Tranche J term loans further described above, together with cash on hand, primarily to fund the acquisition the Electron Device Business of CPI (see Note 2, “Acquisitions,” for further information).

The 2031 Secured Notes bear interest at a rate of 7.125% per annum, which accrues from November 28, 2023 and is payable in arrears on June 1st and December 1st of each year, commencing on June 1, 2024. The 2031 Secured Notes mature on December 1, 2031, unless earlier redeemed or repurchased, and are subject to the terms and conditions set forth in the indenture.

The Company capitalized $10 million in debt issuance costs associated with the 2031 Secured Notes during the twenty-six week period ended March 30, 2024.

Trade Receivable Securitization Facility – The Company’s trade receivable securitization facility (the “Securitization Facility”) effectively increases the Company’s borrowing capacity depending on the amount of the domestic operations’ trade accounts receivable. The Securitization Facility includes the right for the Company to exercise annual one year extensions as long as there have been no termination events as defined by the agreement. The Company uses the proceeds from the Securitization Facility as an alternative to other forms of debt, effectively reducing borrowing costs. The Securitization Facility is collateralized by substantially all of the Company’s domestic operations’ trade accounts receivable.

During the first quarter of fiscal 2024, the Company drew the remaining $100 million available under the Securitization Facility. As of March 30, 2024, the Company has borrowed $450 million under the Securitization Facility, which is fully drawn, and bears interest at a rate of Term SOFR plus 1.60%. At March 30, 2024, the applicable interest rate was 6.91%.

Second Quarter of Fiscal 2024 Activity

Amendment No. 14 and Incremental Revolving Credit Assumption Agreement – On February 27, 2024, the Company entered into Amendment No. 14 and Incremental Revolving Credit Assumption Agreement (herein, “Amendment No. 14”) to the Credit Agreement. Under the terms of Amendment No. 14, the Company, among other things, refinanced its revolving credit facility to (i) extend the maturity date from May 2026 to February 2029; (ii) increased the total commitments capacity thereunder from $810 million to $910 million; and (iii) decreased the applicable margin to Term SOFR plus 2.25% compared to Term SOFR plus 2.50% applicable prior to Amendment No. 14. As of March 30, 2024, the borrowings available under the revolving commitments were $847 million.

The Company capitalized $1 million in debt issuance costs and wrote-off $3 million in unamortized debt issuance costs associated with the refinancing during the twenty-six week period ended March 30, 2024.

Issuance of $4,400 million of Senior Secured Notes – On February 27, 2024, the Company entered into two separate purchase agreements in connection with private offerings of $2,200 million in aggregate principal amount of 6.375% senior secured notes due 2029 (the “$2,200 million 2029 Secured Notes”) at an issue price of 100% of the principal amount and $2,200 million in aggregate principal amount of 6.625% senior secured notes due 2032 (the “2032 Secured Notes”) at an issue price of 100% of the principal amount. The proceeds were used to repurchase the 2026 Secured Notes further described below.

The $2,200 million 2029 Secured Notes and 2032 Secured Notes bear interest at the rate of 6.375% per annum and 6.625% per annum, respectively, which accrues from February 27, 2024 and is payable in arrears on March 1st and September 1st of each year, commencing on September 1, 2024. The $2,200 million 2029 Secured Notes mature on March 1, 2029 and the 2032 Secured Notes mature on March 1, 2032, unless earlier redeemed or repurchased, and are subject to the terms and conditions set forth in the applicable indenture.

The $2,200 million 2029 Secured Notes and 2032 Secured Notes were issued pursuant to an indenture, dated as of February 27, 2024 in each case, amongst TransDigm Inc., as issuer, TD Group and the subsidiaries of TransDigm party thereto, as guarantors. The secured notes are guaranteed, on a senior secured basis, by TD Group and each of TransDigm’s direct and indirect restricted subsidiaries that is a borrower or guarantor under TransDigm’s senior secured credit facilities or that issues or guarantees any capital markets indebtedness of TransDigm or any of the guarantors in an aggregate principal amount of at least $200 million. The secured notes and the related guarantees rank equally in right of payment with all of TransDigm’s and the guarantors’ existing and future senior indebtedness, senior in right of payment to any of TransDigm’s and the guarantors’ existing and future indebtedness that is, by its terms, expressly subordinated in right of payment to the $2,200 million 2029 Secured Notes and 2032 Secured Notes and related guarantees, and structurally subordinated to all of the liabilities of TransDigm’s non-guarantor subsidiaries.

The Company capitalized approximately $20 million and $20 million in debt issuance costs associated with the $2,200 million 2029 Secured Notes and the 2032 Secured Notes, respectively, during the twenty-six week period ended March 30, 2024.

Amendment No. 15 Loan Modification Agreement and Refinancing Facility Agreement – On March 22, 2024, the Company entered into Amendment No. 15 Loan Modification Agreement and Incremental Term Loan Assumption Agreement (herein, “Amendment No. 15”) to the Credit Agreement. Under the terms of Amendment No. 15, the Company, among other things, (i) repriced all of its $4,525 million in existing Tranche I term loans maturing August 24, 2028 to bear interest at Term SOFR plus 2.75% compared to Term SOFR plus 3.25% applicable prior to Amendment No. 15; and (ii) repaid in full its existing approximately $1,708 million in Tranche H term loans maturing February 22, 2027 and replaced such loans with approximately $1,708 million in new Tranche K term loans maturing March 22, 2030. The Tranche K term loans were issued at a discount of 0.25%, or approximately $4 million, and bear interest at Term SOFR plus 2.75%. The Tranche K term loans were fully drawn on March 22, 2024.

The other terms and conditions that apply to the Tranche I and Tranche K term loans are substantially the same as the terms and conditions that applied to the term loans immediately prior to Amendment No. 15. Principal payments for the Tranche I and Tranche K term loans commence on June 30, 2024, in which $11 million and $4 million will be paid on a quarterly basis up to the maturity date of each respective tranche of term loans.

The Company expensed approximately $4 million in refinancing costs associated with Amendment No. 15 during the twenty-six week period ended March 30, 2024. Additionally, the Company wrote-off $2 million of original issue discount during the twenty-six week period ended March 30, 2024.

Redemption of $4,400 million 6.25% Senior Secured Notes due 2026 – On March 28, 2024, the Company redeemed all $4,400 million aggregate principal amount of its outstanding 2026 Secured Notes at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest thereon to, but not including, the redemption date, using the net proceeds of the offering of the $2,200 million 2029 Secured Notes and the 2032 Secured Notes, together with cash on hand. There was no early redemption premium.

The Company recorded refinancing costs of $19 million, consisting primarily of the write-off of $21 million in unamortized debt issuance costs, slightly offset by the write-off of unamortized premium of $2 million in conjunction with the redemption of the 2026 Secured Notes during the twenty-six week period ended March 30, 2024.

Issuance of $550 million Senior Secured Notes due 2029 – On March 22, 2024, the Company entered into a purchase agreement in connection with a private offering of $550 million in aggregate principal amount consisting of 6.375% senior secured notes due 2029 (the “$550 million 2029 Secured Notes”) at an issue price of 99.75% of the principal amount, which represents an approximately $1 million discount. The $550 million 2029 Secured Notes are an additional issuance of the Company's existing $2,200 million 2029 Secured Notes (as further described above) and were issued under a supplemental indenture dated as of March 22, 2024, pursuant to which the Company previously issued the $2,200 million 2029 Secured Notes. The $550 million 2029 Secured Notes are the same class and series as, and otherwise identical to, the $2,200 million 2029 Secured Notes other than with respect to the date of issuance and issue price. The proceeds are classified as restricted cash on the condensed consolidated balance sheet as of March 30, 2024 as they were committed to be used to redeem the 7.50% 2027 Notes further described below.

The Company capitalized $5 million in debt issuance costs associated with the $550 million 2029 Secured Notes during the twenty-six week period ended March 30, 2024.

Subsequent Event - Redemption of $550 million Senior Subordinated Notes due 2027 – On March 22, 2024, the Company called all of its outstanding 7.50% 2027 Notes. As the notification of redemption was made in March 2024, the 7.50% 2027 Notes obligation is classified as current portion of long-term debt on the condensed consolidated balance sheets as of March 30, 2024. On April 22, 2024, the Company redeemed the principal amount of $550 million. There was no early redemption premium.

Government Refundable Advances – Government refundable advances consist of payments received from the Canadian government to assist in research and development related to commercial aviation. The requirement to repay this advance is based on year-over-year commercial aviation revenue growth for certain product lines at CMC Electronics, which is a wholly-owned subsidiary of TransDigm. As of March 30, 2024 and September 30, 2023, the outstanding balance of these advances was $17 million and $21 million, respectively.

Obligations under Finance Leases – The Company leases certain buildings and equipment under finance leases. The present value of the minimum finance lease payments, net of the current portion, represents a balance of $259 million and $193 million at March 30, 2024 and September 30, 2023, respectively. The increase in the current fiscal year is attributable to certain new leases of facilities and amendments to previous agreements qualifying as lease modifications resulting in a change in classification from an operating lease to a finance lease. Refer to Note 13, “Leases,” for further disclosure of the Company's lease obligations.

8. INCOME TAXES

At the end of each reporting period, TD Group makes an estimate of its annual effective income tax rate. The estimate used in the year-to-date period may change in subsequent periods.

During the thirteen week periods ended March 30, 2024 and April 1, 2023, the effective income tax rate was 22.2% and 23.4%, respectively. During the twenty-six week periods ended March 30, 2024 and April 1, 2023, the effective income tax rate was 22.0% and 23.5%, respectively. The Company’s lower effective income tax rate for the thirteen and twenty-six week periods ended March 30, 2024, was primarily due to a less significant impact on the rate from the valuation allowance applicable to the Company's net interest deduction limitation carryforward. The Company's effective income tax rate for the thirteen and twenty-six week periods ended March 30, 2024 was slightly higher than the federal statutory tax rate of 21% primarily due to an increase in the valuation allowance applicable to the Company's net interest deduction limitation carryforward, offset by the discrete impact of excess tax benefits associated with share-based payments.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state, local and foreign jurisdictions. The Company is no longer subject to U.S. federal examinations for years before fiscal 2018. The Company is currently under examination for its federal income taxes in Canada for fiscal years 2013 through 2019, in France for fiscal years 2020 through 2022, and in Germany for fiscal years 2014 through 2019. In addition, the Company is subject to state income tax examinations for fiscal years 2015 and later.

Unrecognized tax benefits at March 30, 2024 and September 30, 2023, the recognition of which would have an impact on the effective tax rate for each fiscal year, amounted to $17 million. The Company classifies all income tax-related interest and penalties as income tax expense, which were not significant for the thirteen and twenty-six week periods ended March 30, 2024 and April 1, 2023. As of March 30, 2024 and September 30, 2023, the Company accrued $6 million for the potential payment of interest and penalties. Within the next twelve months, it is reasonably possible that unrecognized tax benefits could be reduced by approximately $6 million resulting primarily from the resolution of tax examinations. Any increase in the amount of unrecognized tax benefits within the next twelve months is not expected to be material.

9. FAIR VALUE MEASUREMENTS

The following table presents our assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The following summarizes the carrying amounts and fair values of financial instruments (in millions):

	Level	March 30, 2024 Carrying Amount	March 30, 2024 Fair Value	September 30, 2023 Carrying Amount	September 30, 2023 Fair Value
Assets:					
Cash and cash equivalents	1	$4,288	$4,288	$3,472	$3,472
Restricted cash	1	550	550	—	—
Interest rate swap agreements (1)	2	76	76	103	103
Interest rate swap agreements (2)	2	12	12	41	41
Interest rate cap agreements (2)	2	38	38	53	53
Interest rate collar agreements (2)	2	14	14	17	17
Liabilities:					
Foreign currency forward exchange contracts (3)	2	2	2	5	5
Interest rate swap agreements (4)	2	3	3	3	3
Interest rate cap agreements (4)	2	1	1	1	1
Short-term borrowings - trade receivable securitization facility (5)	2	450	450	349	349
Long-term debt, including current portion:					
Term loans (5)	2	7,157	7,196	6,179	6,212
2026 Secured Notes (5)	1	—	—	4,377	4,329
7.50% 2027 Notes (5)	1	548	550	548	549
5.50% 2027 Notes (5)	1	2,639	2,584	2,638	2,484
2028 Secured Notes (5)	1	2,074	2,129	2,071	2,069
4.625% 2029 Notes (5)	1	1,193	1,115	1,193	1,047
4.875% 2029 Notes (5)	1	745	698	745	654
2029 Secured Notes (5)	1	2,724	2,760	—	—
2030 Secured Notes (5)	1	1,437	1,477	1,436	1,423
2031 Secured Notes (5)	1	983	1,030	—	—
2032 Secured Notes (5)	1	2,180	2,222	—	—
Government refundable advances	2	17	17	21	21
Finance lease obligations	2	259	259	193	193

(1) Included in prepaid expenses and other on the condensed consolidated balance sheets.

(2) Included in other non-current assets on the condensed consolidated balance sheets.

(3) Included in accrued and other current liabilities on the condensed consolidated balance sheets.

(4) Included in other non-current liabilities on the condensed consolidated balance sheets.

[5] The carrying amount of the debt instrument is presented net of debt issuance costs, premium and discount. Refer to Note 7, “Debt,” for gross carrying amounts.

The Company values its financial instruments using an industry standard market approach, in which prices and other relevant information are generated by market transactions involving identical or comparable assets or liabilities. No financial instruments were recognized or disclosed using unobservable inputs (i.e., Level 3).

The Company’s derivatives consist of interest rate swap, cap and collar agreements and foreign currency exchange contracts. The fair values of the interest rate swap, cap and collar agreements were derived by taking the net present value of the expected cash flows using observable market inputs (Level 2) such as SOFR rate curves, futures, volatilities and basis spreads (when applicable). The fair values of the foreign currency exchange contracts were derived by using Level 2 inputs based on observable spot and forward exchange rates in active markets. There has not been any impact to the fair value of derivative liabilities due to the Company's own credit risk. Similarly, there has not been any material impact to the fair value of derivative assets based on the Company's evaluation of counterparties' credit risks.

