

TransDigm Group INC
Form 10-Q
February 04, 2009
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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 December 27, 2008.

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)

51-0484716

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

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

44114
(Zip Code)

(216) 706-2939

(Registrants telephone number, including area code)

(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 is a large accelerated filer, accelerated filer, non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

LARGE ACCELERATED FILER NON-ACCELERATED FILER

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

The number of shares outstanding of TransDigm Group Incorporated s common stock, par value \$.01 per share, was 48,194,179 as of January 23, 2009.

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Table of Contents**TRANSDIGM GROUP INCORPORATED****CONDENSED CONSOLIDATED BALANCE SHEETS**

(Amounts in thousands, except share amounts)

(Unaudited)

| | December 27, 2008 | September 30, 2008 |
|--|----------------------|-----------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 149,309 | \$ 159,062 |
| Trade accounts receivable - Net | 103,128 | 96,196 |
| Inventories | 154,536 | 144,114 |
| Deferred income taxes | 19,478 | 19,902 |
| Prepaid expenses and other | 3,545 | 4,160 |
| Total current assets | 429,996 | 423,434 |
| PROPERTY, PLANT AND EQUIPMENT - Net | 97,406 | 96,241 |
| GOODWILL | 1,405,464 | 1,354,774 |
| TRADEMARKS AND TRADE NAMES | 173,706 | 167,626 |
| OTHER INTANGIBLE ASSETS - Net | 191,283 | 188,568 |
| DEBT ISSUE COSTS - Net | 18,379 | 19,309 |
| OTHER | 3,577 | 5,869 |
| TOTAL ASSETS | \$ 2,319,811 | \$ 2,255,821 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 26,067 | \$ 25,140 |
| Accrued liabilities | 93,290 | 63,362 |
| Total current liabilities | 119,357 | 88,502 |
| LONG-TERM DEBT | 1,357,113 | 1,357,230 |
| DEFERRED INCOME TAXES | 154,031 | 151,672 |
| OTHER NON-CURRENT LIABILITIES | 13,489 | 4,517 |
| Total liabilities | 1,643,990 | 1,601,921 |
| STOCKHOLDERS EQUITY: | | |
| Common stock - \$.01 par value; authorized 224,400,000 shares; issued 48,685,463 and 48,600,848 shares at December 27, 2008 and September 30, 2008, respectively | 487 | 486 |
| Additional paid-in capital | 367,305 | 365,224 |
| Retained earnings | 327,344 | 287,745 |
| Accumulated other comprehensive income/(loss) | (7,487) | 445 |
| Treasury stock, at cost - 383,600 and -0- shares at December 27, 2008 and September 30, 2008, respectively | (11,828) | |

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| | | |
|--|--------------|--------------|
| Total stockholders' equity | 675,821 | 653,900 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 2,319,811 | \$ 2,255,821 |

See notes to condensed consolidated financial statements.

Table of Contents**TRANSDIGM GROUP INCORPORATED****CONDENSED CONSOLIDATED STATEMENTS OF INCOME****FOR THE THIRTEEN WEEK PERIODS ENDED****DECEMBER 27, 2008 AND DECEMBER 29, 2007****(Amounts in thousands, except per share amounts)****(Unaudited)**

| | Thirteen Week Periods Ended | |
|--------------------------------------|------------------------------------|------------------------------|
| | December 27, 2008 | December 29, 2007 |
| NET SALES | \$ 181,276 | \$ 163,136 |
| COST OF SALES | 76,988 | 75,044 |
| GROSS PROFIT | 104,288 | 88,092 |
| OPERATING EXPENSES: | | |
| Selling and administrative | 18,176 | 17,872 |
| Amortization of intangibles | 3,224 | 3,311 |
| Total operating expenses | 21,400 | 21,183 |
| INCOME FROM OPERATIONS | 82,888 | 66,909 |
| INTEREST EXPENSE - Net | 21,982 | 24,507 |
| INCOME BEFORE INCOME TAXES | 60,906 | 42,402 |
| INCOME TAX PROVISION | 21,307 | 15,434 |
| NET INCOME | \$ 39,599 | \$ 26,968 |
| Net earnings per share: | | |
| Basic | \$ 0.81 | \$ 0.57 |
| Diluted | \$ 0.78 | \$ 0.54 |
| Weighted-average shares outstanding: | | |
| Basic | 48,603 | 47,223 |
| Diluted | 50,537 | 49,862 |

See notes to condensed consolidated financial statements.

