TransDigm Group INC
Form 8-K
November 30, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of

The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 30, 2010

TransDigm Group Incorporated

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

001-32833

(Commission File Number)

41-2101738

(IRS Employer Identification No.)

1301 East 9th Street, Suite 3710, Cleveland, Ohio	**44114**
(Address of principal executive offices)	**(Zip Code)**

(216) 706-2960

(Registrant s telephone number, including area code)

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrants under any of the following provisions (see General Instruction A.2. below):

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01 Regulation FD Disclosure

The information in this Item 7.01 on Form 8-K and in Exhibit 99.1 is being furnished and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in filings under the Securities Act of 1933, as amended.

On November 29, 2010, TransDigm Group Incorporated (TransDigm Group) issued a press release relating to the proposed offering of $780 million in aggregate principal amount of senior subordinated notes due 2018 (the Notes) by TransDigm Inc., its wholly-owned subsidiary, pursuant to a confidential offering memorandum in a private placement under Rule 144A and Regulation S of the Securities Act. A copy of the press release is furnished pursuant to Item 7.01 as Exhibit 99.1 to this Current Report on Form 8-K.

The Notes will not be registered under the Securities Act or any state securities laws and may not be offered or sold in the United States without registration or an applicable exemption from the registration requirements of the Securities Act and applicable state securities laws. Neither the press release nor this Current Report on Form 8-K constitutes an offer to sell or the solicitation of an offer to buy the Notes, nor shall there be any sale of the Notes in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

TransDigm Group is hereby furnishing the following information regarding its business, some of which has not been previously reported (including certain supplemental disclosure regarding TransDigm Group s business, such as capitalization data and certain unaudited pro forma financial data), derived from the preliminary confidential offering memorandum, dated as of November 30, 2010, that is being circulated in connection with the offering of the Notes. In addition, TransDigm Group is hereby disclosing certain financial information of McKechnie Aerospace Holdings, Inc., a Delaware corporation (McKechnie), in connection with TransDigm Group s proposed acquisition of McKechnie contemplated by the previously announced Stock Purchase Agreement, dated as of September 25, 2010, among McKechnie Holdings LLC, TransDigm Group and TransDigm Inc.

References to the following terms will have the meanings specified below, unless the context otherwise requires:

references to TD Group mean TransDigm Group Incorporated, the publicly traded parent company of TransDigm Inc.;

references to TransDigm, the Company, we, us, our and similar references refer to TD Group and its direct and indirect subsidiar including TransDigm Inc.;

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 herein;

references to Adjusted EBITDA As Defined mean EBITDA As Defined for the 12-month period ended September 30, 2010, calculated on a pro forma basis to give effect to our pending acquisition of McKechnie and the financing transactions associated with the McKechnie Acquisition, including the offering of the new notes contemplated hereby and the borrowing under our new senior secured credit facility, as further adjusted to give effect to the anticipated cost savings we expect to realize in connection with the acquisition of McKechnie and the elimination of certain non-recurring costs incurred by McKechnie during the 12-month period ended September 30, 2010 and as further adjusted to give effect to two other recently completed acquisitions, in each case assuming that such transactions had occurred on October 1, 2009, the first day of our last completed fiscal year;

references to fiscal year mean the year ending or ended September 30. For example, fiscal year 2010 or fiscal 2010 means the period from October 1, 2009 to September 30, 2010; and

references to GAAP mean generally accepted accounting principles in the United States of America.

OUR COMPANY

We believe we are a leading global designer, producer and supplier of highly engineered aircraft components for use on nearly all commercial and military aircraft in service today. We estimate that over 95% of our net sales for fiscal year 2010 were generated by proprietary products. In addition, for fiscal year 2010, we estimate that we generated approximately 80% of our net sales from products for which we are the sole source provider.

Most of our products generate significant aftermarket revenue. Once our parts are designed into and sold on a new aircraft, we generate net sales from aftermarket consumption over the life of that aircraft, which is generally estimated to be approximately 30 years. A typical platform can be produced for 20 to 30 years, giving us an estimated aftermarket product life cycle of 50-60 years. We estimate that approximately 60% of our net sales in fiscal year 2010 were generated from aftermarket sales, the vast majority of which come from the commercial and military aftermarkets. These aftermarket revenues have historically produced a higher gross margin and been more stable than sales to original equipment manufacturers, or OEMs.

We primarily design, produce and supply highly-engineered proprietary aerospace components (and certain systems/subsystems) 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 customer support.

Our business is well diversified due to the broad range of products that we offer to our customers. Some of our more significant product offerings, substantially all of which are ultimately provided to end-users in the aerospace industry, include mechanical/electro-mechanical actuators and controls, ignition systems and engine technology, specialized pumps and valves, power conditioning devices, specialized AC/DC electric motors and generators, aircraft audio systems, specialized cockpit displays, engineered latching and locking devices, specialized lavatory components, engineered connectors and elastomers, rods and locking devices, NiCad batteries/chargers and lighting and control technology.

Our customers include: (1) distributors of aerospace components; (2) worldwide commercial airlines, including national and regional airlines; (3) large commercial transport and regional and business aircraft OEMs; (4) various armed forces of the United States and friendly foreign governments; (5) defense OEMs; (6) system suppliers; and (7) various other industrial customers. For fiscal year 2010, Boeing (which includes Aviall, Inc., the world s largest aerospace distributor of commercial aftermarket parts to airlines throughout the world) accounted for approximately 14% of our net sales. Our top 10 customers for fiscal year 2010 accounted for approximately 48% of our net sales. Products supplied to many of our customers are used on multiple platforms.