The estimated fair value of the Company’s term loans was based on information provided by the agent under the Company’s Credit Agreement. The estimated fair values of the Company’s notes were based upon quoted market prices.

The fair value of cash and cash equivalents, restricted cash, trade accounts receivable-net and accounts payable approximated carrying value due to the short-term nature of these instruments at March 30, 2024 and September 30, 2023.

10. DERIVATIVES AND HEDGING ACTIVITIES

The Company is exposed to, among other things, the impact of changes in foreign currency exchange rates and interest rates in the normal course of business. The Company’s risk management program is designed to manage the exposure and volatility arising from these risks, and utilizes derivative financial instruments to offset a portion of these risks. The Company uses derivative financial instruments only to the extent necessary to hedge identified business risks and does not enter into such transactions for trading purposes. The Company generally does not require collateral or other security with counterparties to these financial instruments and is therefore subject to credit risk in the event of nonperformance; however, the Company monitors credit risk and currently does not anticipate nonperformance by other parties. These derivative financial instruments do not subject the Company to undue risk, as gains and losses on these instruments generally offset gains and losses on the underlying assets, liabilities, or anticipated transactions that are being hedged. The Company has agreements with each of its swap, cap and collar counterparties that contain a provision whereby if the Company defaults on the Credit Agreement, the Company could also be declared in default on its swaps, cap and collars resulting in an acceleration of settlement under the swaps, cap and collars.

All derivative financial instruments are recorded at fair value in the condensed consolidated balance sheets. For a derivative that has not been designated as an accounting hedge, the change in the fair value is recognized immediately through earnings. For a derivative that has been designated as an accounting hedge of an existing asset or liability (a fair value hedge), the change in the fair value of both the derivative and underlying asset or liability is recognized immediately through earnings. For a derivative designated as an accounting hedge of an anticipated transaction (a cash flow hedge), the change in the fair value is recorded on the condensed consolidated balance sheets in accumulated other comprehensive loss to the extent the derivative is effective in mitigating the exposure related to the anticipated transaction. The change in the fair value related to the ineffective portion of the hedge, if any, is immediately recognized in earnings. The amount recorded within accumulated other comprehensive loss is reclassified into earnings in the same period during which the underlying hedged transaction affects earnings.

Interest Rate Swap, Cap and Collar Agreements – Interest rate swap, cap and collar agreements are used to manage interest rate risk associated with floating rate borrowings under our Credit Agreement. These agreements involve the receipt of floating rate amounts in exchange for fixed rate interest payments over the term of the agreements without an exchange of the underlying principal amount. The agreements utilized by the Company effectively modify the Company's exposure to interest rate risk by converting a portion of the Company's floating rate debt to a fixed rate basis from the effective date through the maturity date of the respective interest rate swap, cap and collar agreements, thereby reducing the impact of interest rate movements on future interest expense.

During the second quarter of fiscal 2023, we entered into LIBOR to Term SOFR basis interest rate swap and cap transactions to effectively convert our existing swaps and cap from LIBOR-based to Term SOFR-based. The basis swaps and cap offset the LIBOR exposure of the existing swaps and cap and effectively fix the Term SOFR rate for the notional amount. We also entered into forward starting interest rate collar agreements during the second quarter of fiscal 2023. The interest rate collar agreements establish a range where we will pay the counterparties if the three-month Term SOFR rate falls below the established floor rate of 2.00%, and the counterparties will pay us if the three-month Term SOFR rate exceeds the ceiling rate of 3.50%. The collar will settle quarterly from the effective date through the maturity date. No payments or receipts will be exchanged on the interest rate collar contracts unless interest rates rise above or fall below the contracted ceiling or floor rates.

The tables below summarize the key terms of the swaps, cap and collars as of March 30, 2024 (aggregated by effective date).

Interest rate swap agreements:

Aggregate Notional Amount (in millions)	Effective Date	Maturity Date	Conversion of Related Variable Rate Debt subject to Term SOFR to Fixed Rate of:
$400	3/31/2023	6/28/2024	6.25% (3.00% plus the 3.25% margin percentage)
$900	3/31/2023	6/28/2024	6.35% (3.10% plus the 3.25% margin percentage)
$500	3/31/2023	3/31/2025	6.25% (3.00% plus the 3.25% margin percentage)
$1,500	3/31/2023	3/31/2025	6.35% (3.10% plus the 3.25% margin percentage)
$700	3/31/2023	9/30/2025	4.55% (1.30% plus the 3.25% margin percentage)

Interest rate cap agreement:

Aggregate Notional Amount (in millions)	Effective Date	Maturity Date	Offsets Variable Rate Debt Attributable to Fluctuations Above:
$700	3/31/2023	9/30/2025	Three-month Term SOFR rate of 1.25%

Interest rate collar agreements:

Aggregate Notional Amount (in millions)	Effective Date	Maturity Date	Offsets Variable Rate Debt Attributable to Fluctuations Below and Above:
$1,100	3/31/2025	9/30/2026	Three-month Term SOFR rate of 2.00% (floor) and 3.50% (cap)
$500	9/30/2025	9/30/2026	Three-month Term SOFR rate of 2.00% (floor) and 3.50% (cap)

These derivative instruments qualify as effective cash flow hedges under U.S. GAAP. For the LIBOR to Term SOFR basis interest rate swap and cap agreements referenced above, we applied the practical expedients permissible under ASC 848 to continue hedge accounting for our existing swaps and cap as effective cash flow hedges. For our cash flow hedges, the effective portion of the gain or loss from the financial instruments is initially reported as a component of accumulated other comprehensive loss in stockholders’ deficit and subsequently reclassified into earnings in the same line as the hedged item in the same period or periods during which the hedged item affects earnings. As the interest rate swap, cap and collar agreements are used to manage interest rate risk, any gains or losses from the derivative instruments that are reclassified into earnings are recognized in interest expense-net in the condensed consolidated statements of income. Cash flows related to the derivative contracts are included in cash flows from operating activities on the condensed consolidated statements of cash flows.

Certain derivative asset and liability balances are offset where master netting agreements provide for the legal right of setoff. For classification purposes, we record the net fair value of each type of derivative position that is expected to settle in less than one year with each counterparty as a net current asset or liability and each type of long-term position as a net non-current asset or liability. The amounts shown in the table below represent the gross amounts of recognized assets and liabilities, the amounts offset in the condensed consolidated balance sheets and the net amounts of assets and liabilities presented therein (in millions):

	March 30, 2024		September 30, 2023	
	Asset	Liability	Asset	Liability
Interest rate cap agreement	$ 38	$ 1	$ 53	$ 1
Interest rate collar agreements	14	—	17	—
Interest rate swap agreements	88	3	144	3
Net derivatives as classified in the condensed consolidated balance sheets [(1)]	$ 140	$ 4	$ 214	$ 4

(1) Refer to Note 9, “Fair Value Measurements,” for the condensed consolidated balance sheets classification of the Company's interest rate swap, cap and collar agreements.

Based on the fair value amounts determined as of March 30, 2024, the estimated net amount of existing (gains) losses and caplet amortization expected to be reclassified into interest expense-net within the next twelve months is approximately ($72) million.

Foreign Currency Forward Exchange Contracts – The Company transacts business in various foreign currencies, which subjects the Company’s cash flows and earnings to exposure related to changes in foreign currency exchange rates. These exposures arise primarily from purchases or sales of products and services from third parties. Foreign currency forward exchange contracts provide for the purchase or sale of foreign currencies at specified future dates at specified exchange rates, and are used to offset changes in the fair value of certain assets or liabilities or forecasted cash flows resulting from transactions denominated in foreign currencies. At March 30, 2024, the Company has outstanding foreign currency forward exchange contracts to sell U.S. dollars with notional amounts of $83 million. The maximum duration of the Company’s foreign currency cash flow hedge contracts at March 30, 2024 is six months. These notional values consist of contracts for the Canadian dollar and the euro and are stated in U.S. dollar equivalents at spot exchange rates at the respective trade dates. Amounts related to foreign currency forward exchange contracts included in accumulated other comprehensive loss in stockholders' deficit are reclassified into net sales when the hedged transaction settles.

During the twenty-six week period ended March 30, 2024, the losses reclassified on settlements of foreign currency forward exchange contracts designated as cash flow hedges into net sales was approximately $2 million. The losses were previously recorded as a component of accumulated other comprehensive loss in stockholders' deficit. As of March 30, 2024, the Company expects to record a net loss of approximately $2 million on foreign currency forward exchange contracts designated as cash flow hedges to net sales over the next twelve months.

11. SEGMENTS

The Company’s businesses are organized and managed in three reporting segments: Power & Control, Airframe and Non-aviation.

The Power & Control segment includes operations that primarily develop, produce and market systems and components that predominately provide power to or control power of the aircraft utilizing electronic, fluid, power and mechanical motion control technologies. Major product offerings include mechanical/electromechanical actuators and controls, ignition systems and engine technology, specialized pumps and valves, power conditioning devices, specialized AC/DC electric motors and generators, batteries and chargers, databus and power controls, advanced sensor products, switches and relay panels, high performance hoists, winches and lifting devices, and cargo loading, handling and delivery systems. Primary customers of this segment are engine and power system and subsystem suppliers, airlines, third party maintenance suppliers, military buying agencies and repair depots. Products are sold in the original equipment and aftermarket market channels.

The Airframe segment includes operations that primarily develop, produce and market systems and components that are used in non-power airframe applications utilizing airframe and cabin structure technologies. Major product offerings include engineered latching and locking devices, engineered rods, engineered connectors and elastomer sealing solutions, cockpit security components and systems, specialized and advanced cockpit displays, engineered audio, radio and antenna systems, specialized lavatory components, seat belts and safety restraints, engineered and customized interior surfaces and related components, thermal protection and insulation, lighting and control technology, parachutes and specialized flight, wind tunnel and jet engine testing services and equipment. Primary customers of this segment are airframe manufacturers and cabin system suppliers and subsystem suppliers, airlines, third party maintenance suppliers, military buying agencies and repair depots. Products are sold in the original equipment and aftermarket market channels.

The Non-aviation segment includes operations that primarily develop, produce and market products for non-aviation markets. Major product offerings include seat belts and safety restraints for ground transportation applications, mechanical/ electromechanical actuators and controls for space applications, hydraulic/ electromechanical actuators and fuel valves for land-based gas turbines, and refueling systems for heavy equipment used in mining, construction and other industries and turbine controls for the energy and oil and gas markets. Primary customers of this segment are off-road vehicle suppliers and subsystem suppliers, child restraint system suppliers, satellite and space system suppliers, manufacturers of heavy equipment used in mining, construction and other industries and turbine original equipment manufacturers, gas pipeline builders and electric utilities.

The primary measurement used by management to review and assess the operating performance of each segment is EBITDA As Defined. The Company defines EBITDA As Defined as earnings before interest, taxes, depreciation and amortization plus certain non-operating items recorded as corporate expenses including non-cash compensation charges incurred in connection with the Company’s stock incentive or deferred compensation plans, foreign currency gains and losses, acquisition-integration costs, acquisition and divestiture transaction-related expenses, and refinancing costs. Acquisition and divestiture transaction-related costs represent 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 the Company’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 diligence expenses and valuation costs that are required to be expensed as incurred and other acquisition accounting adjustments.

EBITDA As Defined is not a measurement of financial performance under U.S. GAAP. Although the Company uses EBITDA As Defined to assess the performance of its business and for various other purposes, the use of this non-GAAP financial measure as an analytical tool has limitations, and it should not be considered in isolation or as a substitute for analysis of the Company’s results of operations as reported in accordance with U.S. GAAP.

The Company’s segments are reported on the same basis used internally for evaluating performance and for allocating resources. The accounting policies for each segment are the same as those described in the summary of significant accounting policies in the Company’s consolidated financial statements. Intersegment sales and transfers are recorded at values based on market prices, which creates intercompany profit on intersegment sales or transfers that is eliminated in consolidation. Intersegment sales were immaterial for the periods presented below. Corporate consists of our corporate offices. Corporate expenses consist primarily of compensation, benefits, professional services and other administrative costs incurred by the corporate offices. Corporate assets consist primarily of cash and cash equivalents. Corporate expenses and assets reconcile reportable segment data to the consolidated totals. An immaterial amount of corporate expenses is allocated to the operating segments.

The following table presents net sales by reportable segment (in millions):

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	March 30, 2024	April 1, 2023	March 30, 2024	April 1, 2023
Net sales to external customers				
Power & Control				
Commercial and non-aerospace OEM	$ 202	$ 167	$ 379	$ 319
Commercial and non-aerospace aftermarket	290	275	586	517
Defense	422	374	833	705
Total Power & Control	914	816	1,798	1,541
Airframe				
Commercial and non-aerospace OEM	308	230	580	430
Commercial and non-aerospace aftermarket	336	267	660	505
Defense	315	236	581	434
Total Airframe	959	733	1,821	1,369
Total Non-aviation	46	43	89	79
Net Sales	$ 1,919	$ 1,592	$ 3,708	$ 2,989

The following table reconciles EBITDA As Defined by segment to consolidated income from operations before income taxes (in millions):

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	March 30, 2024	April 1, 2023	March 30, 2024	April 1, 2023
EBITDA As Defined				
Power & Control	$ 519	$ 452	$ 1,028	$ 853
Airframe	510	373	940	685
Non-aviation	20	17	37	31
Total segment EBITDA As Defined	1,049	842	2,005	1,569
Less: Unallocated corporate EBITDA As Defined	28	25	72	53
Total Company EBITDA As Defined	1,021	817	1,933	1,516
Depreciation and amortization expense	74	65	143	129
Interest expense-net	326	295	626	581
Acquisition and divestiture transaction-related expenses	14	3	16	6
Non-cash stock and deferred compensation expense	60	42	111	77
Refinancing costs	28	5	28	9
Other, net	—	10	1	17
Income from operations before income taxes	$ 519	$ 397	$ 1,008	$ 697

The following table presents total assets by segment (in millions):

	March 30, 2024	September 30, 2023
Total assets		
Power & Control	$ 7,463	$ 7,315
Airframe	9,214	8,972
Non-aviation	230	234
Corporate	4,670	3,449
	$ 21,577	$ 19,970

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12. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table presents the total changes by component in accumulated other comprehensive loss (“AOCL”), net of taxes, for the twenty-six week periods ended March 30, 2024 and April 1, 2023 (in millions):

	Unrealized (losses) gains on derivatives [(1)]	Pension and post-retirement benefit plans adjustment [(2)]	Foreign currency translation adjustment [(3)]	Total
Balance at September 30, 2023	$ 143	$ 2	$ (243)	$ (98)
Net current-period other comprehensive (loss) income [(4)]	(51)	—	31	(20)
Balance at March 30, 2024	$ 92	$ 2	$ (212)	$ (118)
Balance at September 30, 2022	$ 123	$ (10)	$ (380)	$ (267)
Net current-period other comprehensive (loss) income [(4)]	(9)	—	180	171
Balance at April 1, 2023	$ 114	$ (10)	$ (200)	$ (96)

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(1) Represents unrealized (losses) gains on derivatives designated and qualifying as cash flow hedges, net of taxes, of ($1) million and $8 million for the thirteen week periods ended March 30, 2024 and April 1, 2023, respectively, and $17 million and $1 million for the twenty-six week periods ended March 30, 2024 and April 1, 2023, respectively.