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(Amounts in thousands, except share amounts)

(Unaudited)

| | Common Stock | | Additional | Retained | Accumulated | Treasury Stock | | Total |
|---|--------------|--------|------------|------------|---------------|----------------|-------------|------------|
| | Number of | Par | Paid-In | Earnings | Other | Number of | Value | |
| | Shares | Value | Capital | | Comprehensive | Shares | | |
| | | | | | Income/(Loss) | | | |
| BALANCE, OCTOBER 1, 2008 | 48,600,848 | \$ 486 | \$ 365,224 | \$ 287,745 | \$ 445 | | \$ | \$ 653,900 |
| Purchase of common shares | | | | | | (383,600) | (11,828) | (11,828) |
| Compensation expense recognized for stock options | | | 795 | | | | | 795 |
| Excess tax benefit from exercise of stock options | | | 714 | | | | | 714 |
| Exercise of stock options | 84,615 | 1 | 559 | | | | | 560 |
| Restricted stock compensation | | | 13 | | | | | 13 |
| Comprehensive income: | | | | | | | | |
| Net income | | | | 39,599 | | | | 39,599 |
| Interest rate swap | | | | | (7,905) | | | (7,905) |
| Other comprehensive loss | | | | | (27) | | | (27) |
| Comprehensive income | | | | | | | | 31,667 |
| BALANCE, DECEMBER 27, 2008 | 48,685,463 | \$ 487 | \$ 367,305 | \$ 327,344 | \$ (7,487) | (383,600) | \$ (11,828) | \$ 675,821 |

See notes to condensed consolidated financial statements.

Table of Contents**TRANSDIGM GROUP INCORPORATED****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Amounts in thousands)

(Unaudited)

| | Thirteen Weeks Ended | |
|---|------------------------------|------------------------------|
| | December 27, 2008 | December 29, 2007 |
| OPERATING ACTIVITIES: | | |
| Net income | \$ 39,599 | \$ 26,968 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 3,489 | 3,182 |
| Amortization of intangibles | 3,224 | 3,311 |
| Amortization of debt issue costs and note premium | 813 | 930 |
| Non-cash equity compensation | 808 | 1,217 |
| Deferred income taxes | 2,006 | 1,088 |
| Changes in assets/liabilities, net of effects from acquisition of businesses: | | |
| Trade accounts receivable | (2,964) | 7,815 |
| Inventories | (6,173) | (1,366) |
| Income taxes receivable/payable | 16,259 | 14,362 |
| Excess tax benefit from exercise of stock options | (714) | (5,017) |
| Other assets | (787) | 1,310 |
| Accounts payable | 269 | (2,072) |
| Accrued and other liabilities | 10,391 | 8,500 |
| Net cash provided by operating activities | 66,220 | 60,228 |
| INVESTING ACTIVITIES: | | |
| Capital expenditures | (1,733) | (2,401) |
| Acquisition of businesses | (66,419) | |
| Net cash used in investing activities | (68,152) | (2,401) |
| FINANCING ACTIVITIES: | | |
| Excess tax benefit from exercise of stock options | 714 | 5,017 |
| Proceeds from exercise of stock options | 560 | 1,525 |
| Purchase of treasury stock | (9,095) | |
| Net cash (used in) provided by financing activities | (7,821) | 6,542 |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (9,753) | 64,369 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 159,062 | 105,946 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 149,309 | \$ 170,315 |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

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| | | |
|---|-----------|-----------|
| Cash paid during the period for interest | \$ 11,193 | \$ 14,390 |
| Cash paid (received) during the period for income taxes | \$ 2,920 | \$ (780) |

See notes to condensed consolidated financial statements.