As further discussed below, on September 25, 2010, we entered into a definitive stock purchase agreement (the Stock Purchase Agreement) with McKechnie Holdings LLC to purchase all of the outstanding stock of McKechnie Aerospace Holding Inc. (McKechnie), a privately-owned supplier of innovative aerospace products controlled by JLL Partners Inc., for a total purchase price on a cash-free, debt-free basis of approximately $1,265.0 million in cash. We believe McKechnie is a leading global designer, producer and supplier of aerospace components, assemblies and subsystems for commercial aircraft, regional/business jets, military fixed wing and rotorcraft. McKechnie operates through four major product groupings: Latches (35% of 12-month period ended September 30, 2010 net sales), Rods (22%), Electromechanical components (22%) and specialized Fasteners (22%). For the 12-month period ended September 30, 2010, the OEM sales channel made up 61% of net sales, with the remaining 39% generated through aftermarket activities. McKechnie has major platform positions in both the OEM and aftermarket on the full range of currently produced Boeing and Airbus aircraft as well as many regional and business turbine aircraft. McKechnie also has a significant presence on the new Boeing 787 and Airbus A380 and A350. For the 12-month period ended September 30, 2010, McKechnie generated net sales of $297.1 million and EBITDA of $101.2 million on a standalone basis.

We believe our acquisition of McKechnie will combine two of the world s premier aerospace equipment parts manufacturers and suppliers. We believe this combination will continue TransDigm s best-in-class performance and financial track record by further expanding our product offering and platform presence, while maintaining our best practices and value proposition as a proprietary and/or sole source provider of a majority of our products. For the 12-month period ended September 30, 2010, on a pro forma basis, our net sales would have been $1,164.8 million and our net income would have been $136.1 million. In addition, for the 12-month period ended September 30, 2010, on a pro forma basis, our EBITDA would have been $487.8 million, or 42% of net sales, our EBITDA As Defined would have been $521.7 million, or 45% of net sales, and our Adjusted EBITDA As Defined would have been $526.1 million, or 45.2% of net sales. See Recent Developments McKechnie Acquisition.

Pro forma Analysis

The following charts set forth our pro forma net sales for the 12-month period ended September 30, 2010, by Channel and End-Markets:

INDUSTRY AND MARKET OVERVIEW

We primarily compete in the commercial and military aerospace industry. The commercial aftermarket, from which we have historically derived the majority of our net sales, has generally been more stable and has exhibited more consistent growth compared to the commercial OEM market, which has historically exhibited cyclical swings due to changes in production rates for new aircraft. Commercial aftermarket revenue is driven primarily by the number of miles flown by paying customers of commercial airlines, which are known in the industry and referred to herein as revenue passenger miles (RPMs), and by the size and age of the worldwide aircraft fleet.

Historically, aftermarket and OEM sales in the military sector tend to follow defense spending. Military aftermarket revenue is driven primarily by the operational tempo of the military, while military OEM revenue is driven primarily by spending on new systems and platforms.

Our exposure to both the commercial and military end-markets diversifies our revenue stream and has historically allowed us to grow revenue and EBITDA As Defined through down cycles in the economy.

OUR COMPETITIVE STRENGTHS

We believe our key competitive strengths include:

Large and Growing Installed Product Base with Aftermarket Revenue Stream. We provide components to a large and growing installed base of aircraft to which we supply aftermarket products. We estimate that our products are installed on more than 63,000 commercial transport, regional transport, military and general aviation fixed wing turbine aircraft and rotary wing aircraft.

Diversified Revenue Base. We believe that our diversified revenue base reduces our dependence on any particular product, platform or market channel and has been a significant factor in maintaining our financial performance. Our products are installed on almost all of the major commercial aircraft platforms now in production. We expect to continue to develop new products for military and commercial applications.

Significant Barriers to Entry. We believe that the niche nature of our markets, the industry s stringent regulatory and certification requirements, the large number of products that we sell and the investments necessary to develop and certify products create barriers to entry for potential competitors.

Strong Cash Flow Generation. We have generated strong recurring operating cash flow as a result of our historically high margins and low capital expenditure requirements. For fiscal years 2010, 2009 and 2008, our EBITDA As Defined margins were 49.7%, 49.2% and 46.7%, respectively. In addition, our low recurring capital expenditure requirements, which have historically been approximately 2% of net sales per year, coupled with our consistent installed base revenue, provide us with a relatively stable stream of cash flows.

Consistent Track Record of Financial Success and Strong Growth. In the 17 years since we were formed (from fiscal year 1993 through fiscal year 2010), TransDigm has grown at a compound annual growth rate (CAGR) of 24.5% in EBITDA As Defined and of 18.2% in net sales.

Value-Driven Management Team with a Successful Track Record. Our operations are managed by an experienced, value-driven management team with a proven record of growing our business organically, reducing overhead, rationalizing costs and integrating acquisitions.

OUR BUSINESS STRATEGY

Our business strategy is made up of two key elements: (1) a value-driven operating strategy focused around our three core value drivers and (2) a selective acquisition strategy.

Value-Driven Operating Strategy. Our three core value drivers are:

Obtaining Profitable New Business. We attempt to obtain profitable new business by using our technical expertise, application skill and our detailed knowledge of our customer base and the individual niche markets in which we operate. We have regularly been successful in identifying and developing both aftermarket and OEM products to drive our growth. For example, our programs for the Boeing 787 include the digital flight deck audio system and composite tubing and isolation connectors for the fuel and hydraulic systems. The Airbus A380 includes our horizontal stabilizer hydraulic control module and our cockpit door security system. Rolls-Royce engines for both aircraft use our state-of-the-art ignition system.

Improving Our Cost Structure. We are committed to maintaining and continuously improving our cost structure through detailed attention to the cost of each of the products we offer and our organizational structure, with a focus on reducing the cost of each.

Providing Highly Engineered Value-Added Products to Customers. We focus on the engineering, manufacturing and marketing of a broad range of highly engineered niche products that we believe provide value to our customers. We believe we have been consistently successful in communicating to our customers the value of our products. This has generally enabled us to price our products to fairly reflect the value we provide and the required resources.