(2) There were no material pension liability adjustments, net of taxes, related to activity on the defined pension plan and postretirement benefit plan for the thirteen and twenty-six week periods ended March 30, 2024 and April 1, 2023, respectively.

(3) Represents gains (losses) resulting from foreign currency translation of financial statements, including gains (losses) from certain intercompany transactions, into U.S. dollars at the rates of exchange in effect at the balance sheet dates.

(4) Presented net of reclassifications out of AOCL into earnings, specifically net sales and interest expense-net, for realized (losses) gains on derivatives designated and qualifying as cash flow hedges of ($2) million (net of taxes of ($0.5) million) and $55 million (net of taxes of $17 million), respectively, for the twenty-six week period ended March 30, 2024 and ($1) million (net of taxes of ($0.2) million) and $21 million (net of taxes of $6 million), respectively, for the twenty-six week period ended April 1, 2023.

13. LEASES

The Company leases certain manufacturing facilities, offices, land, equipment and vehicles. Such leases, some of which are noncancellable and, in many cases, include renewals, expire at various dates. Such options to renew are included in the lease term when it is reasonably certain that the option will be exercised. The Company's lease agreements typically do not contain any significant residual value guarantees or restrictive covenants, and payments within certain lease agreements are adjusted periodically for changes in an index or rate.

The Company determines if an arrangement is a lease at inception. Operating lease assets and liabilities are recognized at the commencement date of the lease based on the present value of lease payments over the lease term. Lease assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. The discount rate implicit within our leases is generally not determinable and therefore we determine the discount rate based on our incremental borrowing rate. The incremental borrowing rate for our leases is determined based on the lease term and the currency in which lease payments are made. The length of a lease term includes options to extend or terminate the lease when it is reasonably certain that the Company will exercise those options. The Company made an accounting policy election to not recognize lease assets or liabilities for leases with a term of twelve months or less. Additionally, when accounting for leases, the Company combines payments for leased assets, related services and other components of a lease.

The components of lease expense are as follows (in millions):

		Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	Classification	March 30, 2024	April 1, 2023	March 30, 2024	April 1, 2023
Operating lease cost	Cost of sales or selling and administrative expenses	$ 5	$ 5	$ 10	$ 10
Finance lease cost:					
Amortization of leased assets	Cost of sales	3	2	6	5
Interest on lease liabilities	Interest expense-net	4	3	7	6
Total lease cost		$ 12	$ 10	$ 23	$ 21

Supplemental cash flow information related to leases is as follows (in millions):

	Twenty-Six Week Periods Ended	
	March 30, 2024	April 1, 2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	$ 10	$ 10
Operating cash outflows from finance leases	6	5
Financing cash outflows from finance leases	3	2
Lease assets obtained in exchange for new lease obligations:		
Operating leases	$ 2	$ 5
Financing leases	65	48

Supplemental balance sheet information related to leases is as follows (in millions):

	Classification	March 30, 2024	September 30, 2023
Operating Leases			
Operating lease right-of-use assets	Other non-current assets	$ 56	$ 64
Current operating lease liabilities	Accrued and other current liabilities	15	16
Long-term operating lease liabilities	Other non-current liabilities	44	51
Total operating lease liabilities		$ 59	$ 67
Finance Leases			
Finance lease right-of-use assets, net	Property, plant and equipment-net	$ 241	$ 176
Current finance lease liabilities	Current portion of long-term debt	5	5
Long-term finance lease liabilities	Long-term debt	254	188
Total finance lease liabilities		$ 259	$ 193

As of March 30, 2024, the Company has the following remaining lease term and weighted average discount rates:

Weighted-average remaining lease term	
Operating leases	5.4 years
Finance leases	21.4 years
Weighted-average discount rate	
Operating leases	6.0%
Finance leases	7.0%

Maturities of lease liabilities at March 30, 2024 are as follows (in millions):

	Operating Leases	Finance Leases
2024	$ 9	$ 9
2025	18	20
2026	13	20
2027	10	22
2028	6	22
Thereafter	14	451
Total future minimum lease payments	70	544
Less: imputed interest	11	285
Present value of lease liabilities reported	$ 59	$ 259

14. COMMITMENTS AND CONTINGENCIES

During the ordinary course of business, the Company is from time to time threatened with, or may become a party to, legal actions and other proceedings. While the Company is currently involved in certain legal proceedings, it believes the results of these proceedings will not have a material adverse effect on its financial condition, results of operations, or cash flows.

DOD OIG Audit – TransDigm's subsidiaries are periodically subject to pricing reviews and government buying agencies that purchase some of our subsidiaries' products are periodically subject to audits by the Department of Defense ("DOD") Office of Inspector General ("OIG") with respect to prices paid for such products. In 2019, the DOD OIG received a congressional letter requesting a comprehensive review of TransDigm's contracts with the DOD from January 2017 through June 2019 to identify whether TransDigm earned excess profits. This subsequently resulted in an audit by the DOD OIG in which the objective was to determine whether TransDigm's business model impacted the DOD's ability to pay fair and reasonable prices for spare parts. In December 2021, the OIG completed the audit and issued the related audit report. Despite the audit report making clear there was no wrongdoing by TransDigm, its businesses, or the DOD, the report recommended that TransDigm voluntarily refund at least $21 million in excess profit on 150 contracts subject to the audit.

TransDigm disagrees with many of the implications contained in the report, and objects to the use of arbitrary standards and analysis which render many areas of the report inaccurate and misleading. These include: (1) The report expressly acknowledges that it used arbitrary standards that are not applicable to the audited contracts and warns that its arbitrary standards should not be used in the future. The use of inapplicable standards results in flawed analysis and is misleading; (2) The report ignores significant real costs incurred by the business and contrary to law reports these costs as excess profit; (3) Despite data demonstrating that the DOD paid lower prices compared to the commercial prices for similar parts, the report did not conduct a price analysis and instead implies that the DOD negotiated prices were too high.

No loss contingency related to the voluntary refund request has been recorded as of March 30, 2024 as the Company has concluded that based on the current facts and circumstances, it's uncertain as to whether or not the requested voluntary refund will be made.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-looking Statements

The following discussion of the Company’s financial condition and results of operations should be read together with TD Group’s condensed consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q. References in this section to “TransDigm,” “the Company,” “we,” “us,” “our,” and similar references refer to TD Group, TransDigm Inc. and TransDigm Inc.’s subsidiaries, unless the context otherwise indicates.

This Quarterly Report on Form 10-Q contains both historical and “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and 27A of the Securities Act of 1933, as amended. All statements other than statements of historical fact included that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements, including, in particular, the statements about our plans, objectives, strategies and prospects regarding, among other things, our financial condition, results of operations and business. We have identified some of these forward-looking statements with words like “believe,” “may,” “will,” “should,” “expect,” “intend,” “plan,” “predict,” “anticipate,” “estimate” or “continue” and other words and terms of similar meaning. These forward-looking statements may be contained throughout this Quarterly Report on Form 10-Q. These forward-looking statements are based on current expectations about future events affecting us and are subject to uncertainties and factors relating to, among other things, our operations and business environment, all of which are difficult to predict and many of which are beyond our control. Many factors mentioned in our discussion in this Quarterly Report on Form 10-Q, including the risks outlined under “Risk Factors,” will be important in determining future results. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we do not know whether our expectations will prove correct. They can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties, including the risks outlined under “Risk Factors,” will be important in determining future results. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we do not know whether our expectations will prove correct. They can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties, including those described under “Risk Factors” in this Quarterly Report on Form 10-Q. Since our actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements, we cannot give any assurance that any of the events anticipated by these forward-looking statements will occur or, if any of them does occur, what impact they will have on our business, results of operations and financial condition. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date they are made. We do not undertake any obligation to update these forward-looking statements or the risk factors contained in this Quarterly Report on Form 10-Q to reflect new information, future events or otherwise, except as may be required under federal securities laws.

Important factors that could cause actual results to differ materially from the forward-looking statements made in this Quarterly Report on Form 10-Q 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. Refer to Part II, Item 1A included in this Quarterly Report on Form 10-Q and to Part II, Item 1A of the Annual Report on Form 10-K for additional information regarding the foregoing factors that may affect our business.

Overview

We believe we are a leading global designer, producer and supplier of highly engineered proprietary aerospace components with significant aftermarket content. We seek to develop highly customized products to solve specific needs for aircraft operators and manufacturers. We attempt to differentiate ourselves based on engineering, service and manufacturing capabilities. We typically choose not to compete for non-proprietary "build to print" business because it frequently offers lower margins than proprietary products. We believe that our products have strong brand names within the industry and that we have a reputation for high quality, reliability and strong customer support. We believe we have achieved steady, long-term growth in sales and improvements in operating performance we believe that due to our competitive strengths and through execution of our value-driven operating strategy. More specifically, focusing our businesses on our value-driven operating strategy of obtaining profitable new business, carefully controlling the cost structure and pricing our highly engineered value-added products to fairly reflect the value we provide and the resources required to do so has historically resulted in improvements in gross profit and income from operations over the long-term.

Our business is well diversified due to the broad range of products that we offer to our customers. Our major product offerings, substantially all of which are ultimately provided to end-users in the aerospace industry, include mechanical/electromechanical actuators and controls, ignition systems and engine technology, specialized pumps and valves, power conditioning devices, specialized AC/DC electric motors and generators, batteries and chargers, engineered latching and locking devices, engineered rods, engineered connectors and elastomer sealing solutions, databus and power controls, cockpit security components and systems, specialized and advanced cockpit displays, engineered audio, radio and antenna systems, specialized lavatory components, seat belts and safety restraints, engineered and customized interior surfaces and related components, advanced sensor products, switches and relay panels, thermal protection and insulation, lighting and control technology, parachutes, high performance hoists, winches and lifting devices, cargo loading, handling and delivery systems and specialized flight, wind tunnel and jet engine testing services and equipment. Each of our product offerings is composed of many individual products that are typically customized to meet the needs of a particular aircraft platform or customer.

For the second quarter of fiscal year 2024, we generated net sales of $1,919 million and net income attributable to TD Group of $403 million. EBITDA As Defined was $1,021 million, or 53.2% of net sales. Refer to the “Non-GAAP Financial Measures” section for certain information regarding EBITDA and EBITDA As Defined, including reconciliations of EBITDA and EBITDA As Defined to income from operations and net cash provided by operating activities.

In the first half of fiscal 2024, the rebound in our commercial aerospace end markets from the COVID-19 pandemic continued, and we remain encouraged by the progression of the commercial aerospace market recovery to date, building off of the progress from fiscal 2023. Commercial air travel in domestic markets continues to lead the air traffic recovery with most domestic markets nearing, achieving or surpassing pre-pandemic air traffic levels. The pace of the international recovery has been slower than the domestic recovery. However, international revenue passenger kilometers (“RPKs”), a metric used to measure air traffic demand, continue to make positive strides. According to the International Air Transport Association (“IATA”), February 2024 marked the first occurrence in which both domestic and international RPKs surpassed 2019 (i.e., pre-pandemic) levels. We expect the Company's commercial aerospace end markets to continue progressing the remainder of fiscal 2024 barring any significant disruptions or setbacks. In the first half of fiscal 2024, we experienced improved sales in the commercial original equipment manufacturer (“OEM”) sector primarily due to increased aircraft production by Boeing and Airbus. Aircraft production rates still remain below pre-pandemic levels, mainly due to continued commercial OEM supply chain and production issues that are slowing the pace of new aircraft manufacturing. Airline demand for new aircraft is strong and both Boeing and Airbus have disclosed further planned OEM production rate increases for calendar 2024; however, we are continuing to monitor the Federal Aviation Administration's recent halting of Boeing's planned MAX production increase due to Boeing's ongoing quality control issues.

The pace of U.S. government defense spending outlays and government funding reprioritization provides for uncertainty in the defense aerospace market. Beginning in the second half of fiscal 2023 and continuing into the first half of fiscal 2024, defense sales have increased compared to the comparable prior year period due to improving U.S. government defense spend outlays. Department of Defense (“DOD”) budgets have also trended upwards; however, the ongoing conflicts between Russia and Ukraine and Israel and Hamas and potential impact on reprioritization of U.S. government defense spending and other ancillary impacts of these conflicts causes uncertainty.

The global supply chain and labor markets, though improving, continue to be disrupted. The disruption has resulted in delays in the availability of certain raw materials and increased freight costs, raw material costs and labor costs. Our business has been adversely affected, though not materially, and could continue to be adversely affected by disruptions in our ability to timely obtain raw materials and components from our suppliers in the quantities we require or on favorable terms. Although we believe in most cases that we could identify alternative suppliers, or alternative raw materials or component parts, the lengthy and expensive aviation authority and OEM certification processes associated with aerospace products could prevent efficient replacement of a supplier, raw material or component part.