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TRANSDIGM GROUP INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THIRTEEN WEEK PERIODS ENDED DECEMBER 27, 2008 AND DECEMBER 29, 2007

(UNAUDITED)

1. DESCRIPTION OF THE BUSINESS

Description of the Business TransDigm Group Incorporated ("TD Group"), through its wholly-owned subsidiary, TransDigm Inc., is a leading global designer, producer and supplier of highly engineered aircraft components for use on nearly all commercial and military aircraft in service today. TransDigm Inc. (which includes the Adel Wiggins Group), along with TransDigm Inc.'s direct and indirect wholly-owned operating subsidiaries, AeroControlex Group, Inc., MarathonNorco Aerospace, Inc., Adams Rite Aerospace, Inc., Champion Aerospace LLC, Avionic Instruments LLC, Skurka Aerospace Inc., CDA InterCorp LLC, Avtech Corporation, Transicoil LLC, Transicoil (Malaysia) Sendirian Berhad, Bruce Aerospace, Inc., CEF Industries, Inc. and Aircraft Parts Corporation (collectively, with TD Group, the "Company" or "TransDigm") offers a broad range of proprietary aerospace components. 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 components, gear pumps, specialized valves, engineered connectors, power conditioning devices, specialized fluorescent lighting and AC/DC electric motors, aircraft audio systems, engineered latches and cockpit security devices, lavatory hardware and components, hold open rods and locking devices, specialized cockpit displays, elastomers, NiCad batterieschargers, and starter generators and related components.

Separate Financial Statements Separate financial statements of TransDigm Inc. are not presented since TransDigm Inc.'s 7/4% senior subordinated notes are fully and unconditionally guaranteed on a senior subordinated basis by TD Group and all existing domestic subsidiaries of TransDigm Inc. and since TD Group has no significant operations or assets separate from its investment in TransDigm Inc.

2. UNAUDITED INTERIM FINANCIAL INFORMATION

The financial information included herein is unaudited; however, the information reflects all adjustments (consisting solely of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the Company's financial position and results of operations and cash flows for the interim periods presented. These financial statements and notes should be read in conjunction with the financial statements and related notes for the year ended September 30, 2008 included in its Form 10-K dated November 25, 2008. The September 30, 2008 condensed consolidated balance sheet was derived from the TD Group's audited financial statements. The results of operations for the thirteen week period ended December 27, 2008 are not necessarily indicative of the results to be expected for the full year.

3. NEW ACCOUNTING STANDARDS

In February 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115" ("SFAS 159"). SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value. SFAS 159's objective is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. SFAS 159 is effective as of the beginning of an entity's first fiscal year beginning after November 15, 2007. The adoption of SFAS 159 did not have a material impact on the Company's consolidated financial position or results of operations.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS 157"), which is effective for fiscal years beginning after November 15, 2007 and for interim periods within those years. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. In February 2008, the FASB issued FASB Staff Position No. FAS 157-2 ("FSP 157-2"), "Effective Date of FASB Statement No. 157," which allows for the deferral of the adoption date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or presented at fair value in the financial statements on a recurring basis to fiscal years beginning after November 15, 2008. The adoption of SFAS 157 for those assets and liabilities within the scope of

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FSP 157-2 is not expected to have a material impact on our financial position, results of operations or cash flows. The effective provisions of SFAS 157 are included in Note 10, Fair Value of Financial Instruments. In October 2008, the FASB issued FASB Staff Position FAS 157-3 (FSP 157-3), Determining the Fair Value of a Financial Asset When the Market for

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That Asset Is Not Active, which clarifies the application of SFAS 157 when the market for a financial asset is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. FSP 157-3 became effective immediately upon adoption of SFAS 157. The adoption of SFAS 157 did not have a material impact on the Company's consolidated financial position or results of operations. See Note 10.