Selective Acquisition Strategy. We pursue the acquisition of proprietary aerospace component businesses when we see an opportunity to create value through the application of our three core value-driven operating strategies. The aerospace industry, in particular, remains highly fragmented, with many of the companies in the industry being small private businesses or small non-core operations of larger businesses. Our management team has significant experience in executing acquisitions and integrating acquired businesses into our company and culture. As of the date hereof, we have successfully acquired and integrated 28 businesses and/or product lines since our formation in 1993, not including McKechnie.

After giving effect to the Transaction, as of September 30, 2010, we would have had approximately $317.0 million of cash on hand and an undrawn revolver of approximately $300.0 million. This, combined with our historical cash generation capability, should give us sufficient financial flexibility to meet our operating and acquisition needs for the foreseeable future.

RECENT DEVELOPMENTS

Semco Acquisition

On September 3, 2010, TransDigm Inc. completed the acquisition of Semco Instruments, Inc. (Semco) for approximately $71.0 million in cash, subject to adjustment based on the level of working capital as of the closing date of the acquisition. Semco, which is based in Valencia, California and in Nogales, Mexico, manufactures proprietary, highly engineered components for all major turbo-prop, turbo-fan and turbo-shaft engines manufactured by Pratt Whitney, Honeywell and General Electric, among others. Semco products are primarily used on helicopters, business jets and select regional airplanes. Semco had annual revenues for calendar year 2009 of approximately $38.0 million, with significant aftermarket content. These products fit well with our overall business direction.

Actuation Acquisition

On November 28, 2010, we entered into a definitive agreement to acquire the Actuation Business (Actuation) of Telair International Inc., a wholly-owned subsidiary of Teleflex Incorporated, for approximately $94 million in cash (the Actuation Acquisition). Actuation, located in Simi Valley, California, designs and manufactures highly engineered electro-mechanical actuators for wing flaps and slats, landing gears, military jet canopies, and other aircraft components such as gearboxes, cargo brake rollers, cargo fasteners, winches, and fuel valves. The Actuation Acquisition is subject to customary closing conditions, including approval under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, and there can be no assurance that such closing conditions will be met or that the Actuation Acquisition will close. Pro forma financial information presented herein do not give effect to the closing of the Actuation Acquisition.

McKechnie Acquisition

On September 25, 2010, we entered into a Stock Purchase Agreement with McKechnie Holdings LLC to purchase all of the outstanding stock of McKechnie, a privately owned supplier of innovative aerospace products controlled by JLL Partners Inc., for a total purchase price on a cash-free, debt-free basis of approximately $1,265.0 million in cash. The Stock Purchase Agreement contains representations, warranties, covenants and conditions that we believe are customary for a transaction of this size and type, as well as indemnification provisions subject to specified limitations. The closing of the McKechnie Acquisition is subject to several customary conditions. There can be no assurance that the McKechnie Acquisition will be completed as contemplated or at all. See Risk Factors Risks Related to the Acquisition. The condition relating to the expiration of the Hart-Scott-Rodino Antitrust Improvements Act of 1976 waiting period has been satisfied as of November 29, 2010. This offering is contingent on closing of the McKechnie Acquisition.

We expect to realize several benefits from the McKechnie Acquisition, including the following:

Expansion of Product Offering on High-Growth Aircraft Platforms. We believe McKechnie s diversified product offering will increase our content exposure on various programs by allowing us to offer additional complementary products on a wide variety of aircraft. McKechnie has major platform positions in both the OEM and aftermarket on all Boeing and Airbus aircraft as well as many regional and business jet manufacturers and has a significant amount of content on the new Boeing 787 and Airbus A380 and A350 aircraft.

Increased Commercial Aerospace Exposure. We believe the acquisition of McKechnie will increase our diversification into higher growth commercial aerospace programs. McKechnie s commercial aerospace sales accounted for 71% of its standalone net sales for the twelve-month period ended September 30, 2010, while our commercial aerospace sales accounted for 66% of our standalone net sales in fiscal 2010.

High Aftermarket Content and Sole-Sourced Products. Due to its reputation for high-quality, custom-engineered products and strong customer relationships, we believe McKechnie is able to create industry-leading intellectual property and secure sole-source positions on key platforms (for the twelve-month period ended September 30 2010, 77% of net sales were proprietary and sole-sourced with Fasteners and 95% without Fasteners). The proprietary and sole-sourced products are complementary to our current portfolio of proprietary products.

Strong Operating Performance. McKechnie has demonstrated its ability to grow and increase EBITDA margins in spite of challenging industry conditions. According to Bureau of Transportation Statistics between 2007 and 2009, worldwide revenue passenger miles declined at a compound annual growth rate of 1.3%. Over the same time period, McKechnie was able to increase its EBITDA margins by approximately 420 bps, from 27.0% to 31.2%.

Opportunity to Implement Operational Improvements and Increase Pricing. The acquisition of McKechnie provides an opportunity to consolidate a considerable platform within the highly fragmented aerospace industry. We will continue to seek operational improvements, as we have in our previous acquisitions, through the rationalization of common facility locations and other improvements. We have demonstrated a proven acquisition strategy focused on the acquisition of proprietary aerospace components businesses and related products and services. We believe the successful execution of these two elements of our business strategy enables us to deliver consistent financial performance through all phases of market cycles in the aerospace industry.

THE FINANCING TRANSACTIONS

We intend to finance the McKechnie Acquisition and concurrently refinance a portion of the outstanding term loan and repay in full all revolving loans and terminate all revolving commitments under our existing senior secured credit facility (the Refinancing) through a combination of this offering of notes and the borrowings under our new senior secured credit facility. The new senior secured credit facility will consist of a new $300.0 million revolving credit facility, which will not be drawn at close, and a new $900.0 million term loan facility. Proceeds of the Financing Transactions will be used to pay any fees and expenses associated with the Transaction, fund the McKechnie Acquisition, repay a portion of our existing term loan and add cash to our balance sheet. Consummation of the McKechnie Acquisition and the Refinancing are subject to certain customary closing conditions.