Critical Accounting Policies and Estimates

The preparation and fair presentation of the consolidated unaudited interim financial statements and accompanying notes included in this report are the responsibility of management. The financial statements and footnotes have been prepared in conformity with generally accepted accounting principles in the United States (“U.S. GAAP”) for interim financial statements and contain certain amounts that were based upon management’s best estimates, judgments and assumptions that were believed to be reasonable under the circumstances. On an ongoing basis, we evaluate the accounting policies and estimates used to prepare financial statements. Estimates are based on historical experience, judgments and assumptions believed to be reasonable under current facts and circumstances. Actual amounts and results could differ from these estimates used by management.

A comprehensive discussion of the Company’s critical accounting policies and management estimates and significant accounting policies followed in the preparation of the financial statements is included in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended September 30, 2023, filed on November 9, 2023. Refer to Note 1, “Basis of Presentation,” in the notes to the condensed consolidated financial statements included herein for further disclosure of accounting standards recently adopted or required to be adopted in the future.

Acquisitions

Recent acquisitions are described in Note 2, “Acquisitions,” in the notes to the condensed consolidated financial statements included herein.

Results of Operations

The following table sets forth, for the periods indicated, certain operating data of the Company, including presentation of the amounts as a percentage of net sales (amounts in millions, except per share data):

	Thirteen Week Periods Ended			
	March 30, 2024	% of Net Sales	April 1, 2023	% of Net Sales
Net sales	$ 1,919	100.0 %	$ 1,592	100.0 %
Cost of sales	767	40.0 %	663	41.6 %
Selling and administrative expenses	248	12.9 %	199	12.5 %
Amortization of intangible assets	37	1.9 %	35	2.2 %
Income from operations	867	45.2 %	695	43.7 %
Interest expense-net	326	17.0 %	295	18.5 %
Refinancing costs	28	1.5 %	5	0.3 %
Other income	(6)	(0.3)%	(2)	(0.1)%
Income tax provision	115	6.0 %	93	5.8 %
Income from operations	404	21.1 %	304	19.1 %
Less: Net income attributable to noncontrolling interests	(1)	(0.1)%	—	— %
Net income attributable to TD Group	$ 403	21.0 %	$ 304	19.1 %
Net income applicable to TD Group common stockholders	$ 403 (1)	21.0 %	$ 304 (1)	19.1 %
Earnings per share attributable to TD Group common stockholders:				
Basic and diluted	$ 6.97 (2)		$ 5.32 (2)	
Weighted-average shares outstanding—basic and diluted	57.8		57.1	
Other Data:				
EBITDA	$ 919 (3)		$ 757 (3)	
EBITDA As Defined	$ 1,021 (3)	53.2 %	$ 817 (3)	51.3 %

(1) Net income applicable to TD Group common stockholders represents net income attributable to TD Group less special dividends paid on participating securities, including dividend equivalent payments. No special dividends were declared or paid on participating securities, including dividend equivalent payments, for the thirteen week periods ended March 30, 2024 and April 1, 2023.

(2) Earnings per share is calculated by dividing net income applicable to TD Group common stockholders by the basic and diluted weighted average common shares outstanding.

(3) Refer to “Non-GAAP Financial Measures” in this discussion and analysis for additional information and limitations regarding these non-GAAP financial measures, including a reconciliation to the comparable U.S. GAAP financial measure.

	Twenty-Six Week Periods Ended			
	March 30, 2024	% of Net Sales	April 1, 2023	% of Net Sales
Net sales	$ 3,708	100.0 %	$ 2,989	100.0 %
Cost of sales	1,515	40.9 %	1,268	42.4 %
Selling and administrative expenses	467	12.6 %	369	12.3 %
Amortization of intangible assets	72	1.9 %	68	2.3 %
Income from operations	1,654	44.6 %	1,284	43.0 %
Interest expense-net	626	16.9 %	581	19.4 %
Refinancing costs	28	0.8 %	9	0.3 %
Other income	(8)	(0.2)%	(3)	(0.1)%
Income tax provision	222	6.0 %	164	5.5 %
Income from operations	786	21.2 %	533	17.8 %
Less: Net income attributable to noncontrolling interests	(1)	— %	(1)	— %
Net income attributable to TD Group	$ 785	21.2 %	$ 532	17.8 %
Net income applicable to TD Group common stockholders	$ 684 [1]	18.4 %	$ 494 [1]	16.5 %
Earnings per share attributable to TD Group common stockholders:				
Basic and diluted	$ 11.83 [2]		$ 8.65 [2]	
Cash dividends paid per common share	$ 35.00		$ —	
Weighted-average shares outstanding—basic and diluted	57.8		57.1	
Other Data:				
EBITDA	$ 1,777 [3]		$ 1,407 [3]	
EBITDA As Defined	$ 1,933 [3]	52.1 %	$ 1,516 [3]	50.7 %

(1) Net income applicable to TD Group common stockholders represents net income attributable to TD Group less special dividends declared or paid on participating securities, including dividend equivalent payments of $101 million and $38 million for the twenty-six week periods ended March 30, 2024 and April 1, 2023, respectively.

(2) Earnings per share is calculated by dividing net income applicable to TD Group common stockholders by the basic and diluted weighted average common shares outstanding.

(3) Refer to “Non-GAAP Financial Measures” in this discussion and analysis for additional information and limitations regarding these non-GAAP financial measures, including a reconciliation to the comparable U.S. GAAP financial measure.

Changes in Results of Operations

Thirteen week period ended March 30, 2024 compared with the thirteen week period ended April 1, 2023

Total Company

- **Net Sales.** Net organic sales and acquisition sales and the related dollar and percentage changes for the thirteen week periods ended March 30, 2024 and April 1, 2023 were as follows (amounts in millions):

	Thirteen Week Periods Ended			
	March 30, 2024	April 1, 2023	Change	% Change Net Sales
Organic sales	$ 1,849	$ 1,592	$ 257	16.1 %
Acquisition sales	70	—	70	4.4 %
Net sales	$ 1,919	$ 1,592	$ 327	20.5 %

Organic sales represent net sales from existing businesses owned by the Company, excluding sales from acquisitions. Acquisition sales represent net sales from acquired businesses for the period up to one year subsequent to their respective acquisition date. We believe this measure provides investors with a supplemental understanding of underlying sales trends by providing sales growth on a consistent basis. Refer to Note 2, “Acquisitions,” in the notes to the condensed consolidated financial statements included herein for further information on the Company's recent acquisitions activity.

The increase in organic sales of $257 million for the thirteen week period ended March 30, 2024 compared to the thirteen week period ended April 1, 2023 is primarily related to increases in defense sales ($127 million, an increase of 20.8%), commercial OEM sales ($79 million, an increase of 22.0%) and commercial aftermarket sales ($41 million, an increase of 7.9%). The increase in defense sales is primarily attributable to improving U.S. government defense spend outlays. The increase in commercial OEM sales is primarily attributable to the continued recovery in both narrow-body and wide-body aircraft production and deliveries. The increase in commercial aftermarket sales is primarily attributable to the continued recovery in commercial air travel demand and the resulting higher flight hours and utilization of aircraft in the second quarter of fiscal 2024 compared to fiscal 2023, particularly internationally.

The acquisition sales for the thirteen week period ended March 30, 2024 are primarily attributable to Calspan Corporation (“Calspan”), which was acquired in the third quarter of fiscal 2023.

- **Cost of Sales and Gross Profit.** Cost of sales increased by $104 million, or 15.7%, to $767 million for the thirteen week period ended March 30, 2024 compared to $663 million for the thirteen week period ended April 1, 2023. Cost of sales and the related percentage of net sales for the thirteen week periods ended March 30, 2024 and April 1, 2023 were as follows (amounts in millions):

	Thirteen Week Periods Ended			
	March 30, 2024	April 1, 2023	Change	% Change
Cost of sales - excluding costs below	$ 780	$ 661	$ 119	18.0 %
% of net sales	40.6 %	41.5 %		
Non-cash stock and deferred compensation expense	6	5	1	20.0 %
% of net sales	0.3 %	0.3 %		
Inventory acquisition accounting adjustments	2	—	2	100.0 %
% of net sales	0.1 %	— %		
Foreign currency (gains) losses	(9)	4	(13)	(325.0)%
% of net sales	(0.5)%	0.3 %		
Loss contract amortization	(12)	(7)	(5)	(71.4)%
% of net sales	(0.6)%	(0.4)%		
Total cost of sales	$ 767	$ 663	$ 104	15.7 %
% of net sales	40.0 %	41.6 %		
Gross profit (Net sales less Total cost of sales)	$ 1,152	$ 929	$ 223	24.0 %
Gross profit percentage (Gross profit / Net sales)	60.0 %	58.4 %		

Cost of sales during the thirteen week period ended March 30, 2024 decreased as a percentage of net sales despite continued inflationary pressures. This was primarily driven by the application of our three core value-driven operating strategy (obtaining profitable new business, continually improving our cost structure and providing highly engineered value-added products to customers) coupled with fixed overhead costs incurred being spread over a higher production volume, which contributed to the gross profit as a percentage of net sales increasing by 1.6 percentage points to 60.0% for the thirteen week period ended March 30, 2024 from 58.4% for the thirteen week period ended April 1, 2023.

- **Selling and Administrative Expenses.** Selling and administrative expenses increased by $49 million to $248 million, or 12.9% of net sales, for the thirteen week period ended March 30, 2024 from $199 million, or 12.5% of net sales, for the thirteen week period ended April 1, 2023. Selling and administrative expenses and the related percentage of net sales for the thirteen week periods ended March 30, 2024 and April 1, 2023 were as follows (amounts in millions):

	Thirteen Week Periods Ended			
	March 30, 2024	April 1, 2023	Change	% Change
Selling and administrative expenses - excluding costs below	$ 184	$ 159	$ 25	15.7 %
% of net sales	9.6 %	10.0 %		
Non-cash stock and deferred compensation expense	53	37	16	43.2 %
% of net sales	2.8 %	2.3 %		
Acquisition and divestiture transaction-related expenses	11	3	8	266.7 %
% of net sales	0.6 %	0.2 %		
Total selling and administrative expenses	$ 248	$ 199	$ 49	24.6 %
% of net sales	12.9 %	12.5 %		

Excluding non-cash stock and deferred compensation expense and acquisition and divestiture transaction-related expenses, selling and administrative expenses as a percentage of net sales for the thirteen week period ended March 30, 2024 decreased as a percentage of net sales compared to the thirteen week period ended April 1, 2023 despite the higher inflationary environment compared to a year ago due to continued strategic cost mitigation efforts. The increase in non-cash stock and deferred compensation expense is primarily attributable to the increase in the Black-Scholes fair value of the stock option grants impacting non-cash stock compensation expense. The increase in the Black-Scholes fair value is due to the appreciation of the stock price, which is a key assumption used to determine the Black-Scholes fair value. Refer to Note 2, "Acquisitions," in the notes to the condensed consolidated financial statements included herein for the activity impacting the increase in acquisition and divestiture transaction-related expenses.

- **Amortization of Intangible Assets.** Amortization of intangible assets was $37 million for the thirteen week period ended March 30, 2024 compared to $35 million for the thirteen week period ended April 1, 2023. The increase in amortization expense of

$2 million was primarily due to the amortization expense recognized on intangible assets from the third quarter of fiscal 2023 acquisition of Calspan.

- **Interest Expense-net.** Interest expense-net includes interest on borrowings outstanding, amortization of debt issuance costs, original issue discount and premium, revolving credit facility fees, finance leases, interest income and the impact of interest rate swaps and caps designated and qualifying as cash flow hedges. Interest expense-net increased $31 million, or 10.5%, to $326 million for the thirteen week period ended March 30, 2024 from $295 million for the comparable thirteen week period in the prior fiscal year. The increase in interest expense-net was primarily due an increase in the base rates, i.e., Term Secured Overnight Financing Rate ("Term SOFR") and London Inter-Bank Offered Rate ("LIBOR"), to the portion of our variable rate debt that is not hedged (refer to Note 10, "Derivatives and Hedging Activities" for information on our hedges). This was partially offset by a $20 million increase in interest income. The weighted average interest rate for cash interest payments on total borrowings outstanding for the thirteen week period ended March 30, 2024 was 6.3% compared to 6.2% for the thirteen week period ended April 1, 2023.

- **Refinancing Costs.** Refinancing costs of $28 million incurred for the thirteen week period ended March 30, 2024 were primarily related to the write-off of unamortized debt issuance costs recorded in conjunction with the redemption of the 2026 Secured Notes, which was completed during the thirteen week period ended March 30, 2024 (refer to Note 7, "Debt," in the notes to the condensed consolidated financial statements included herein for additional details). Refinancing costs of $5 million incurred for the thirteen week period ended April 1, 2023 were primarily related to third party fees incurred for the refinancing activity under Amendment No. 11, Loan Modification Agreement and Refinancing Facility Agreement (herein, "Amendment No. 11"), to the Second Amended and Restated Credit Agreement, dated June 4, 2014 (the "Credit Agreement") completed during the second quarter of fiscal 2023.

- **Other Income.** Other income was $6 million for the thirteen week period ended March 30, 2024 compared to $2 million for the thirteen week period ended April 1, 2023. Other income for the thirteen week period ended March 30, 2024 primarily related to proceeds received from a patent infringement settlement and the non-service related components of benefit costs on the Company's benefit plans. Other income for the thirteen week period ended April 1, 2023 primarily related to the non-service related components of benefit costs on the Company's benefit plans.
- **Income Tax Provision.** Income tax expense as a percentage of income before income taxes was approximately 22.2% for the thirteen week period ended March 30, 2024 compared to 23.4% for the thirteen week period ended April 1, 2023. The Company’s lower effective tax rate for the thirteen week period ended March 30, 2024 was primarily due to a less significant impact on the rate from the valuation allowance applicable to the Company's net interest deduction limitation carryforward.
- **Net Income Attributable to TD Group.** Net income attributable to TD Group increased $99 million, or 32.6%, to $403 million for the thirteen week period ended March 30, 2024 compared to net income attributable to TD Group of $304 million for the thirteen week period ended April 1, 2023, primarily as a result of the factors referenced above.
- **Earnings per Share.** Basic and diluted earnings per share was $6.97 for the thirteen week period ended March 30, 2024 and $5.32 for the thirteen week period ended April 1, 2023.

