

TransDigm Group INC  
Form 10-K/A  
February 10, 2010

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-K/A**

**(Amendment No. 1)**

**x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended September 30, 2009

**.. 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)

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**Delaware**

(State or other jurisdiction of incorporation or organization)

**41-2101738**

(I.R.S. Employer Identification No.)

**1301 East 9<sup>th</sup> Street, Suite 3710, Cleveland, Ohio**  
(Address of principal executive offices)

**44114**  
(Zip Code)

**(216) 706-2960**

(Registrants telephone number, including area code)

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

**Common Stock**  
(Title)

**New York Stock Exchange**  
(Name of exchange on which registered)

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 12 or Section 15(d) of the Act. Yes ☐ No ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one).

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

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The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant as of March 28, 2009, based upon the last sale price of such voting and non-voting common stock on that date was \$1,363,159,237.

The number of shares outstanding of TransDigm Group Incorporated's common stock, par value \$.01 per share, was 48,977,578 as of October 31, 2009.

Documents incorporated by reference: The registrant incorporates by reference in Part III hereof portions of its definitive Proxy Statement for its 2010 Annual Meeting of Stockholders.

**Explanatory Note**

TransDigm Group Inc. ( "TD Group" ) is filing this Amendment No. 1 ( "the Form 10-K/A" ) to our Annual Report on Form 10-K for the fiscal year ended September 30, 2009, which was filed with the Securities and Exchange Commission (the "SEC" ) on November 24, 2009 (the "Original Filing" ). We are filing this Amendment No. 1 to reflect restatements of our basic and diluted earnings per share and weighted average shares outstanding calculations to give effect to participating securities under the two-class method of calculating earnings per share. Historically, the Company had utilized the treasury stock method in order to give effect to outstanding in-the-money stock options. Under the two-class method, securities that participate in dividends, such as the Company's vested outstanding stock options which include non-forfeitable rights to dividends, are considered participating securities.

This Form 10-K/A amends and restates Item 6. Selected Financial Data, Item 8. Financial Statements and Supplementary Data, and Item 9A. Controls and Procedures of Part II; and Item 15. Financial Statements of Part IV of the Original Filing in each case, solely as a result of, and to reflect, the restatement. Pursuant to the rules of the SEC, Item 15 of Part IV of the Original Filing has been amended to contain the consents of our independent registered public accountants and currently-dated certifications from our principal executive officer and principal financial officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. The consent of our independent registered public accounting firm is attached to this Form 10-K/A as Exhibit 23.1. The certifications of our principal executive officer and our principal financial officer are attached to this form 10-K/A as Exhibits 31.1, 31.2, 32.1 and 32.2.

Except for the foregoing amended information, this Form 10-K/A continues to describe conditions as of the date of the Original Filing, and we have not updated the disclosures contained herein to reflect events that have occurred subsequent to that date. Other events occurring after the date of the Original Filing or other information necessary to reflect subsequent events have been disclosed in reports filed with the SEC subsequent to the Original Filing.

**ITEM 6. SELECTED FINANCIAL DATA**

The following table sets forth selected historical consolidated financial and other data of TD Group for the fiscal years ended September 30, 2009 to 2005 which have been derived from TD Group's audited consolidated financial statements.

Separate historical financial information of TransDigm Inc. is not presented since the 7<sup>3/4</sup>% Senior Subordinated Notes are guaranteed by TD Group and all direct and indirect domestic restricted subsidiaries of TransDigm Inc. and since TD Group has no operations or significant assets separate from its investment in TransDigm Inc.

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

On December 31, 2004, TransDigm Inc. (through Skurka Aerospace Inc. ( Skurka ), a newly formed subsidiary of TransDigm Inc.) acquired certain assets and assumed certain liabilities of Skurka Engineering Company.

On January 28, 2005, TransDigm Inc. acquired all of the outstanding capital stock of Fluid Regulators Corporation ( Fluid Regulators ), a wholly-owned subsidiary of Esterline Technologies Corporation.

On June 30, 2005, Skurka acquired an aerospace motor product line from Eaton Corporation.

On May 1, 2006, Skurka acquired certain assets and assumed certain liabilities of Electra-Motion, Inc.

On June 12, 2006, TransDigm Inc. acquired all of the outstanding capital stock of Sweeney Engineering Corp.

On October 3, 2006, TransDigm Inc. acquired all of the outstanding capital stock of CDA InterCorp.

On February 7, 2007, TransDigm completed the merger with Aviation Technologies, Inc. ( ATI ), resulting in ATI becoming a wholly-owned subsidiary of TransDigm Inc.

On August 10, 2007, TransDigm (through Bruce Aerospace, Inc., a newly formed subsidiary of TransDigm Inc.) acquired certain assets and assumed certain liabilities of Bruce Industries Inc.

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

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

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

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

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

All of the acquisitions were accounted for as purchases. 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.

### **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 accounting principles generally accepted in the United States of America ( 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 our revolving credit facility under our senior secured credit facility requires compliance, 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. This financial covenant is a material term of our senior secured credit facility as the failure to comply with such financial covenant could result in an event of default in respect of the revolving credit facility (and such an event of default could, in turn, result in an event of default under the indenture governing our 7<sup>3/4</sup>% Senior Subordinated Notes and New 7<sup>3/4</sup>% Senior Subordinated Notes).

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

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The information presented below should be read together with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and accompanying notes included elsewhere herein.