The estimated sources and uses of the funds for the Transactions are shown in the table below. Actual amounts may vary from estimated amounts depending on several factors, including the differences from the estimate of fees and expenses, the pricing of and any discounts on the new indebtedness and the actual closing date of the Transactions.

Sources of Funds	(In millions)	Uses of Funds	
Notes offered hereby	$ 780	McKechnie Acquisition	$ 1,265
New Senior Secured Credit Facility[1]	$ 900	Repay a Portion of Existing Term Loan[2]	$ 280
		Transaction fees and expenses[3]	$ 52
		Excess cash to balance sheet	$ 83
Total sources of funds	$ 1,680	Total uses of funds	$ 1,680

(1) The new senior secured credit facility will provide for a new $300 million revolving credit facility, which will be undrawn at close, and a new $900 million term loan facility.

(2) Affiliates of the initial purchasers will receive a portion of the proceeds from the offering as a result of the repayment of the existing term loan.

(3) Includes original issue discount on the term loan and revolving credit facility under our new senior secured credit facility and estimated fees and expenses related to this offering.

See Use of Proceeds.

ORGANIZATIONAL STRUCTURE AND RELATED MATTERS

TransDigm Inc. was formed in July 1993 in connection with the acquisition of certain companies from IMO Industries Inc. TD Group was formed in July 2003 at the direction of Warburg Pincus Private Equity VIII, L.P., or Warburg Pincus, to facilitate the acquisition of the business of TransDigm Inc. On March 2006 and May 2007, certain stockholders of TD Group and certain members of our management sold shares of TD Group common stock in underwritten public offerings. TD Group did not offer any shares of common stock for sale in the offerings, and TD Group did not receive any of the proceeds from the sale of shares by the selling stockholders. As a result of the initial public offering in 2006, TD Group s common stock is publicly traded on the New York Stock Exchange under the ticker symbol TDG.

PRO FORMA CORPORATE STRUCTURE

SUMMARY HISTORICAL AND PRO FORMA CONSOLIDATED FINANCIAL DATA

The following table sets forth summary historical consolidated financial and other data of TD Group for the fiscal years ended September 30, 2010, 2009 and 2008, which have been derived from TD Group s audited consolidated financial statements, which are included elsewhere herein.

Separate historical financial information for TransDigm Inc. is not presented since TD Group has no operations or assets (other than immaterial cash balances) separate from its investment in TransDigm Inc. and since the notes will be, and the 2014 Notes are, fully and unconditionally guaranteed, on a joint and several and senior subordinated basis, by TD Group and, other than immaterial subsidiaries, all direct and indirect domestic subsidiaries of TransDigm Inc.

Acquisitions of businesses and product lines completed by TD Group during the last three fiscal years are as follows:

On May 7, 2008, TransDigm acquired all of the outstanding capital stock of CEF Industries, Inc. (CEF).

On September 26, 2008, Champion Aerospace LLC, a subsidiary of TransDigm Inc., acquired certain assets from Unison Industries, LLC (Unison), a GE Aviation business.

On December 16, 2008, TransDigm Inc. acquired all of the outstanding capital stock of Aircraft Parts Corporation (APC).

On July 24, 2009, TransDigm Inc. acquired all of the outstanding capital stock of Acme Aerospace, Inc. (Acme).

On August 10, 2009, TransDigm Inc., through its subsidiary AeroControlex Group, Inc., acquired certain product line assets of Woodward HRT, Inc. (Woodward), a subsidiary of Woodward Governor Company.

On December 2, 2009, TransDigm Inc. (through a newly formed, wholly owned subsidiary of TransDigm Inc., Dukes Aerospace Inc.) acquired certain assets and liabilities from Dukes, Inc. and GST Industries, Inc.

On September 3, 2010, TransDigm Inc. acquired all of the outstanding capital stock of Semco.

All of the acquisitions were accounted for using the acquisition method. The results of operations of the acquired businesses and product lines are included in TD Group s consolidated financial statements from the date of each of the acquisitions.

We expect to obtain the cash required to consummate the McKechnie Acquisition, including partial repayment of the term loan under our existing senior secured credit facility, pay for fees and expenses related to this Transaction and add cash to our balance sheet, by entering into the following Financing Transactions: (i) the issuance by us of $780 million aggregate principal amount of notes offered hereby; and (ii) the borrowing by us of $900 million under a new term loan forming a part of a new senior secured credit facility. The new senior secured credit facility will also include a $300 million revolving loan facility, which will be undrawn following the consummation of this offering. The consummation of each of the Financing Transactions is conditioned on the substantially concurrent completion of the McKechnie Acquisition and the other Financing Transactions.

The following table also sets forth summary pro forma combined financial data for the fiscal year 2010, which we have derived from and should be read in conjunction with our unaudited pro forma combined financial and other data included elsewhere herein. The unaudited combined pro forma statement of operations data set forth below gives effect to the Transactions (and the consummation of the acquisition of

Dukes and Semco) as if they had occurred on October 1, 2009 and the unaudited combined pro forma balance sheet data set forth below gives effect to the Transactions as if they had occurred as of September 30, 2010. The summary pro forma combined financial information set forth below should not be considered indicative of actual results that would have been achieved had the Transactions occurred on the respective dates indicated and do not purport to indicate balance sheet data or results of operations as of any future date or for any future period. We cannot assure you that the assumptions used in the preparation of the pro forma combined financial information will prove to be correct.