4. ACQUISITIONS

APC On December 16, 2008, TransDigm Inc. acquired all of the outstanding capital stock of Aircraft Parts Corporation (APC) for approximately \$67.4 million in cash, subject to adjustment based on the level of working capital as of the closing date of the acquisition. APC is a designer and manufacturer of starter generators, generator control units and related components for turbine engines, all of which fit well with TransDigm's overall business direction. The Company expects that the \$49.0 million of estimated goodwill recognized for the acquisition will not be deductible for tax purposes.

Unison Product Line On September 26, 2008, TransDigm Inc., through its wholly-owned Champion Aerospace, LLC subsidiary, acquired certain assets related to the magneto and harness product line business of Unison Industries, LLC (Unison product line) for approximately \$68.3 million in cash, net of a purchase price adjustment of \$1.1 million received in November 2008. The acquired product line includes the highly engineered SLICK™ magnetos, harnesses and components, which are used on substantially all of the world's general aviation piston aircraft. These products fit well with Champion's existing product offerings and TransDigm's overall business direction. The Company expects that the \$58.4 million of estimated goodwill recognized for the acquisition will be deductible for tax purposes.

CEF On May 7, 2008, TransDigm Inc. acquired all of the outstanding capital stock of CEF Industries, Inc. (CEF) for approximately \$84.4 million in cash, net of a purchase price adjustment of \$0.5 million received in January 2009. CEF is a designer and manufacturer of specialized and highly engineered actuators, compressors, pumps and related components for the aerospace market, all of which fit well with TransDigm's overall business direction. The Company expects that the \$52.3 million of estimated goodwill recognized for the acquisition will not be deductible for tax purposes.

The Company accounted for the acquisitions of APC, Unison product line, and CEF (collectively, the Acquisitions) as purchases and included the results of operations of the Acquisitions in its consolidated financial statements from the effective date of each acquisition. The Company is in the process of obtaining third-party valuations of certain tangible and intangible assets of the Acquisitions; thus, the values attributed to acquired assets in the consolidated financial statements are subject to adjustment. Pro forma net sales and results of operations for the Acquisitions, had they occurred at the beginning of the thirteen week periods ended December 27, 2008 and December 29, 2007, respectively, are not significant and, accordingly, are not provided.

5. INVENTORIES

Inventories are stated at the lower of cost or market. Cost of inventories is determined by the average cost and the first-in, first-out (FIFO) methods for all locations except CEF, which determines the cost of inventories using the last-in, first-out (LIFO) method. Net inventory for CEF at December 27, 2008 was approximately \$15.0 million. Inventories consist of the following (in thousands):

| | December 27, 2008 | September 30, 2008 |
|---|----------------------|-----------------------|
| Work-in-progress and finished goods | \$ 80,602 | \$ 78,467 |
| Raw materials and purchased component parts | 90,563 | 81,750 |
| Total | 171,165 | 160,217 |
| Reserve for excess and obsolete inventory | (16,388) | (15,862) |
| LIFO Reserve | (241) | (241) |
| Inventories - net | \$ 154,536 | \$ 144,114 |

Table of Contents**6. INTANGIBLE ASSETS**

Intangible assets subject to amortization consist of the following (in thousands):

| | December 27, 2008 | | |
|-----------------------|--------------------------|-----------------------------|-------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net |
| Unpatented technology | \$ 195,089 | \$ 29,336 | \$ 165,753 |
| License agreement | 9,373 | 2,874 | 6,499 |
| Trade secrets | 18,462 | 3,476 | 14,986 |
| Patented technology | 1,693 | 939 | 754 |
| Order backlog | 18,840 | 16,350 | 2,490 |
| Other | 1,600 | 799 | 801 |
| Total | \$ 245,057 | \$ 53,774 | \$ 191,283 |

| | September 30, 2008 | | |
|-----------------------|--------------------------|-----------------------------|-------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net |
| Unpatented technology | \$ 190,493 | \$ 27,180 | \$ 163,313 |
| License agreement | 9,373 | 2,741 | 6,632 |
| Trade secrets | 18,462 | 3,267 | 15,195 |
| Patented technology | 1,670 | 922 | 748 |
| Order backlog | 17,520 | 15,698 | 1,822 |
| Other | 1,600 | 742 | 858 |
| Total | \$ 239,118 | \$ 50,550 | \$ 188,568 |

The total carrying amount of identifiable intangible assets not subject to amortization consists of \$173.7 million and \$167.6 million of trademarks and trade names at December 27, 2008 and September 30, 2008, respectively.