Business Segments

- **Segment Net Sales.** Net sales by segment for the thirteen week periods ended March 30, 2024 and April 1, 2023 were as follows (amounts in millions):

	Thirteen Week Periods Ended					
	March 30, 2024	% of Net Sales	April 1, 2023	% of Net Sales	Change	% Change
Power & Control	$ 914	47.6 %	$ 816	51.3 %	$ 98	12.0 %
Airframe	959	50.0 %	733	46.0 %	226	30.8 %
Non-aviation	46	2.4 %	43	2.7 %	3	7.0 %
Net sales	$ 1,919	100.0 %	$ 1,592	100.0 %	$ 327	20.5 %

Net sales for the Power & Control segment increased $98 million, an increase of 12.0%, for the thirteen week period ended March 30, 2024 compared to the thirteen week period ended April 1, 2023. The sales increase resulted primarily from increases in organic sales in defense ($48 million, an increase of 12.7%), commercial OEM ($36 million, an increase of 24.4%) and commercial aftermarket ($14 million, an increase of 5.4%). The increase in defense sales is primarily attributable to improving U.S. government defense spend outlays. The increase in commercial OEM sales is primarily attributable to the continued recovery in both narrow-body and wide-body aircraft production and deliveries. The increase in commercial aftermarket sales is primarily attributable to the continued recovery in commercial air travel demand and the resulting higher flight hours and utilization of aircraft in the second quarter of fiscal 2024 compared to fiscal 2023.

Net sales for the Airframe segment increased $226 million, an increase of 30.8%, for the thirteen week period ended March 30, 2024 compared to the thirteen week period ended April 1, 2023. The sales increase resulted primarily from increases in organic sales in defense ($78 million, an increase of 33.3%), commercial OEM ($43 million, an increase of 20.8%) and commercial aftermarket ($27 million, an increase of 10.4%). The increase in defense sales, commercial OEM sales and commercial aftermarket sales for the Airframe segment is attributable to the same factors described in the paragraph above for the Power & Control segment. Acquisition sales were approximately $70 million for the thirteen week period ended March 30, 2024 primarily due to the impact of the Calspan acquisition. Acquisition sales represent net sales from acquired businesses for the period up to one year subsequent to their respective acquisition date.

The change in Non-aviation net sales compared to the thirteen week period in the prior fiscal year was not material.

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- **EBITDA As Defined.** Refer to "Non-GAAP Financial Measures" in this discussion and analysis for additional information and limitations regarding these non-GAAP financial measures, including a reconciliation to the comparable U.S. GAAP financial measure. EBITDA As Defined by segment for the thirteen week periods ended March 30, 2024 and April 1, 2023 were as follows (amounts in millions):

	Thirteen Week Periods Ended					
	March 30, 2024	% of Segment Net Sales	April 1, 2023	% of Segment Net Sales	Change	% Change
Power & Control	$ 519	56.8 %	$ 452	55.4 %	$ 67	14.8 %
Airframe	510	53.2 %	373	50.9 %	137	36.7 %
Non-aviation	20	43.5 %	17	39.5 %	3	17.6 %
Total segment EBITDA As Defined	1,049	54.7 %	842	52.9 %	207	24.6 %
Less: Unallocated corporate EBITDA As Defined	28	1.5 % (1)	25	1.6 % (1)	3	12.0 %
Total Company EBITDA As Defined	$ 1,021	53.2 % (1)	$ 817	51.3 % (1)	$ 204	25.0 %

(1) Calculated as a percentage of consolidated net sales.

EBITDA As Defined for the Power & Control segment increased approximately $67 million, an increase of 14.8%, resulting from higher organic sales in the defense, commercial OEM and commercial aftermarket channels. Also contributing to the increase in EBITDA As Defined was the application of our three core value-driven operating strategy and positive leverage on our fixed overhead costs spread over a higher production volume despite the ongoing inflationary environment for freight, labor and certain raw materials.

EBITDA As Defined for the Airframe segment increased approximately $137 million, an increase of 36.7%. The increase in EBITDA as Defined for the Airframe segment is attributable to the same factors described in the paragraph above for the Power & Control segment. EBITDA As Defined for the Airframe segment from acquisitions was approximately $25 million primarily due to the impact of the Calspan acquisition. EBITDA As Defined from acquisitions represents EBITDA As Defined from acquired businesses for the period up to one year subsequent to the respective acquisition date.

The change in Non-aviation EBITDA As Defined compared to the thirteen week period in the prior fiscal year was not material.

Corporate expenses consist primarily of compensation, benefits, professional services and other administrative costs incurred by the corporate offices. An immaterial amount of corporate expenses is allocated to the operating segments. The increase compared to the thirteen week period in the prior fiscal year is primarily attributable to the current fiscal year portion of the deferred compensation plan adopted in the fourth quarter of fiscal 2022 for certain members of non-executive management.

Twenty-six week period ended March 30, 2024 compared with the twenty-six week period ended April 1, 2023

Total Company

- **Net Sales.** Net organic sales and acquisition sales and the related dollar and percentage changes for the twenty-six week periods ended March 30, 2024 and April 1, 2023 were as follows (amounts in millions):

	Twenty-Six Week Periods Ended			
	March 30, 2024	April 1, 2023	Change	% Change Net Sales
Organic sales	$ 3,575	$ 2,989	$ 586	19.6 %
Acquisition sales	133	—	133	4.4 %
Net sales	$ 3,708	$ 2,989	$ 719	24.1 %

Organic sales represent net sales from existing businesses owned by the Company, excluding sales from acquisitions. Acquisition sales represent net sales from acquired businesses for the period up to one year subsequent to their respective acquisition date. We believe this measure provides investors with a supplemental understanding of underlying sales trends by providing sales growth on a consistent basis. Refer to Note 2, "Acquisitions," in the notes to the condensed consolidated financial statements included herein for further information on the Company's recent acquisitions activity.

The increase in organic sales of $586 million for the twenty-six week period ended March 30, 2024 compared to the twenty-six week period ended April 1, 2023 is primarily related to increases in defense sales ($276 million, an increase of 24.1%), commercial OEM sales ($156 million, an increase of 23.3%) and commercial aftermarket sales ($142 million, an increase of 14.2%). The increase in defense sales is primarily attributable to improving U.S. government defense spend outlays. The increase in commercial OEM sales is primarily attributable to the continued recovery in both narrow-body and wide-body aircraft production and deliveries. The increase in commercial aftermarket sales is primarily attributable to the continued recovery in commercial air travel demand and the resulting higher flight hours and utilization of aircraft in the first half of fiscal 2024 compared to fiscal 2023, particularly internationally.

The acquisition sales for the twenty-six week period ended March 30, 2024 are primarily attributable to Calspan, which was acquired in the third quarter of fiscal 2023.

- **Cost of Sales and Gross Profit.** Cost of sales increased by $247 million, or 19.5%, to $1,515 million for the twenty-six week period ended March 30, 2024 compared to $1,268 million for the twenty-six week period ended April 1, 2023. Cost of sales and the related percentage of net sales for the twenty-six week periods ended March 30, 2024 and April 1, 2023 were as follows (amounts in millions):

	Twenty-Six Week Periods Ended			
	March 30, 2024	April 1, 2023	Change	% Change
Cost of sales - excluding costs below	$ 1,513	$ 1,255	$ 258	20.6 %
% of net sales	40.8 %	42.0 %		
Non-cash stock and deferred compensation expense	12	8	4	50.0 %
% of net sales	0.3 %	0.3 %		
Foreign currency losses	5	22	(17)	(77.3)%
% of net sales	0.1 %	0.7 %		
Inventory acquisition accounting adjustments	2	2	—	— %
% of net sales	0.1 %	0.1 %		
Loss contract amortization	(17)	(19)	2	10.5 %
% of net sales	(0.5)%	(0.5)%		
Total cost of sales	$ 1,515	$ 1,268	$ 247	19.5 %
% of net sales	40.9 %	42.4 %		
Gross profit (Net sales less Total cost of sales)	$ 2,193	$ 1,721	$ 472	27.4 %
Gross profit percentage (Gross profit / Net sales)	59.1 %	57.6 %		

Cost of sales during the twenty-six week period ended March 30, 2024 decreased as a percentage of net sales despite increased inflationary pressures. This was primarily driven by the application of our three core value-driven operating strategy (obtaining profitable new business, continually improving our cost structure and providing highly engineered value-added products to customers) coupled with fixed overhead costs incurred being spread over a higher production volume, which contributed to the gross profit as a percentage of net sales increasing by 1.5 percentage points to 59.1% for the twenty-six week period ended March 30, 2024 from 57.6% for the twenty-six week period ended April 1, 2023.

Foreign exchange rates, particularly the U.S. dollar compared to the British pound and the euro, weakened at a more significant rate in the first half of fiscal 2023 compared to fiscal 2024, resulting in a decrease in foreign currency losses in fiscal 2024.

- **Selling and Administrative Expenses.** Selling and administrative expenses increased by $98 million to $467 million, or 12.6% of net sales, for the twenty-six week period ended March 30, 2024 from $369 million, or 12.3% of net sales, for the twenty-six week period ended April 1, 2023. Selling and administrative expenses and the related percentage of net sales for the twenty-six week periods ended March 30, 2024 and April 1, 2023 were as follows (amounts in millions):

	Twenty-Six Week Periods Ended			
	March 30, 2024	April 1, 2023	Change	% Change
Selling and administrative expenses - excluding costs below	$ 355	$ 296	$ 59	19.9 %
% of net sales	9.6 %	9.9 %		
Non-cash stock and deferred compensation expense	100	69	31	44.9 %
% of net sales	2.7 %	2.3 %		
Acquisition and divestiture transaction-related expenses	12	4	8	200.0 %
% of net sales	0.3 %	0.1 %		
Total selling and administrative expenses	$ 467	$ 369	$ 98	26.6 %
% of net sales	12.6 %	12.3 %		

Excluding non-cash stock and deferred compensation expense and acquisition and divestiture transaction-related expenses, selling and administrative expenses as a percentage of net sales for the twenty-six week period ended March 30, 2024 decreased compared to the twenty-six week period ended April 1, 2023 despite the higher inflationary environment compared to a year ago due to continued strategic cost mitigation efforts. The increase in non-cash stock and deferred compensation expense is primarily attributable to the increase in the Black-Scholes fair value of the stock option grants impacting non-cash stock compensation expense. The increase in the Black-Scholes fair value is due to the appreciation of the stock price, which is a key assumption used to determine the Black-Scholes fair value. Refer to Note 2, “Acquisitions,” in the notes to the condensed consolidated financial statements included herein for the activity impacting the increase in acquisition and divestiture transaction-related expenses.

- **Amortization of Intangible Assets.** Amortization of intangible assets was $72 million for the twenty-six week period ended March 30, 2024 compared to $68 million for the twenty-six week period ended April 1, 2023. The increase in amortization expense of $4 million was primarily due to the amortization expense recognized on intangible assets from the third quarter of fiscal 2023 acquisition of Calspan.

- **Interest Expense-net.** Interest expense-net includes interest on borrowings outstanding, amortization of debt issuance costs, original issue discount and premium, revolving credit facility fees, finance leases, interest income and the impact of interest rate swaps and caps designated and qualifying as cash flow hedges. Interest expense-net increased $45 million, or 7.7%, to $626 million for the twenty-six week period ended March 30, 2024 from $581 million for the comparable twenty-six week period in the prior fiscal year. The increase in interest expense-net was primarily due an increase in the base rates, i.e., Term SOFR and LIBOR, to the portion of our variable rate debt that is not hedged via an interest rate swap or cap. This was partially offset by a $35 million increase in interest income. The weighted average interest rate for cash interest payments on total borrowings outstanding for the twenty-six week period ended March 30, 2024 was 6.3% compared to 6.2% for the twenty-six week period ended April 1, 2023.

- **Refinancing Costs.** Refinancing costs of $28 million incurred for the twenty-six week period ended March 30, 2024 were primarily related to the write-off of unamortized debt issuance costs recorded in conjunction with the redemption of the 2026 Secured Notes, which was completed during the twenty-six week period ended March 30, 2024 (refer to Note 7, “Debt,” in the notes to the condensed consolidated financial statements included herein for additional details). Refinancing costs of $9 million incurred for the twenty-six week period ended April 1, 2023 were primarily related to third party fees incurred for the refinancing activity under Amendment No. 10, Loan Modification Agreement and Refinancing Facility Agreement (herein, “Amendment No. 10”) and Amendment No. 11 to the Credit Agreement, which were completed during the first half of fiscal 2023.
- **Other Income.** Other income was $8 million for the twenty-six week period ended March 30, 2024 compared to $3 million recorded for the twenty-six week period ended April 1, 2023. Other income for the twenty-six week period ended March 30, 2024 primarily related to proceeds received from a patent infringement settlement and the non-service related components of benefit costs on the Company's benefit plans. Other income for the twenty-six week period ended April 1, 2023 primarily related to the non-service related components of benefit costs on the Company's benefit plans.

- **Income Tax Provision.** Income tax expense as a percentage of income before income taxes was approximately 22.0% for the twenty-six week period ended March 30, 2024 compared to 23.5% for the twenty-six week period ended April 1, 2023. The Company's lower effective tax rate for the twenty-six week period ended March 30, 2024 was primarily due to a less significant impact on the rate from the valuation allowance applicable to the Company's net interest deduction limitation carryforward.

- **Net Income Attributable to TD Group.** Net income attributable to TD Group increased $253 million, or 47.6%, to $785 million for the twenty-six week period ended March 30, 2024 compared to net income attributable to TD Group of $532 million for the twenty-six week period ended April 1, 2023, primarily as a result of the factors referenced above.

- **Earnings per Share.** Basic and diluted earnings per share from continuing operations was $11.83 for the twenty-six week period ended March 30, 2024 and $8.65 for the twenty-six week period ended April 1, 2023. Net income attributable to TD Group for the twenty-six week period ended March 30, 2024 of $785 million was decreased by dividend equivalent payments of $101 million, or $1.75 per share, resulting in net income applicable to TD Group common stockholders of $684 million. Net income attributable to TD Group for the twenty-six week period ended April 1, 2023 of $532 million was decreased by dividend equivalent payments of $38 million, or $0.67 per share, resulting in net income applicable to TD Group common stockholders of $494 million.