We present below certain financial information based on our EBITDA, EBITDA As Defined and Adjusted EBITDA As Defined. None of EBITDA, EBITDA As Defined or Adjusted EBITDA As Defined is a measurement of financial performance under GAAP, and none of these financial measures should be considered an alternative to net income or operating cash flows determined in accordance with GAAP, and our calculation of EBITDA, EBITDA As Defined and Adjusted EBITDA As Defined may not be comparable to the calculation of similarly titled measures reported by other companies. While we believe that the presentation of EBITDA, EBITDA As Defined and Adjusted EBITDA As Defined will enhance an investor s understanding of our operating performance, the use of each of EBITDA, EBITDA As Defined and Adjusted EBITDA As Defined as analytical tools has limitations and you should not consider any of them in isolation, or as a substitute for an analysis of our results of operations as reported in accordance with GAAP. For a reconciliation of EBITDA, EBITDA As Defined and Adjusted EBITDA As Defined to net income and net cash provided by operating activities, please refer to the tables below. For additional information regarding these non-GAAP financial measures, including a more detailed description with respect to the limitations of these non-GAAP financial measures, see Non-GAAP Financial Measures.

The information presented below should be read together with Unaudited Pro Forma Condensed Combined Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and accompanying notes included or incorporated by reference herein.

	Fiscal Years Ended September 30,			Pro Forma for the Fiscal Year Ended September 30,
	2010	2009	2008	2010
	(in thousands)			
Statement of Operations Data:				
Net Sales	$ 827,654	$ 761,552	$ 713,711	$ 1,164,790
Gross profit[(1)]	473,066	429,346	385,931	596,691
Operating expenses:				
Selling and administrative	94,918	80,018	74,650	128,831
Amortization of intangibles	15,079	13,928	12,002	39,998
Operating income[(1)]	363,069	335,400	299,279	427,862
Interest expense, net	112,234	84,398	92,677	216,084
Foreign exchange loss				2,361
Income before income taxes	250,835	251,002	206,602	209,417
Income tax provision	87,390	88,100	73,476	73,296
Net income	$ 163,445	$ 162,902	$ 133,126	$ 136,121
Net income applicable to common stock	$ 133,132	$ 162,902	$ 133,126	$ 105,808

	As of September 30, 2010	2009	2008	Pro Forma as of September 30, 2010
	(in thousands)			
Balance Sheet Data:				
Cash and cash equivalents	$ 234,112	$ 190,167	$ 159,062	$ 317,012
Working capital	470,496	395,002	334,932	622,009
Total assets	2,677,818	2,454,440	2,255,821	4,263,296
Long-term debt, including current portion	1,771,646	1,356,761	1,357,230	3,167,146
Stockholders equity	592,979	819,162	653,900	588,003

	Fiscal Years Ended September 30, 2010	2009	2008	Pro Forma for the Fiscal Year Ended September 30, 2010
	(in thousands)			
Other Financial Data:				
Depreciation and amortization	$ 30,165	$ 27,521	$ 25,254	$ 62,275
Capital expenditures	12,887	13,155	10,884	19,703
Ratio of earnings to fixed charges(2)	3.2x	3.9x	3.2x	2.0x
Net leverage ratio(3)				5.4x
Other Data:				
EBITDA(4)	$ 393,234	$ 362,921	$ 324,533	$ 487,776
EBITDA As Defined(4)	$ 411,609	$ 374,690	$ 333,077	$ 521,712
Adjusted EBITDA As Defined(4)				$ 526,112

(1) Gross profit and operating income include the effect of charges relating to purchase accounting adjustments to inventory associated with the acquisition of various businesses and product lines for the fiscal years ended for the fiscal years 2010, 2009 and 2008 of $4,794,000, $2,264,000 and $1,933,000, respectively.

(2) For purposes of computing the ratio of earnings to fixed charges, earnings consist of earnings before income taxes plus fixed charges. Fixed charges consist of interest expense, amortization of debt issuance costs and the portion (approximately 33%) of rental expense that management believes is representative of the interest component of rental expense.

(3) The net leverage ratio is computed as long-term debt, including current portion less cash and cash equivalents divided by Adjusted EBITDA As Defined.

(4) EBITDA represents earnings before interest, taxes, depreciation and amortization. EBITDA As Defined represents EBITDA plus, as applicable for each relevant period, certain adjustments as set forth in the reconciliation of net income to EBITDA and EBITDA As Defined and the reconciliation of net cash provided by operating activities to EBITDA and EBITDA As Defined presented herein. Adjusted EBITDA As Defined represents EBITDA as further adjusted to give effect to the anticipated cost savings we expect to realize in connection with the McKechnie Acquisition and the elimination of certain non-recurring costs incurred by McKechnie. See Non-GAAP Financial Measures for additional information and limitations regarding these non-GAAP financial measures.

The following sets forth a reconciliation of net income to EBITDA, EBITDA As Defined and Adjusted EBITDA As Defined:

	Fiscal Years Ended September 30,			Pro Forma for the Fiscal Year Ended September 30,
	2010	2009	2008	2010
		(in thousands)		
Net income	$ 163,445	$ 162,902	$ 133,126	$ 136,121
Add:				
Depreciation and amortization	30,165	27,521	25,254	62,275
Interest expense, net	112,234	84,398	92,677	216,084
Income tax provision	87,390	88,100	73,476	73,296
EBITDA	393,234	362,921	324,533	487,776
Add:				
Inventory purchase accounting adjustments[(a)]	4,794	2,264	1,933	17,994
Acquisition integration costs[(b)]	4,171	3,426	393	4,171
Acquisition transaction-related expenses[(c)]	2,717			2,717
Non-cash compensation and deferred compensation costs[(d)]	6,693	6,079	6,218	6,693
Foreign exchange loss				2,361
EBITDA As Defined	$ 411,609	$ 374,690	$ 333,077	$ 521,712
Add:				
Expected cost savings due to elimination of duplicative corporate functions[(e)]				2,900
Expected cost savings due to the transfer of certain production operations to Mexico[(f)]				1,500
Adjusted EBITDA As Defined				$ 526,112

(a) Represents purchase accounting adjustments to inventory associated with the acquisitions of various businesses and product lines that were charged to cost of sales when the inventory was sold.

(b) Represents costs incurred to integrate acquired businesses and product lines into TD Group s operations, facility relocation costs and other acquisition-related costs.