Intangible assets acquired during the thirteen week period ended December 27, 2008 were as follows (in thousands):

| | Cost | Amortization Period |
|---|------------------|------------------------|
| Intangible assets not subject to amortization: | | |
| Goodwill | \$ 48,956 | |
| Trademarks and trade names | 6,080 | |
| | 55,036 | |
| Intangible assets subject to amortization: | | |
| Unpatented technology | 4,590 | 18 years |
| Order backlog | 1,300 | 1 year |
| | 5,890 | 14 years |
| Total | \$ 60,926 | |

The aggregate amortization expense on identifiable intangible assets for the thirteen week periods ended December 27, 2008 and December 29, 2007 was approximately \$3.2 million and \$3.3 million, respectively. The estimated amortization expense for fiscal 2009 is \$13.4 million and for each of the five succeeding years 2010 through 2014 is \$10.9 million, \$10.5 million, \$10.4 million, \$10.3 million and \$10.3 million,

respectively.

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The following is a summary of changes in the carrying value of goodwill from September 30, 2008 through December 27, 2008 (in thousands):

| | |
|-----------------------------------|--------------|
| Balance, September 30, 2008 | \$ 1,354,774 |
| Goodwill acquired during the year | 48,956 |
| Other | 1,734 |
| Balance, December 27, 2008 | \$ 1,405,464 |

7. PRODUCT WARRANTY

The Company provides limited warranties in connection with the sale of its products. The warranty period for products sold varies among the Company's operations, ranging generally from 90 days to six years. A provision for the estimated cost to repair or replace the products is recorded at the time of sale and periodically adjusted to reflect actual experience.

The following table presents a reconciliation of changes in the product warranty liability for the periods indicated below (in thousands):

| | Thirteen Week Periods Ended | |
|--|-----------------------------|----------------------|
| | December 27, 2008 | December 29, 2007 |
| Liability balance at beginning of period | \$ 6,255 | \$ 4,624 |
| Accruals for warranties issued | 838 | 623 |
| Warranty costs incurred | (583) | (431) |
| Acquisitions | 681 | |
| Liability balance at end of period | \$ 7,191 | \$ 4,816 |

8. INCOME TAXES

At the end of each reporting period, the Company makes an estimate of its annual effective income tax rate. The estimate used in the year-to-date period may change in subsequent periods. The Company recorded an income tax provision of \$21.3 million in the thirteen week period ended December 27, 2008 compared to \$15.4 million in the prior year period. The effective tax rate for the thirteen week period ended December 27, 2008 was 35.0% compared to 36.4% for the comparable period in the prior year. The lower effective tax rate was primarily due to the retroactive reinstatement of the research and development tax credit. The retroactive benefit for the previously expired period from January 1, 2008 to September 30, 2008 is reflected as a discrete item which lowered the Company's effective tax rate by approximately 1.0%.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction as well as in various state jurisdictions. Effective October 1, 2007, the Company adopted the provisions of FIN 48. In accordance with FIN 48, the Company recognized a cumulative-effect adjustment of \$1.7 million increasing its liability for unrecognized tax benefits, interest, and penalties and reducing the October 1, 2007 balance of retained earnings.

At September 30, 2008, the Company had \$2.8 million in unrecognized tax benefits, the recognition of which would have an effect of \$1.9 million on the effective tax rate. The Company does not believe that the tax positions that comprise the unrecognized tax benefit amount will change significantly over the next 12 months.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. At September 30, 2008, the Company had accrued \$0.9 million for the potential payment of interest and penalties.

There were no significant changes to any of these amounts during the first quarter of fiscal 2009.

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As of December 27, 2008, the Company is subject to a U.S. Federal income tax examination for fiscal years 2007 and 2008. In addition, the Company is subject to state and local income tax examinations for fiscal years 2004 through 2008.