	2009	Fiscal Years Ended September 30, 2008200720062005			
	(in thousands, except per share amounts )				
Statement of Operations Data:					
Net Sales	\$ 761,552	\$ 713,711	\$ 592,798	\$ 435,164	\$ 374,253
Gross profit <sup>(1)</sup>	429,346	385,931	309,032	221,290	184,270
Operating expenses:					
Selling and administrative	80,018	74,650	62,890	48,309	38,943
Amortization of intangibles	13,928	12,002	12,304	6,197	7,747
Refinancing costs				48,617	
Operating income <sup>(1)</sup>	335,400	299,279	233,838	118,167	137,580
Interest expense, net	84,398	92,677	91,767	76,732	80,266
Income before income taxes	251,002	206,602	142,071	41,435	57,314
Income tax provision	88,100	73,476	53,426	16,318	22,627
Net income	\$ 162,902	\$ 133,126	\$ 88,645	\$ 25,117	\$ 34,687
Denominator for basic and diluted earnings per share, as restated:					
Weighted average common shares outstanding <sup>(2)</sup>	48,481	47,856	45,630	44,415	44,202
Add shares of vested awards with dividend equivalent payment rights, if dilutive	4,058	4,242	4,934	5,073	4,315
Total shares for basic and diluted earnings per share	52,539	52,098	50,564	49,488	48,517
Earnings per share, as restated:					
Basic	\$ 3.10	\$ 2.56	\$ 1.75	\$ 0.51	\$ 0.71
Diluted	\$ 3.10	\$ 2.56	\$ 1.75	\$ 0.51	\$ 0.71
Basic earnings per share computation, as reported					
Weighted-average common shares outstanding <sup>(2)</sup>	48,481	47,856	45,630	44,415	44,202
Net income per share <sup>(3)</sup>	\$ 3.36	\$ 2.78	\$ 1.94	\$ 0.57	\$ 0.78
Diluted earnings per share computation, as reported					
Weighted-average common shares outstanding <sup>(2)</sup>	50,459	50,202	48,542	47,181	46,544
Net income per share <sup>(4)</sup>	\$ 3.23	\$ 2.65	\$ 1.83	\$ 0.53	\$ 0.75

	2009	2008	As of September 30, 2007 (in thousands)			2006	2005
<b>Balance Sheet Data:</b>							
Cash and cash equivalents <sup>(5)</sup>	\$ 190,167	\$ 159,062	\$ 105,946	\$ 61,217	\$ 104,221		
Working capital	395,002	334,932	298,380	190,742	118,559		
Total assets	2,454,440	2,255,821	2,061,053	1,416,712	1,427,748		
Long-term debt, including current portion	1,356,761	1,357,230	1,357,854	925,000	889,846		
Stockholders' equity	819,162	653,900	487,551	363,041	333,107		





		Fiscal Years Ended September 30,			
	2009	2008	2007	2006	2005
	(in thousands)				
Other Financial Data:					
Cash flows provided by (used in):					
Operating activities	\$ 197,112	\$ 189,635	\$ 112,436	\$ 3,058	\$ 80,695
Investing activities	(168,388)	(165,044)	(521,665)	(35,323)	(20,530)
Financing activities	2,381	28,525	453,958	(10,739)	(4,442)
Depreciation and amortization	27,521	25,254	23,952	16,111	16,956
Capital expenditures	13,155	10,884	10,258	8,350	7,960
Ratio of earnings to fixed charges <sup>(6)</sup>	3.9x	3.2x	2.5x	1.5x	1.7x
Other Data:					
EBITDA <sup>(7)</sup>	\$ 362,921	\$ 324,533	\$ 257,790	\$ 134,278	\$ 154,536
EBITDA As Defined <sup>(7)</sup>	\$ 374,690	\$ 333,077	\$ 274,708	\$ 194,437	\$ 164,240

- (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 September 30, 2009, 2008, 2007, 2006 and 2005 of \$2,264,000, \$1,933,000, \$6,392,000, \$200,000, and \$1,493,000, respectively.
- (2) The weighted-average common shares outstanding for the periods presented have been adjusted to give effect to the 149.6 for 1.00 stock split that occurred on March 14, 2006 in connection with the initial public offering.
- (3) Net income per share is calculated by dividing net income by the basic weighted average common shares outstanding.
- (4) Net income per share is calculated by dividing net income by the diluted weighted-average common shares outstanding. However, stock options totaling 0.1 million outstanding at September 30, 2009 and 2008 and September 30, 2006, were excluded from the diluted earnings per share computation for fiscal 2009, 2008 and 2006 due to the anti-dilutive effect of such options.
- (5) On November 10, 2005, TransDigm Inc. paid a cash dividend of approximately \$98.0 million to its then parent company, TransDigm Holding Company, and made bonus payments of approximately \$6.2 million to certain members of our management. TransDigm Holding Company used all of the proceeds received from TransDigm Inc. to pay a cash dividend to TD Group. On November 10, 2005, TD Group entered into a loan facility and used the net proceeds received from the borrowings thereunder of approximately \$193.8 million, together with substantially all of the proceeds received from the dividend payment from TransDigm Holding Company, to (i) prepay the entire outstanding principal amount and all accrued and unpaid interest on its 12% senior unsecured promissory notes issued in connection with acquisition of the Company by Warburg Pincus in July 2003, which payments in the aggregate were equal to approximately \$262.7 million, and (ii) make certain distributions to members of our management who participated in our deferred compensation plans, which distributions in the aggregate were equal to approximately \$26.0 million.
- (6) 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.
- (7) 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 below. See **Non-GAAP Financial Measures** for additional information and limitations regarding these non-GAAP financial measures.

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

	2009	Fiscal Years Ended September 30,			2005
		2008	2007	2006	
		(in thousands)			
Net income	\$ 162,902	\$ 133,126	\$ 88,645	\$ 25,117	\$ 34,687
Add:					
Depreciation and amortization	27,521	25,254	23,952	16,111	16,956
Interest expense, net	84,398	92,677	91,767	76,732	80,266
Provision for income taxes	88,100	73,476	53,426	16,318	22,627