(c) Represents, for periods after October 1, 2009, transaction-related costs comprising deal fees; legal, financial and tax due diligence expenses; and valuation costs that are now required to be expensed as incurred.

(d) Represents the expenses recognized by us under our stock option plans and our deferred compensation plans.

(e) Represents the anticipated elimination of certain corporate overhead costs incurred by McKechnie during the period. The annual amount of savings comprises base salary, bonus and benefits related to the specific termination of corporate employees and closing the McKechnie corporate office in Irvine, California.

(f) Represents the anticipated elimination or reduction of certain factory operating costs incurred in the United States after moving production to a lower cost facility in Mexico.

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

	Fiscal Years Ended September 30,		
	2010	2009	2008
	(in thousands)		
Net cash provided by operating activities	$ 197,304	$ 197,112	$ 189,635
Adjustments:			
Changes in assets and liabilities, net of effects from acquisitions of businesses	(4,971)	1,897	(35,544)
Interest expense net, excluding amortization of debt issue costs / note premium[(a)]	104,656	81,147	89,580
Income tax provision current	85,490	79,300	66,141
Non-cash equity compensation[(b)]	(6,704)	(5,813)	(4,035)
Excess tax benefit from exercise stock options	17,459	9,278	18,756
EBITDA	393,234	362,921	324,533
Adjustments:			
Inventory purchase accounting adjustments[(c)]	4,794	2,264	1,933
Acquisition integration costs[(d)]	4,171	3,426	393
Acquisition transaction-related expenses[(e)]	2,717		
Non-cash compensation and deferred compensation costs[(f)]	6,693	6,079	6,218
EBITDA As Defined	$ 411,609	$ 374,690	$ 333,077

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

(b) Represents the compensation expense recognized by TD Group under its stock plans.

(c) Represents purchase accounting adjustments to inventory associated with the acquisitions of various businesses and product lines that were charged to cost of sales when the inventory was sold.

(d) Represents costs incurred to integrate acquired businesses and product lines into TD Group s operations, facility relocation costs and other acquisition-related costs.

(e) Represents, for periods after October 1, 2009, transaction-related costs comprising deal fees; legal, financial and tax due diligence expenses; and valuation costs that are now required to be expensed as incurred.

(f) Represents the expenses recognized by us under our stock option plans and our deferred compensation plans.

Risks Related to Our Business

Our business is sensitive to the number of flight hours that our customers planes spend aloft, the size and age of the worldwide aircraft fleet and our customers profitability. These items are, in turn, affected by general economic conditions.

Our business is directly affected by, among other factors, changes in RPMs, the size and age of the worldwide aircraft fleet and, to a lesser extent, changes in the profitability of the commercial airline industry. RPMs and airline profitability have historically been correlated with the general economic environment, although national and international events also play a key role. For example, in recent years, the airline industry has been severely affected by the downturn in the global economy, higher fuel prices, the increased security concerns among airline customers following the events of September 11, 2001, the Severe Acute Respiratory Syndrome epidemic and the conflicts in Afghanistan and Iraq. In addition, recent global market and economic conditions have been unprecedented and challenging with continued turbulence in the U.S. and international markets and economies and have prolonged declines in business and consumer spending. As a result of the substantial reduction in airline traffic resulting from these events, the airline industry incurred, and some in the industry continue to incur, large losses and financial difficulties. Some carriers have also parked or retired a portion of their fleets and have reduced workforces and flights. During periods of reduced airline profitability, some airlines may delay purchases of spare parts, preferring instead to deplete existing inventories. In addition, OEMs may experience production or other delays with respect to a particular aircraft. For example, the Boeing 787 has experienced significant production delays and certain Airbus A380 aircraft have been identified as requiring engine replacement. Such delays are not unusual for large commercial transport OEMs, particularly when the new platform introduction involves new technology, such as in the case of the Boeing 787. We, including McKechnie, supply components to each of these aircraft. If demand for new aircraft and spare parts decreases, there would be a decrease in demand for certain of our products.

We could incur substantial costs as a result of violations of or liabilities under environmental laws and regulations.

Our operations and facilities are subject to a number of federal, state, local and foreign environmental laws and regulations that govern, among other things, discharges of pollutants into the air and water, the generation, handling, storage and disposal of hazardous materials and wastes, the remediation of contamination and the health and safety of our employees. We could incur substantial costs, including clean-up costs, fines and sanctions and/or third party property damage or personal injury claims as a result of violations of, or liabilities under, environmental laws, relevant common law or the environmental permits required for our operations. Changes in environmental, health and safety laws or regulations or other new regulations could increase our costs of doing business or adversely impact the demand for our products.

Pursuant to certain environmental laws, a current or previous owner or operator of a contaminated site may be held liable for the entire cost of investigation, removal or remediation of hazardous materials at such property, whether or not the owner or operator knew of, or was responsible for, the presence of any hazardous materials. Persons who arrange for the disposal or treatment of hazardous materials may also be held liable for the costs of investigation, removal or remediation of those substances at a disposal or treatment site, regardless of whether the affected site is owned or operated by them. Contaminants have been detected at some of our present and former sites, principally in connection with historical operations, and investigations and/or clean-ups have been undertaken by us or by former owners of the sites. We also receive inquiries and notices of potential liability with respect to offsite disposal facilities from time to time. Although we are not aware of any sites for which material obligations exist, the discovery of additional contaminants, the imposition of additional clean-up obligations at these or other sites, the failure of any other potentially liable party to meet its obligations or the initiation of suits for personal injury or damages to property or natural resources could result in significant liability.

McKechnie is a party to a number of legal proceedings and is responsible, in whole or in part, for remediation at a number of owned or third-party sites, for which McKechnie has reserves on its balance sheet. If the amount of any reserves we establish in connection with such remediation and related legal liabilities is significantly less than the actual costs incurred to satisfy those remediations and related legal liabilities, our operating results could be materially impacted.

We are dependent on our highly trained employees and any work stoppage or difficulty hiring similar employees could adversely affect our business.