9. EARNINGS PER SHARE CALCULATION

The following table sets forth the computation of basic and diluted earnings per share:

| (in thousands, except per share data) | Thirteen Week Periods Ended | |
|---|-----------------------------|----------------------|
| | December 27, 2008 | December 29, 2007 |
| Basic Earnings Per Share Computation: | | |
| Net income | \$ 39,599 | \$ 26,968 |
| Weighted-average shares outstanding | 48,603 | 47,223 |
| Basic earnings per share | \$ 0.81 | \$ 0.57 |
| Diluted Earnings Per Share Computation: | | |
| Net income | \$ 39,599 | \$ 26,968 |
| Weighted-average shares outstanding | 48,603 | 47,223 |
| Effect of dilutive options outstanding ⁽¹⁾ | 1,934 | 2,639 |
| Total weighted-average shares outstanding | 50,537 | 49,862 |
| Diluted earnings per share | \$ 0.78 | \$ 0.54 |

- (1) Stock options totaling 0.3 million outstanding at December 27, 2008 were excluded from the diluted earnings per share computation for the thirteen weeks ended December 27, 2008, due to the anti-dilutive effect of such options. There were no stock options excluded from the diluted earnings per share calculation in the prior year period.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company has various financial instruments, including cash and cash equivalents, accounts receivable and payable, accrued liabilities, interest rate swaps and long-term debt. SFAS 157 (See Note 3) establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. 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 table provides the liabilities carried at fair value measured on a recurring basis as of December 27, 2008 (in thousands):

| | Fair Value at December 27, 2008 | Fair Value Measurements Using Inputs Considered as | | |
|------------------------------------|---------------------------------------|---|---------|---------|
| | | Level 1 | Level 2 | Level 3 |
| Interest Rate Swaps ⁽¹⁾ | 11,702 | | 11,702 | |

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(1) Included in Accrued liabilities and Other non-current liabilities on the Condensed Consolidated Balance Sheets.

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Interest rate swaps are measured at fair value using quoted market prices for the swap interest rate indexes over the term of the swap discounted to present value versus the fixed rate of the contract. They are classified within Level 2 of the valuation hierarchy.

The carrying value of the Company's cash and cash equivalents, accounts receivable and payable, and accrued liabilities approximates their fair value due to the short-term maturities of these assets and liabilities. The estimated fair value of the Company's term loans approximated \$624 million at December 27, 2008 based on information provided by the agent under the Company's Senior Secured Credit Facility. The estimated fair value of the Company's 7/4% Senior Subordinated Notes approximated \$463 million at December 27, 2008 based upon quoted market prices.

11. SUPPLEMENTAL GUARANTOR INFORMATION

TransDigm's 7/4% senior subordinated notes are jointly and severally guaranteed, on a senior subordinated basis, by TD Group and TransDigm Inc.'s Domestic Restricted Subsidiaries, as defined therein. The following supplemental consolidating condensed financial information presents the balance sheets of the Company as of December 27, 2008 and September 30, 2008 and its statements of income and cash flows for the thirteen week periods ended December 27, 2008 and December 29, 2007.

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TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATING BALANCE SHEET

AS OF DECEMBER 27, 2008

(Amounts in thousands)