Business Segments

- **Segment Net Sales.** Net sales by segment for the twenty-six week periods ended March 30, 2024 and April 1, 2023 were as follows (amounts in millions):

	Twenty-Six Week Periods Ended					
	March 30, 2024	% of Net Sales	April 1, 2023	% of Net Sales	Change	% Change
Power & Control	$ 1,798	48.5 %	$ 1,541	51.6 %	$ 257	16.7 %
Airframe	1,821	49.1 %	1,369	45.8 %	452	33.0 %
Non-aviation	89	2.4 %	79	2.6 %	10	12.7 %
Net sales	$ 3,708	100.0 %	$ 2,989	100.0 %	$ 719	24.1 %

Net sales for the Power & Control segment increased $257 million, an increase of 16.7%, for the twenty-six week period ended March 30, 2024 compared to the twenty-six week period ended April 1, 2023. The sales increase resulted primarily from increases in organic sales in defense ($129 million, an increase of 18.3%), commercial aftermarket ($65 million, an increase of 13.0%) and commercial OEM ($60 million, an increase of 21.0%). The increase in defense sales is primarily attributable to improving U.S. government defense spend outlays. The increase in commercial aftermarket sales is primarily attributable to the continued recovery in commercial air travel demand and the resulting higher flight hours and utilization of aircraft in the first half of fiscal 2024 compared to fiscal 2023, particularly internationally. The increase in commercial OEM sales is primarily attributable to the continued recovery in both narrow-body and wide-body aircraft production and deliveries.

Net sales for the Airframe segment increased $452 million, an increase of 33.0%, for the twenty-six week period ended March 30, 2024 compared to the twenty-six week period ended April 1, 2023. The sales increase resulted primarily from increases in organic sales in defense ($147 million, an increase of 33.8%), commercial OEM ($95 million, an increase of 25.0%) and commercial aftermarket ($77 million, an increase of 15.4%). The increase in defense sales, commercial OEM sales and commercial aftermarket sales for the Airframe segment is attributable to the same factors described in the paragraph above for the Power & Control segment. Acquisition sales were approximately $133 million for the twenty-six week period ended March 30, 2024 primarily due to the impact of the Calspan acquisition. Acquisition sales represent net sales from acquired businesses for the period up to one year subsequent to their respective acquisition date.

The change in Non-aviation net sales compared to the twenty-six week period in the prior fiscal year was not material.

- **EBITDA As Defined.** Refer to “Non-GAAP Financial Measures” in this discussion and analysis for additional information and limitations regarding these non-GAAP financial measures, including a reconciliation to the comparable U.S. GAAP financial measure. EBITDA As Defined by segment for the twenty-six week periods ended March 30, 2024 and April 1, 2023 were as follows (amounts in millions):

	Twenty-Six Week Periods Ended					
	March 30, 2024	**% of Segment Net Sales**	**April 1, 2023**	**% of Segment Net Sales**	**Change**	**% Change**
Power & Control	$ 1,028	57.2 %	$ 853	55.4 %	$ 175	20.5 %
Airframe	940	51.6 %	685	50.0 %	255	37.2 %
Non-aviation	37	41.6 %	31	39.2 %	6	19.4 %
Total segment EBITDA As Defined	2,005	54.1 %	1,569	52.5 %	436	27.8 %
Less: Unallocated corporate EBITDA As Defined	72	2.0 % [1]	53	1.8 % [1]	19	35.8 %
Total Company EBITDA As Defined	$ 1,933	52.1 % [1]	$ 1,516	50.7 % [1]	$ 417	27.5 %

[1] Calculated as a percentage of consolidated net sales.

EBITDA As Defined for the Power & Control segment increased approximately $175 million, an increase of 20.5%, resulting from higher organic sales in the commercial aftermarket, commercial OEM and defense channels. Also contributing to the increase in EBITDA As Defined was the application of our three core value-driven operating strategy and positive leverage on our fixed overhead costs spread over a higher production volume despite the ongoing inflationary environment for freight, labor and certain raw materials.

EBITDA As Defined for the Airframe segment increased approximately $255 million, an increase of 37.2%. The increase in EBITDA As Defined for the Airframe segment is attributable to the same factors described in the paragraph above for the Power & Control segment. EBITDA As Defined for the Airframe segment from acquisitions was approximately $44 million primarily due to the impact of the Calspan acquisition. EBITDA As Defined from acquisitions represents EBITDA As Defined from acquired businesses for the period up to one year subsequent to the respective acquisition date.

The change in Non-aviation EBITDA As Defined compared to the twenty-six week period in the prior fiscal year was not material.

Corporate expenses consist primarily of compensation, benefits, professional services and other administrative costs incurred by the corporate offices. An immaterial amount of corporate expenses is allocated to the operating segments. The increase compared to the twenty-six week period in the prior fiscal year is primarily attributable to the current fiscal year portion of the deferred compensation plan adopted in the fourth quarter of fiscal 2022 for certain members of non-executive management.

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Liquidity and Capital Resources

We have historically maintained a capital structure comprising a mix of equity and debt financing. We vary our leverage both to optimize our equity return and to pursue acquisitions. We expect to meet our current debt obligations as they come due through internally generated funds from current levels of operations and/or through refinancing in the debt markets prior to the maturity dates of our debt.

The following tables present selected balance sheet, cash flow and other financial data relevant to the liquidity or capital resources of the Company for the periods specified below (amounts in millions):

	March 30, 2024	September 30, 2023
Selected Balance Sheet Data:		
Cash and cash equivalents	$ 4,288	$ 3,472
Working capital (Total current assets less total current liabilities)	6,047	5,159
Total assets [(1)]	21,577	19,970
Total debt [(1)]	22,406	19,750
TD Group stockholders' deficit	(3,029)	(1,984)

(1) Total assets include the proceeds from the $550 million in 6.375% senior secured notes due 2029 (the "$550 million 2029 Secured Notes") classified as restricted cash as they were used to redeem the 7.50% senior subordinated notes due 2027 (the "7.50% 2027 Notes") on April 22, 2024 (redemption notification was issued in March 2024). Total debt includes the 7.50% 2027 Notes and also $200 million in debt issuance costs and original issue discount. Reference Note 7, "Debt," in the notes to the condensed consolidated financial statements included herein for additional information.

	Twenty-Six Week Periods Ended	
	March 30, 2024	April 1, 2023
Selected Cash Flow and Other Financial Data:		
Cash flows provided by (used in):		
Operating activities	$ 865	$ 507
Investing activities	(171)	(76)
Financing activities	668	1,068
Capital expenditures	84	66
Ratio of earnings to fixed charges [(1)]	2.6x	2.2x

(1) For purposes of computing the ratio of earnings to fixed charges, earnings consist of earnings from operations before income taxes plus fixed charges. Fixed charges consist of interest expense, amortization of debt issuance costs, original issue discount and premium and the "interest component" of rental expense.

Significant Transactions – First Half of Fiscal 2024

On November 9, 2023, TransDigm entered into a definitive agreement to acquire all the outstanding stock of the Electron Device Business of CPI for approximately $1,385 million in cash. The acquisition, which is expected to close in fiscal 2024, is expected to be financed through existing cash on hand, inclusive of a portion of the cash proceeds from the $2,000 million in new senior debt issued in the first quarter of fiscal 2024.

On November 27, 2023, the Company paid a special cash dividend of $35.00 on each outstanding share of common stock and cash dividend equivalent payments on eligible vested options outstanding under its stock option plans. Total cash payments, funded by existing cash on hand, of special dividend and dividend equivalents from this declaration were approximately $2,020 million.

On November 28, 2023, the Company completed the issuance of $2,000 million in new senior debt ($1,000 million in 7.125% senior secured notes due 2031 and $1,000 million in Tranche J term loans), which is expected to be used to fund the acquisition of the Electron Device Business of CPI and for general corporate purposes.

On December 28, 2023, the Company drew the remaining $100 million available on its trade receivable securitization facility.

On February 27, 2024, the Company amended the terms under its revolving credit facility to, among other things, extend the maturity date from May 2026 to February 2029 and increase the total commitments capacity from $810 million to $910 million. Concurrently, the Company completed the issuance of $4,400 million in new secured debt ($2,200 million in 6.375% senior secured notes due 2029 and $2,200 million in 6.625% senior secured notes due 2032), which was used to redeem all of its outstanding $4,400 million in 6.25% senior secured notes due 2026.

On March 1, 2024, the Company's DART Aerospace subsidiary (“DART”), which is included within TransDigm’s Airframe segment, completed an acquisition of all the outstanding stock of FPT Industries (“FPT”) for approximately $57 million in cash.

On March 22, 2024, the Company repriced all of its $4,525 million in existing Tranche I term loans maturing August 2028 to bear interest at Term SOFR plus 2.75% (a decrease from Term SOFR plus 3.25% previously applicable) and replaced all of its $1,708 million in existing Tranche H term loans due February 2027 with new Tranche K term loans maturing March 2030 and bear interest at the same rate applied to the existing Tranche I term loans. Concurrently, the Company issued an additional $550 million in 6.375% senior secured notes due 2029 (tack-on to the $2,200 million issued during February 2024), which was used to redeem all of its outstanding $550 million in 7.50% senior subordinated notes due 2027 on April 22, 2024.

* * * * *

If the Company has excess cash, it generally prioritizes allocating the excess cash in the following manner: (1) capital spending at existing businesses, (2) acquisitions of businesses, (3) payment of a special dividend and/or repurchases of our common stock and (4) prepayment of indebtedness or repurchase of debt.

The Company’s ability to make scheduled interest payments on, or to refinance, the Company’s indebtedness, or to fund non-acquisition related capital expenditures and research and development efforts, will depend on the Company’s ability to generate cash in the future. This is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond its control.

The Company's objective is to maintain an allocation of at least 75% fixed rate and 25% variable rate debt thereby limiting its exposure to changes in near-term interest rates. Interest rate swaps, caps and collars used to hedge and offset, respectively, the variable interest rates on our term loans are further described in Note 10, “Derivatives and Hedging Activities,” in the notes to the condensed consolidated financial statements included herein. As of March 30, 2024, approximately 87% of our gross debt was fixed rate.

As of March 30, 2024, the Company has significant cash liquidity as illustrated in the table presented below (in millions):

	As of March 30, 2024
Cash and cash equivalents	$ 4,288
Availability on revolving credit facility	847
Cash liquidity [(1)]	$ 5,135

[1] Excludes the proceeds from the $550 million 2029 Secured Notes used to redeem the 7.50% 2027 Notes on April 22, 2024 (redemption notification was issued in March 2024). Refer to Note 7, “Debt,” in the notes to the condensed consolidated financial statements included herein for further information.

We believe our significant cash liquidity will allow us to meet our anticipated funding requirements, including the funding of $1,385 million acquisition of the Electron Device Business of CPI. We expect to meet our short-term cash liquidity requirements (including interest obligations and capital expenditures) through net cash from operating activities, cash on hand and, if needed, draws on the revolving credit facility. Long-term cash liquidity requirements consist primarily of obligations under our long-term debt agreements. Following the April 2024 redemption of the 7.50% 2027 Notes, there is no maturity on any tranche of term loans or notes until November 2027.

In connection with the continued application of our three core value-driven operating strategy (obtaining profitable new business, continually improving our cost structure and providing highly engineered value-added products to customers), we expect our efforts will continue to generate strong margins and provide sufficient cash provided by operating activities to meet our interest obligations and liquidity needs. We believe our cash provided by operating activities and available borrowing capacity will enable us to make strategic business acquisitions, pay dividends to our shareholders and make opportunistic investments in our own stock, subject to any restrictions in our existing credit agreement and market conditions.

The Company may issue additional debt if prevailing market conditions are favorable to doing so. In addition, the Company may increase its borrowings in connection with acquisitions, if cash flow from operating activities becomes insufficient to fund current operations or for other short-term cash needs or for common stock repurchases or dividends. Our future leverage will also be impacted by the then current conditions of the credit markets.

Operating Activities. The Company generated $865 million of net cash from operating activities during the twenty-six week period ended March 30, 2024 compared to $507 million during the twenty-six week period ended April 1, 2023.

The change in accounts receivable during the twenty-six week period ended March 30, 2024 was a source of cash of $36 million compared to a use of cash of $33 million during the twenty-six week period ended April 1, 2023. The increase in the source of cash of $69 million is primarily attributable to the timing of cash receipts. The Company continues to actively manage its accounts receivable, the related agings and collection efforts.

The change in inventories during the twenty-six week period ended March 30, 2024 was a use of cash of $114 million compared to a use of cash of $176 million during the twenty-six week period ended April 1, 2023. The decrease in the use of cash of $62 million is primarily driven by higher sales activity partially offset by increased purchasing from higher demand. The Company continues to actively and strategically manage inventory levels in response to the ongoing supply chain challenges.

The change in accounts payable during the twenty-six week period ended March 30, 2024 was a use of cash of $9 million compared to a source of cash of $6 million during the twenty-six week period ended April 1, 2023. The change is due to the timing of payments to suppliers.

Investing Activities. Net cash used in investing activities was $171 million during the twenty-six week period ended March 30, 2024, consisting primarily of $87 million from the acquisitions of FPT and certain product lines completed during the first half of fiscal 2024 and capital expenditures of $84 million.

Net cash used in investing activities was $76 million during the twenty-six week period ended April 1, 2023, consisting of capital expenditures of $66 million and the remaining $10 million cash payment due for a certain product line acquired at the end of fiscal 2022.

Financing Activities. Net cash provided by financing activities was $668 million during the twenty-six week period ended March 30, 2024. The source of cash was primarily attributable to the net proceeds of $5,887 million from the offering of new secured debt completed during the first half of fiscal 2024, consisting of the issuance of the 2029 Secured Notes ($2,724 million), the 2032 Secured Notes ($2,180 million) and the 2031 Secured Notes ($983 million), along with net proceeds of $2,689 million from the issuance of the Tranche K term loans ($1,701 million) and the Tranche J term loans ($988 million), proceeds of $165 million in proceeds from stock option exercises and $99 million, net, drawn on the trade receivable securitization facility. This was primarily offset by the redemption of the 2026 Secured Notes for $4,400 million, dividend and dividend equivalent payments of $2,038 million, the full repayment of existing Tranche H term loans and fees of $1,712 million plus normal course principal payments on the Tranche H, Tranche I and Tranche J term loans of $18 million and other financing fees of $4 million.