Because our products are complicated and highly engineered, we depend on an educated and trained workforce. There is substantial competition for skilled personnel in the aircraft component industry, and we could be adversely affected by a shortage of skilled employees. We may not be able to fill new positions or vacancies created by expansion or turnover or attract and retain qualified personnel.

As of September 30, 2010, we had approximately 2,400 employees. Approximately 3% of our employees were represented by the United Steelworkers Union, approximately 2% were represented by the United Automobile, Aerospace and Agricultural Implement Workers of America and approximately 3% were represented by the International Brotherhood of Electrical Workers. Collective bargaining agreements between us and these labor unions expire in April 2011, November 2012 and May 2013, respectively. Although we believe that our relations with our employees are satisfactory, we cannot assure you that we will be able to negotiate a satisfactory renewal of these collective bargaining agreements or that our employee relations will remain stable. Because we maintain a relatively small inventory of finished goods, any work stoppage could materially and adversely affect our ability to provide products to our customers.

As of September 30, 2010, McKechnie had approximately 1,324 employees. Approximately 6% of its employees were represented by the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America Local No. 509 and 32% were represented by unions in foreign countries, respectively. Collective bargaining agreements between McKechnie and these unions expire in July 2012, February 2012, December 2012 and April 2011. Although we believe that relations with its employees are satisfactory, we cannot assure you that McKechnie will be able to negotiate a satisfactory renewal of these collective bargaining agreements or that McKechnie s employee relations will remain stable. Because McKechnie maintains a relatively small inventory of finished goods, any work stoppage could materially and adversely affect McKechnie s ability to provide products to its customers.

Some of our operations are located outside of the United States, which subjects us to additional risks, including increased complexity and costs of managing international operations and geopolitical instability.

We have manufacturing facilities, research and development facilities and sales offices located outside the United States, and we expect to continue to conduct business with companies that are located outside the United States. As a result of the McKechnie Acquisition, the extent of our international operations will increase significantly. Because of these in international operations, we may face numerous challenges, including:

- increased complexity and costs of managing international operations;
- longer and more difficult collection of receivables;
- difficulties in enforcing contracts generally;

- geopolitical and economic instability and military conflicts;
- limited protection of our intellectual property and other assets;
- compliance with local laws and regulations and unanticipated changes in local laws and regulations, including tax laws and regulations;
- trade and foreign exchange restrictions and higher tariffs;
- travel restrictions;
- timing and availability of import and export licenses and other governmental approvals, permits and licenses, including export classification requirements;
- foreign currency exchange fluctuations relating to our international operating activities;
- transportation delays and limited local infrastructure and disruptions, such as large scale outages or interruptions of service from utilities or telecommunications providers;
- difficulties in staffing international operations;
- heightened risk of terrorism;
- local business and cultural factors that differ from our normal standards and practices;
- differing employment practices and labor issues;
- regional health issues and natural disasters; and
- work stoppages.

If we are unable to efficiently handle these risks, they could materially and adversely affect our business.

Risks Related to the Acquisition

Failure to successfully and efficiently integrate McKechnie into our operations may adversely affect our operations and financial condition.

The proceeds of this offering will be used in part to consummate the acquisition of McKechnie. The integration of McKechnie into our operations will be a significant undertaking and will require significant attention from our management team. The acquisition involves the integration of two companies that previously operated independently. This integration is a complex, costly and time-consuming process, and we cannot assure you that this process will be successful. In addition, the integration of McKechnie into our operations will require significant one-time costs for tasks such as site visits and audits and may be difficult to execute, and we cannot guaranty or accurately estimate these costs at this time. Additional integration challenges include, among other things:

- retaining existing employees;
- persuading employees of TransDigm and McKechnie that the business cultures are compatible, maintaining morale and retaining and integrating key employees;
- incorporating new facilities into our business operations;
- coordinating sales and marketing functions;
- combining products and services;
- integrating systems; and
- maintaining our standards, controls, procedures and policies.

We may not achieve the benefits we expect from the McKechnie Acquisition if we are unable to successfully overcome these integration challenges.

Our presentation of Adjusted EBITDA As Defined herein includes adjustments regarding cost savings that we expect to realize in connection with the integration of McKechnie into our business, including with respect to the elimination of redundant personnel. However, our ability to achieve these cost savings will depend upon the success we have in integrating McKechnie into our business, and we cannot assure you that these cost savings will be realized within the time frames we expect, or at all. In addition, even if these cost savings are attained, we may incur unexpected costs in integrating McKechnie into our business that offset these expected cost savings. Accordingly, investors are cautioned not to place undue reliance on our expected cost savings.

We may not realize the growth opportunities and cost synergies that are anticipated from our proposed acquisition of McKechnie.

The benefits we expect to achieve as a result of our proposed acquisition of McKechnie will depend, in part, on our ability to realize anticipated growth opportunities and cost synergies. Our success in realizing these growth opportunities and cost synergies, and the timing of this realization, depends on the successful integration of McKechnie s business and operations with our business and operations. Even if we are able to integrate our business with McKechnie s business successfully, this integration may not result in the realization of the full benefits of the growth opportunities and cost synergies we currently expect from this integration within the anticipated time frame or at all. For example, we may be unable to eliminate duplicative costs. Moreover, we anticipate that we will incur substantial expenses in connection with the integration of our business with McKechnie s business. While we anticipate that certain expenses will be incurred, such expenses are difficult to estimate accurately, and may exceed current estimates. Accordingly, the benefits from the proposed acquisition may be offset by costs incurred or delays in integrating the companies, which could cause our revenue assumptions to be inaccurate.

Our historical and pro forma combined financial information may not be representative of our results as a combined company.

The pro forma combined financial information included herein is constructed from the separate financial statements of TransDigm Group Inc. and McKechnie and may not represent the financial information that would result from operations of the combined companies. In addition, the pro forma combined financial information presented herein is based in part on certain assumptions regarding the proposed acquisition that we believe are reasonable. We cannot assure you that our assumptions will prove to be accurate over time. Accordingly, the historical and pro forma combined financial information included herein may not reflect what our results of operations and financial condition would have been had we been a combined entity during the periods presented, or what our results of operations and financial condition will be in the future. The challenge of integrating previously independent businesses makes evaluating our business and our future financial prospects difficult. Our potential for future business success and operating profitability must be considered in light of the risks, uncertainties, expenses and difficulties typically encountered by recently combined companies.

CAPITALIZATION

The following table sets forth the cash and cash equivalents and the consolidated capitalization of TD Group as of September 30, 2010, on a historical basis and on a pro forma basis to give effect to the Transactions as if each of the Transactions had occurred on that date. This table should be read in conjunction with the information in Use of Proceeds, Unaudited Pro Forma Condensed Combined Financial Data, Selected Consolidated Financial Information, Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the notes thereto included elsewhere herein.

	As of September 30, 2010	
	Actual	As adjusted
	(in millions)	
Cash and cash equivalents	$ 234.1	$ 317.0
Debt:		
Existing Senior Secured Credit Facility	$ 780.0	$ 500.0
New Senior Secured Credit Facility		900.0
7 3/4% Senior Subordinated Notes due 2014	1,000.0	1,000.0
% Senior Subordinated Notes due 2018[1]		780.0
Original issue discount / premium[2]	(8.4)	(12.9)
Total long-term debt	1,771.6	3,167.1
Stockholders equity	593.0	588.0
Total capitalization	$ 2,364.6	$ 3,755.1

(1) Notes offered hereby.

(2) As adjusted capitalization includes an assumed $4.5 million of original issue discount related to the new senior secured credit facility.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA

The following unaudited pro forma condensed combined financial data is based on the historical financial statements of TD Group and McKechnie, each included elsewhere herein, adjusted to give pro forma effect to such transactions and certain other recently completed acquisitions. The unaudited pro forma condensed combined balance sheet as of September 30, 2010 gives effect to the Transactions as if they had occurred as of September 30, 2010. The unaudited pro forma condensed combined statement of income for the fiscal year ended September 30, 2010 gives effect to such transactions as if they had been consummated on October 1, 2009, the first day of TD Group s most recently completed fiscal year.

Assumptions underlying the pro forma adjustments necessary to fairly present this pro forma information are described in the accompanying notes, which should be read in conjunction with this unaudited pro forma condensed combined financial data. The pro forma adjustments described in the accompanying notes have been made based on available information and, in the opinion of management, are reasonable. The unaudited pro forma condensed combined financial data should not be considered indicative of actual results that would have been achieved had these transactions occurred on the respective dates indicated and do not purport to indicate balance sheet data or results of operations as of any future date or for any future period. We cannot assure you that the assumptions used in the preparation of the unaudited pro forma condensed combined financial data will prove to be correct. The unaudited pro forma condensed combined financial data should be read together with the information set forth under the headings The Transactions, Use of Proceeds and Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated historical financial statements of TD Group and McKechnie and the notes thereto, and other financial information included elsewhere herein.

The proposed acquisition of McKechnie by TransDigm will be accounted for as a purchase in conformity with Accounting Standards Codification (ASC) No. 805, *Business Combinations*, with intangible assets recorded in accordance with ASC No. 350, *Intangibles-Goodwill and Other*. The excess of the purchase price over the historical basis of the net assets to be acquired has been allocated in the accompanying pro forma condensed combined financial data based on management s best estimates of the fair values and certain assumptions that management believes are reasonable. Because the acquisition transaction has not yet been consummated, the information available to management in making these estimates has been limited. The actual purchase price allocation will be subject to the completion of a third party valuation of the assets and the liabilities as of the date the acquisition is finalized. Therefore, such allocation and the resulting effect on our consolidated financial statements may differ from the pro forma amounts included herein, and such differences may be material.

The consolidated financial statements of McKechnie utilized to prepare the following unaudited pro forma condensed combined financial data include McKechnie s audited consolidated financial statements for the year ended December 31, 2009 and McKechnie s unaudited consolidated financial statements for the nine-month periods ended September 30, 2010 and 2009. In addition, the unaudited consolidated financial statements of McKechnie utilized to prepare the following unaudited pro forma condensed combined financial data have not been audited by McKechnie s independent accountants, and any such audit could result in adjustments to McKechnie s unaudited consolidated financial statements, and any such adjustments could be material.

The unaudited pro forma condensed combined financial data is adjusted to give pro forma effect to two recently completed acquisitions as if those acquisitions had occurred as of October 1, 2009. TD Group acquired Dukes Aerospace on December 2, 2009 and Semco Instruments on September 3, 2010. The related pro forma adjustments were derived from unaudited internal financial statements for the respective pre-acquisition periods.

TransDigm Group Incorporated

Unaudited Pro Forma Condensed Combined Balance Sheet

as of September 30, 2010

(In thousands)

	TransDigm[1]	McKechnie[1]	Adjustments for the Acquisition of McKechnie	Adjustments for Acquisition Financing	Pro Forma
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 234,112	$ 79,958	$ (1,347,958)[2]	$ 1,350,900[5]	$ 317,012
Trade accounts receivable net	134,461	42,768			177,229
Inventories	188,756	42,565	12,000[3]		243,321
Deferred income taxes	15,200	7,433			22,633
Prepaid expenses and other	10,979	4,510			15,489
Total current assets	583,508	177,234	(1,335,958)	1,350,900	775,684
PROPERTY, PLANT AND EQUPMENT	99,613	48,021			147,634
GOODWILL	1,571,664	455,878	465,486[3]		2,493,028
TRADEMARKS AND TRADE NAMES	187,556	93,321	26,679[3]		307,556
OTHER INTANGIBLE ASSETS NET	212,838	319,362	(59,362)[3]		472,838
DEBT ISSUE COSTS NET	18,649	7,934	(7,934)[3]	42,624[6]	