Net cash provided by financing activities was $1,068 million during the twenty-six week period ended April 1, 2023. The source of cash was primarily attributable to the total net proceeds from the issuance of Tranche H and Tranche I term loans of $6,235 million, net proceeds of $2,066 million from the completion of the 2028 Secured Notes offering and $119 million in proceeds from stock option exercises. This was primarily offset by repayments on term loans of $7,303 million, which consists of the full repayment of the existing principal for the Tranche E, Tranche F and Tranche G term loans ($7,284 million), plus normal course principal payments on the Tranche E, Tranche F and Tranche H term loans ($19 million), dividend equivalent payments of $38 million and other financing fees of $11 million.

Contractual Obligations

We have future obligations under various contracts relating to debt and interest payments, finance and operating leases, pension and post-retirement benefit plans and purchase obligations. During the twenty-six week period ended March 30, 2024, other than the financing activity further described in Note 7, “Debt,” in the notes to the condensed consolidated financial statements included herein, there were no material changes to these obligations as reported in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023.

Description of Senior Secured Term Loans and Indentures

Senior Secured Term Loans Facilities

On November 28, 2023, the Company entered into Amendment No. 13 and Incremental Term Loan Assumption Agreement (herein, “Amendment No. 13”) to the Credit Agreement. Under the terms of Amendment No. 13, the Company, among other things, issued $1,000 million in Tranche J term loans maturing February 28, 2031. The Tranche J term loans bear interest at a rate of adjusted Term SOFR plus 3.25%. The Tranche J term loans were issued at a discount of 0.25%, or approximately $3 million. The Tranche J term loans were fully drawn on November 28, 2023 and the other terms and conditions that apply to the Tranche J term loans are substantially the same as the terms and conditions that apply to the term loans immediately prior to Amendment No. 13.

On February 27, 2024, the Company entered into Amendment No. 14 and Incremental Revolving Credit Assumption Agreement (herein, “Amendment No. 14”) to the Credit Agreement. Under the terms of Amendment No. 14, the Company, among other things, refinanced its revolving credit facility to (i) extend the maturity date from May 2026 to February 2029; (ii) increased the total commitments capacity thereunder from $810 million to $910 million; and (iii) decreased the applicable margin for revolving credit loans to Term SOFR plus 2.25% compared to Term SOFR plus 2.50% applicable prior to Amendment No. 14. As of February 27, 2024, the borrowings available under the revolving commitments were $847 million.

On March 22, 2024, the Company entered into Amendment No. 15 Loan Modification Agreement and Incremental Term Loan Assumption Agreement (herein, “Amendment No. 15”) to the Credit Agreement. Under the terms of Amendment No. 15, the Company, among other things, (i) repriced all of its $4,525 million in existing Tranche I term loans maturing August 24, 2028 to bear interest at Term SOFR plus 2.75% compared to Term SOFR plus 3.25% applicable prior to Amendment No. 15; and (ii) repaid in full its existing approximately $1,708 million in Tranche H term loans maturing February 22, 2027 and replaced such loans with approximately $1,708 million in new Tranche K term loans maturing March 22, 2030. The Tranche K term loans were issued at a discount of 0.25%, or approximately $4.3 million, and bear interest at Term SOFR plus 2.75%. The Tranche K term loans were fully drawn on March 22, 2024 and the other terms and conditions that apply to the Tranche K term loans are substantially the same as the terms and conditions that apply to the term loans immediately prior to Amendment No. 15.

As of March 30, 2024, TransDigm has $7,230 million in fully drawn term loans (the “Term Loans Facility”) and an $910 million revolving credit facility. The Term Loans Facility consists of three tranches of term loans as follows (aggregate principal amount disclosed is as of March 30, 2024):

Term Loans Facility	Aggregate Principal	Maturity Date	Interest Rate
Tranche I	$4,525 million	August 24, 2028	Term SOFR plus 2.75%
Tranche J	$997 million	February 28, 2031	Term SOFR plus 3.25%
Tranche K	$1,708 million	March 22, 2030	Term SOFR plus 2.75%

The Term Loans Facility requires quarterly aggregate principal payments of $18 million. The revolving commitments consist of two tranches which include up to $139 million of multicurrency revolving commitments. At March 30, 2024, the Company had $63 million in letters of credit outstanding and $847 million in borrowings available under the revolving commitments. Draws on the revolving commitments are subject to an interest rate of Term SOFR plus 2.25%. The unused portion of the revolving commitments is subject to a fee of 0.5% per annum. The maturity date of the revolving credit facility is February 27, 2029.

The interest rates per annum applicable to the Term Loans Facility under the Credit Agreement are, at TransDigm’s option, equal to either an alternate base rate or an adjusted Term SOFR for one, three or six-month interest periods chosen by TransDigm, in each case plus an applicable margin percentage. The adjusted Term SOFR related to the Term Loans Facility are not subject to a floor. Refer to Note 10, “Derivatives and Hedging Activities,” in the notes to the condensed consolidated financial statements included herein for information about how our interest rate swaps, cap and collar agreements are used to hedge and offset, respectively, the variable interest rate portion of our debt.

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Indentures

The following table represents the senior subordinated and secured notes outstanding as of March 30, 2024:

Description	Aggregate Principal	Maturity Date	Interest Rate
7.50% 2027 Notes [1]	$550 million	March 15, 2027	7.50%
5.50% 2027 Notes	$2,650 million	November 15, 2027	5.50%
2028 Secured Notes	$2,100 million	August 15, 2028	6.75%
4.625% 2029 Notes	$1,200 million	January 15, 2029	4.625%
4.875% 2029 Notes	$750 million	May 1, 2029	4.875%
2029 Secured Notes [1]	$2,750 million	March 1, 2029	6.375%
2030 Secured Notes	$1,450 million	December 15, 2030	6.875%
2031 Secured Notes	$1,000 million	December 1, 2031	7.125%
2032 Secured Notes	$2,200 million	March 1, 2032	6.625%

(1) In the second quarter of fiscal 2024, the Company entered into a purchase agreement in connection with the private offerings of $2,200 million and $550 million in aggregate principal of 2029 Secured Notes. The 7.50% 2027 Notes were redeemed on April 22, 2024 using proceeds from the 2029 Secured Notes. As the notification of redemption was made in March 2024, the 7.50% 2027 Notes obligation is classified as current portion of long-term debt on the condensed consolidated balance sheet as of March 30, 2024. Refer to Note 7, "Debt," in the notes to the condensed consolidated financial statements included herein for additional details.

The 7.50% 2027 Notes, the 5.50% 2027 Notes, the 4.625% 2029 Notes and the 4.875% 2029 Notes (collectively, the "Subordinated Notes") were issued at a price of 100.00% of the principal amount. The 2030 Secured Notes and 2032 Secured Notes (which, along with the 2028 Secured Notes, 2029 Secured Notes and 2031 Secured Notes, are collectively referred to as the "Secured Notes") was issued at a price of 100.00% of its principal amount. The initial $1,000 million offering and the subsequent $1,100 million offering of the 6.75% senior secured notes due 2028 (collectively, the "2028 Secured Notes") in the second quarter of fiscal 2023 were issued at a price of 100.00% and 99.00%, respectively, of their principal amount, resulting in gross proceeds of $2,089 million. The 2031 Secured Notes was issued in the first quarter of fiscal 2024 at a price of 99.25% of its principal amount, resulting in gross proceeds of $993 million. The initial $2,200 million offering and subsequent $550 million offering of the 6.375% senior secured notes due 2029 (collectively, the "2029 Secured Notes") in the second quarter of fiscal 2024 were issued at a price of 100.00% and 99.75%, respectively, of their principal amount, resulting in gross proceeds of $2,749 million.

The Subordinated Notes and Secured Notes do not require principal payments prior to their maturity. Interest under the Subordinated Notes and Secured Notes are payable semi-annually. The Subordinated Notes represent our unsecured obligations ranking subordinate to our senior debt, as defined in the applicable indentures. The Secured Notes represent our secured obligations ranking equally to all existing and future senior debt, as defined in the applicable indentures. The Subordinated Notes and Secured Notes contain many of the restrictive covenants included in the Credit Agreement. TransDigm is in compliance with all of the covenants contained in the Subordinated Notes and Secured Notes.

Guarantor Information

The Subordinated Notes are subordinated to all of our existing and future senior secured debt, including indebtedness under TransDigm's existing senior secured credit facilities, rank equally with all of our existing and future senior subordinated debt and rank senior to all of our future debt that is expressly subordinated to the Subordinated Notes. The Subordinated Notes are fully and unconditionally guaranteed on a senior subordinated unsecured basis by TD Group, TransDigm UK and TransDigm Inc.'s Domestic Restricted Subsidiaries (as defined in the applicable indentures). The table set forth in Exhibit 22 filed with this Form 10-Q details the primary obligors and guarantors. The guarantees of the Subordinated Notes are subordinated to all of the guarantors' existing and future senior debt, rank equally with all of their existing and future senior subordinated debt and rank senior to all of their future debt that is expressly subordinated to the guarantees of the Subordinated Notes. The Subordinated Notes are structurally subordinated to all of the liabilities of TD Group's non-guarantor subsidiaries.

The Secured Notes are senior secured debt of TransDigm and rank equally in right of payment with all of TransDigm's existing and future senior secured debt, including indebtedness under TransDigm's existing senior secured credit facilities, and are senior in right of payment to all of TransDigm's existing and future senior subordinated debt, including the Subordinated Notes. The 2028 Secured Notes are guaranteed on a senior secured basis by TD Group, TransDigm UK and TransDigm Inc.'s Domestic Restricted Subsidiaries (as defined in the applicable indentures). The 2029 Secured Notes, 2030 Secured Notes, 2031 Secured Notes and 2032 Secured Notes are guaranteed on a senior secured basis by TD Group and each of TransDigm Inc.'s direct and indirect Restricted Subsidiaries (as defined in the applicable indenture) that is a borrower or guarantor under TransDigm's senior secured credit facilities or that issues or guarantees any capital markets indebtedness of TransDigm Inc. or any of the guarantors in an aggregate principal amount of at least $200 million. As of the date of this Form 10-Q, the guarantors of the 2029 Secured Notes, 2030 Secured Notes, 2031 Secured Notes and 2031 Secured Notes are the same as the guarantors of the 2028 Secured Notes. The table set forth in Exhibit 22 filed with this Form 10-Q details the primary obligors and guarantors. The guarantees of the Secured Notes rank equally in right of payment with all of the guarantors' existing and future senior secured debt and are senior in right of payment to all of their existing and future senior subordinated debt. The Secured Notes are structurally subordinated to all of the liabilities of TransDigm's non-guarantor subsidiaries.

Separate financial statements of TransDigm Inc. are not presented because the Subordinated Notes and Secured Notes are fully and unconditionally guaranteed on a senior subordinated unsecured basis (if Subordinated Notes) and senior secured basis (if Secured Notes) by TD Group, TransDigm UK and all of TransDigm Inc.'s Domestic Restricted Subsidiaries. TD Group has no significant operations or assets separate from its investment in TransDigm Inc.

The financial information presented is that of TD Group, TransDigm Inc. and the other Guarantors, which includes TransDigm UK, on a combined basis and the financial information of non-issuer and non-guarantor subsidiaries has been excluded. Intercompany balances and transactions between TD Group, TransDigm Inc. and the other Guarantors have been eliminated, and amounts due from, amounts due to, and transactions with non-issuer and non-guarantor subsidiaries have been presented separately.

(in millions)	**March 30, 2024**
Current assets	$ 6,050
Goodwill	7,125
Other non-current assets	3,222
Current liabilities	1,322
Non-current liabilities	22,033
Amounts (from) due to subsidiaries that are non-issuers and non-guarantors-net	(1,574)

(in millions)	Twenty-Six Week Period Ended March 30, 2024
Net sales	$ 2,942
Sales to subsidiaries that are non-issuers and non-guarantors	17
Cost of sales	1,143
Expense from subsidiaries that are non-issuers and non-guarantors-net	24
Income from operations	573
Net income attributable to TD Group	573

Certain Restrictive Covenants in Our Debt Documents

The Credit Agreement and the Indentures governing the Notes and Secured Notes contain restrictive covenants that, among other things, limit the incurrence of additional indebtedness, the payment of special dividends, transactions with affiliates, asset sales, acquisitions, mergers and consolidations, liens and encumbrances, and prepayments of certain other indebtedness.

The restrictive covenants included in the Credit Agreement are subject to amendments executed periodically. The most recent amendment that impacted the restrictive covenants contained in the Credit Agreement is Amendment No. 15, executed on March 22, 2024.

Under the terms of the Credit Agreement, TransDigm is entitled, on one or more occasions, to request additional term loans or additional revolving commitments to the extent that the existing or new lenders agree to provide such incremental term loans or additional revolving commitments provided that, among other conditions, our consolidated net leverage ratio would be no greater than 7.25x and the consolidated secured net debt ratio would be no greater than 5.00x, in each case, after giving effect to such incremental term loans or additional revolving commitments.

If any such default occurs, the lenders under the Credit Agreement and the holders of the Notes and Secured Notes may elect to declare all outstanding borrowings, together with accrued interest and other amounts payable thereunder, to be immediately due and payable. The lenders under the Credit Agreement also have the right in these circumstances to terminate any commitments they have to provide further borrowings. In addition, following an event of default under the Credit Agreement, the lenders thereunder and the holders of the Secured Notes will have the right to proceed against the collateral granted to them to secure the debt, which includes our available cash, and they will also have the right to prevent us from making debt service payments on the Notes.

With the exception of the revolving credit facility, the Company has no maintenance covenants in its existing term loan and indenture agreements. Under the Credit Agreement, if the usage of the revolving credit facility exceeds 40% (or, currently, $364 million) of the total revolving commitments, the Company is required to maintain a maximum consolidated net leverage ratio of net debt to trailing four-quarter EBITDA As Defined of 7.50x (or, solely with respect to the first four fiscal quarters ending after the consummation of any material acquisition, 8.00x) as of the last day of the fiscal quarter.

As of March 30, 2024, the Company was in compliance with all of its debt covenants and expects to remain in compliance with its debt covenants in subsequent periods.

Trade Receivable Securitization Facility

During fiscal 2014, the Company established a trade receivable securitization facility (the “Securitization Facility”). The Securitization Facility effectively increases the Company’s borrowing capacity depending on the amount of the domestic operations’ trade accounts receivable. The Securitization Facility includes the right for the Company to exercise annual one year extensions as long as there have been no termination events as defined by the agreement. The Company uses the proceeds from the Securitization Facility as an alternative to other forms of debt, effectively reducing borrowing costs.

On July 25, 2023, the Company amended the Securitization Facility to, among other things, increase the borrowing capacity from $350 million to $450 million and extend the maturity date to July 25, 2024. During the first quarter of fiscal 2024, the Company drew the remaining $100 million available under the Securitization Facility. As of March 30, 2024, the Company has borrowed $450 million under the Securitization Facility, which is fully drawn and bears interest at a rate of Term SOFR plus 1.60%. At March 30, 2024, the applicable interest rate was 6.91%. The Securitization Facility is collateralized by substantially all of the Company’s domestic operations’ trade accounts receivable.

Dividend and Dividend Equivalent Payments

No dividends were declared in the second quarter of fiscal 2024. During the first quarter of fiscal 2024, the Company announced that TD Group's Board of Directors authorized and declared a special cash dividend of $35.00 on each outstanding share of common stock and cash dividend equivalent payments on eligible vested options outstanding under its stock option plans. Pursuant to the Fourth Amended and Restated TransDigm Group Incorporated 2006 Stock Incentive Plan Dividend Equivalent Plan, the Amended and Restated 2014 Stock Option Plan Dividend Equivalent Plan and the 2019 Stock Option Plan Dividend Equivalent Plan, all of the vested options granted under the existing stock option plans, except for grants to the members of the Board of Directors, are entitled to certain cash dividend equivalent payments in the event of the declaration of a dividend by the Company. In fiscal

2022, all members of the Board of Directors executed amendments to their option agreements in which future dividend declarations result in a reduction of the strike price of their existing options instead of receiving cash dividend equivalent payments.

On November 27, 2023, the Company paid the special cash dividend of $35.00 on each outstanding share of common stock, totaling $1,937 million. Dividend equivalent payments are made during the Company's first fiscal quarter each year and also upon payment of any dividends declared within the current fiscal year. Total dividend equivalent payments in the first quarter of fiscal 2024 and 2023 were approximately $101 million, of which $18 million was accrued as of September 30, 2023 and the remaining $83 million was associated with the November 2023 $35.00 dividend declaration, and $38 million, respectively.

Any future declaration of special cash dividends on our common stock will be at the discretion of our Board of Directors and will depend upon our results of operations, earnings, capital requirements, financial condition, future prospects, contractual restrictions under the Credit Agreement and indentures governing the Notes, the availability of surplus under Delaware law and other factors deemed relevant by our Board of Directors. TD Group is a holding company and conducts all of its operations through direct and indirect subsidiaries. Unless TD Group receives dividends, distributions, advances, transfers of funds or other payments from our subsidiaries, TD Group will be unable to pay any dividends on our common stock in the future. The ability of any subsidiaries to take any of the foregoing actions is limited by the terms of our Term Loans Facility and indentures and may be limited by future debt or other agreements that we may enter into.

Off-Balance Sheet Arrangements

The Company utilizes letters of credit to back certain payment and performance obligations. Letters of credit are subject to limits based on amounts outstanding under the Company’s revolving credit facility. As of March 30, 2024, the Company had $63 million in letters of credit outstanding.

Non-GAAP Financial Measures

We present below certain financial information based on our EBITDA and EBITDA As Defined. References to “EBITDA” mean earnings before interest, taxes, depreciation and amortization, and references to “EBITDA As Defined” mean EBITDA plus, as applicable for each relevant period, certain adjustments as set forth in the reconciliations of net income to EBITDA and EBITDA As Defined and the reconciliations of net cash provided by operating activities to EBITDA and EBITDA As Defined presented below.

Neither EBITDA nor EBITDA As Defined is a measurement of financial performance under U.S. GAAP. We present EBITDA and EBITDA As Defined because we believe they are useful indicators for evaluating operating performance and liquidity.

Our management believes that EBITDA and EBITDA As Defined are useful as indicators of liquidity because securities analysts, investors, rating agencies and others use EBITDA to evaluate a company’s ability to incur and service debt. In addition, EBITDA As Defined is useful to investors because the revolving credit facility under our senior secured credit facility requires compliance under certain circumstances, on a pro forma basis, with a financial covenant that measures the ratio of the amount of our secured indebtedness to the amount of our Consolidated EBITDA defined in the same manner as we define EBITDA As Defined herein.

In addition to the above, our management uses EBITDA As Defined to review and assess the performance of the management team in connection with employee incentive programs and to prepare its annual budget and financial projections. Moreover, our management uses EBITDA As Defined to evaluate acquisitions.

Although we use EBITDA and EBITDA As Defined as measures to assess the performance of our business and for the other purposes set forth above, the use of these non-GAAP financial measures as analytical tools has limitations, and you should not consider any of them in isolation, or as a substitute for analysis of our results of operations as reported in accordance with U.S. GAAP. Some of these limitations are:

- neither EBITDA nor EBITDA As Defined reflects the significant interest expense, or the cash requirements, necessary to service interest payments on our indebtedness;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and neither EBITDA nor EBITDA As Defined reflects any cash requirements for such replacements;
- the omission of the substantial amortization expense associated with our intangible assets further limits the usefulness of EBITDA and EBITDA As Defined;
- neither EBITDA nor EBITDA As Defined includes the payment of taxes, which is a necessary element of our operations; and
- EBITDA As Defined excludes the cash expense we have incurred to integrate acquired businesses into our operations, which is a necessary element of certain of our acquisitions.

Because of these limitations, EBITDA and EBITDA As Defined should not be considered as measures of discretionary cash available to us to invest in the growth of our business. Management compensates for these limitations by not viewing EBITDA or EBITDA As Defined in isolation and specifically by using other U.S. GAAP measures, such as net income, net sales and operating profit, to measure our operating performance. Neither EBITDA nor

EBITDA As Defined is a measurement of financial performance under U.S. GAAP, and neither should be considered as an alternative to net income or cash flow from operations determined in accordance with U.S. GAAP. Our calculation of EBITDA and EBITDA As Defined may not be comparable to the calculation of similarly titled measures reported by other companies.

The following table sets forth a reconciliation of net income to EBITDA and EBITDA As Defined (in millions):

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	March 30, 2024	April 1, 2023	March 30, 2024	April 1, 2023
Net Income	$ 404	$ 304	$ 786	$ 533
Adjustments:				
Depreciation and amortization expense	74	65	143	129
Interest expense-net	326	295	626	581
Income tax provision	115	93	222	164
EBITDA	919	757	1,777	1,407
Adjustments:				
Acquisition and divestiture transaction-related expenses and adjustments (1)	14	3	16	6
Non-cash stock and deferred compensation expense (2)	60	42	111	77
Refinancing costs (3)	28	5	28	9
Other, net (4)	—	10	1	17
EBITDA As Defined	$ 1,021	$ 817	$ 1,933	$ 1,516

(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 (gains) or losses, payroll withholding taxes related to dividend equivalent payments and stock option exercises, non-service related pension costs and deferred compensation payments.

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The following table sets forth a reconciliation of net cash provided by operating activities to EBITDA and EBITDA As Defined (in millions):

	Twenty-Six Week Periods Ended	
	March 30, 2024	**April 1, 2023**
Net cash provided by operating activities	$ 865	$ 507
Adjustments:		
Changes in assets and liabilities, net of effects from acquisitions and sales of businesses	207	242
Interest expense-net [(1)]	604	561
Income tax provision-current	223	164
Loss contract amortization	17	19
Non-cash stock and deferred compensation expense [(2)]	(111)	(77)
Refinancing costs [(3)]	(28)	(9)
EBITDA	1,777	1,407
Adjustments:		
Acquisition and divestiture transaction-related expenses and adjustments [(4)]	16	6
Non-cash stock and deferred compensation expense [(2)]	111	77
Refinancing costs [(3)]	28	9
Other, net [(5)]	1	17
EBITDA As Defined	$ 1,933	$ 1,516

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(1) Represents interest expense, net of interest income, 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 (gains) or losses, payroll withholding taxes related to dividend equivalent payments and stock option exercises, non-service related pension costs and deferred compensation payments.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The information called for by this item is provided under the caption “Description of Senior Secured Term Loans and Indentures” in Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. Market risks are described more fully within Quantitative and Qualitative Disclosures About Market Risk in Part II, Item 7A of our most recent Annual Report on Form 10-K (for the fiscal year ended September 30, 2023, filed on November 9, 2023). These market risks have not materially changed for the second quarter of fiscal year 2024.

ITEM 4. CONTROLS AND PROCEDURES

As of March 30, 2024, TD Group carried out an evaluation, under the supervision and with the participation of TD Group’s management, including its President, Chief Executive Officer and Director (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), of the effectiveness of the design and operation of TD Group’s disclosure controls and procedures. Based upon that evaluation, the President, Chief Executive Officer and Director and Chief Financial Officer concluded that TD Group’s disclosure controls and procedures are effective to ensure that information required to be disclosed by TD Group in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified by the Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to TD Group’s management, including its President, Chief Executive Officer and Director and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, TD Group’s management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in designing and evaluating the controls and procedures.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company’s internal control over financial reporting that occurred during the fiscal quarter ended March 30, 2024, that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is involved in various claims and legal actions arising in the ordinary course of business. SEC regulations require us to disclose certain information about environmental proceedings when a governmental authority is a party to the proceedings if we reasonably believe that such proceedings may result in monetary sanctions above a stated threshold. Pursuant to such regulations, the Company uses a threshold of $1 million or more for purposes of determining whether disclosure of any such proceedings is required as we believe matters under this threshold are not material to the Company. While the Company is currently involved in certain legal proceedings, it believes the results of these proceedings will not have a material adverse effect on its financial condition, results of operations, or cash flows.

Information with respect to our legal proceedings is contained in Note 14, “Commitments and Contingencies,” in the notes to the condensed consolidated financial statements included herein and Note 15, “Commitments and Contingencies,” in Part IV, Item 15. Exhibits and Financial Statement Schedules, of our Annual Report on Form 10-K for the fiscal year ended September 30, 2023, filed on November 9, 2023. There have been no material changes to this information.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the risk factors disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended September 30, 2023, filed on November 9, 2023. There have been no material changes to the risk factors described in the Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS: PURCHASES OF EQUITY SECURITIES BY THE ISSUER

On January 27, 2022, the Board of Directors of the Company authorized a new stock repurchase program to permit repurchases of its outstanding common stock not to exceed $2,200 million in the aggregate (the “$2,200 million stock repurchase program”), replacing the $650 million stock repurchase program previously authorized by the Board on November 8, 2017, subject to any restrictions specified in the Second Amended and Restated Credit Agreement dated as of June 4, 2014, and/or Indentures governing the Company's existing Notes. There is no expiration date for this program.

No repurchases were made under the program in the twenty-six week period ended March 30, 2024. As of March 30, 2024, $1,288 million remains available for repurchase under the $2,200 million stock repurchase program.

ITEM 5. OTHER INFORMATION

On March 12, 2024, W. Nicholas Howley, the Company’s Chairman of the Board of Directors, entered into a new “Rule 10b5-1 trading arrangement” (as defined in Item 408 of Regulation S-K) for the sale of 158,674 shares of common stock issuable upon the exercise of vested options intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act, which Rule 10b5-1 trading arrangement is scheduled to begin on June 15, 2024 and terminate no later than October 31, 2026.

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ITEM 6. EXHIBITS

Exhibit No.	Description	Filed Herewith or Incorporated by Reference From
3.1	Certificate of Formation of FPT Industries LLC	Filed Herewith
3.2	Certificate of Amendment to Certificate of Formation of FPT Industries LLC	Filed Herewith
3.3	Amended and Restated Limited Liability Company Agreement of FPT Industries LLC	Filed Herewith
3.4	Certificate of Formation of Calspan JETS LLC	Filed Herewith
3.5	Limited Liability Company Agreement of Calspan JETS LLC	Filed Herewith
3.6	Certificate of Organization of Calspan Aero Systems Engineering LLC	Filed Herewith
3.7	Operating Agreement of Calspan Aero Systems Engineering LLC	Filed Herewith
3.8	Certificate of Formation of Calspan Technology Acquisition LLC	Filed Herewith
3.9	Limited Liability Company Agreement of Calspan Technology Acquisition LLC	Filed Herewith
22	Listing of Subsidiary Guarantors	Filed Herewith
31.1	Certification by Principal Executive Officer of TransDigm Group Incorporated pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed Herewith
31.2	Certification by Principal Financial Officer of TransDigm Group Incorporated pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed Herewith
32.1	Certification by Principal Executive Officer of TransDigm Group Incorporated pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished Herewith
32.2	Certification by Principal Financial Officer of TransDigm Group Incorporated pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished Herewith
101.INS	Inline XBRL Instance Document: The XBRL Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	Filed Herewith
101.SCH	Inline XBRL Taxonomy Extension Schema	Filed Herewith
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase	Filed Herewith
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase	Filed Herewith
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase	Filed Herewith
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase	Filed Herewith
104	Cover Page Interactive Data File: the cover page XBRL tags are embedded within the Inline XBRL document and are contained within Exhibit 101	Filed Herewith

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TRANSDIGM GROUP INCORPORATED

SIGNATURE	TITLE	DATE
/s/ Kevin Stein Kevin Stein	President, Chief Executive Officer and Director (Principal Executive Officer)	May 7, 2024
/s/ Sarah Wynne Sarah Wynne	Chief Financial Officer (Principal Financial Officer)	May 7, 2024