| | TransDigm Group | TransDigm Inc. | Subsidiary Guarantors | Eliminations | Total Consolidated |
|---|--------------------|---------------------|--------------------------|-----------------------|-----------------------|
| ASSETS | | | | | |
| CURRENT ASSETS: | | | | | |
| Cash and cash equivalents | \$ 1,381 | \$ 152,754 | \$ (4,826) | \$ | \$ 149,309 |
| Trade accounts receivable - Net | | 9,802 | 93,541 | (215) | 103,128 |
| Inventories | | 20,554 | 134,204 | (222) | 154,536 |
| Deferred income taxes | | 19,478 | | | 19,478 |
| Prepaid expenses and other | | 1,382 | 2,163 | | 3,545 |
| Total current assets | 1,381 | 203,970 | 225,082 | (437) | 429,996 |
| INVESTMENT IN SUBSIDIARIES AND INTERCOMPANY BALANCES | | | | | |
| | 675,072 | 2,070,343 | 473,741 | (3,219,156) | |
| PROPERTY, PLANT AND EQUIPMENT - Net | | 14,403 | 83,003 | | 97,406 |
| GOODWILL | | 40,240 | 1,365,224 | | 1,405,464 |
| TRADEMARKS AND TRADE NAMES | | 19,376 | 154,330 | | 173,706 |
| OTHER INTANGIBLE ASSETS - Net | | 10,432 | 180,851 | | 191,283 |
| DEBT ISSUE COSTS - Net | | 18,379 | | | 18,379 |
| OTHER | | 2,203 | 1,374 | | 3,577 |
| TOTAL ASSETS | \$ 676,453 | \$ 2,379,346 | \$ 2,483,605 | \$ (3,219,593) | \$ 2,319,811 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | | | | |
| CURRENT LIABILITIES: | | | | | |
| Accounts payable | \$ | \$ 6,608 | \$ 19,674 | \$ (215) | \$ 26,067 |
| Accrued liabilities | 6,238 | 50,869 | 36,183 | | 93,290 |
| Total current liabilities | 6,238 | 57,477 | 55,857 | (215) | 119,357 |
| LONG-TERM DEBT | | | | | |
| | | 1,357,113 | | | 1,357,113 |
| DEFERRED INCOME TAXES | (5,606) | 159,637 | | | 154,031 |
| OTHER NON-CURRENT LIABILITIES | | 12,045 | 1,444 | | 13,489 |
| Total liabilities | 632 | 1,586,272 | 57,301 | (215) | 1,643,990 |
| STOCKHOLDERS EQUITY | 675,821 | 793,074 | 2,426,304 | (3,219,378) | 675,821 |
| TOTAL LIABILITIES AND STOCKHOLDERS EQUITY | \$ 676,453 | \$ 2,379,346 | \$ 2,483,605 | \$ (3,219,593) | \$ 2,319,811 |

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TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATING BALANCE SHEET

AS OF SEPTEMBER 30, 2008

(Amounts in thousands)

| | TransDigm Group | TransDigm Inc. | Subsidiary Guarantors | Eliminations | Total Consolidated |
|--|--------------------|---------------------|--------------------------|-----------------------|-----------------------|
| ASSETS | | | | | |
| CURRENT ASSETS: | | | | | |
| Cash and cash equivalents | \$ 1,552 | \$ 160,680 | \$ (3,170) | \$ | \$ 159,062 |
| Trade accounts receivable - Net | | 11,668 | 84,753 | (225) | 96,196 |
| Inventories | | 19,028 | 125,290 | (204) | 144,114 |
| Deferred income taxes | | 19,902 | | | 19,902 |
| Prepaid expenses and other | | 2,680 | 1,480 | | 4,160 |
| Total current assets | 1,552 | 213,958 | 208,353 | (429) | 423,434 |
| INVESTMENTS IN SUBSIDIARIES AND INTERCOMPANY BALANCES | | | | | |
| | 652,681 | 1,993,525 | 430,757 | (3,076,963) | |
| PROPERTY, PLANT AND EQUIPMENT - Net | | 14,495 | 81,746 | | 96,241 |
| GOODWILL | | 40,320 | 1,314,454 | | 1,354,774 |
| TRADEMARKS AND TRADE NAMES | | 19,376 | 148,250 | | 167,626 |
| OTHER INTANGIBLE ASSETS - Net | | 10,565 | 178,003 | | 188,568 |
| DEBT ISSUE COSTS - Net | | 19,309 | | | 19,309 |
| OTHER | | 5,517 | 352 | | 5,869 |
| TOTAL ASSETS | \$ 654,233 | \$ 2,317,065 | \$ 2,361,915 | \$ (3,077,392) | \$ 2,255,821 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | | | | |
| CURRENT LIABILITIES: | | | | | |
| Accounts payable | \$ | \$ 6,546 | \$ 18,817 | \$ (223) | \$ 25,140 |
| Accrued liabilities | 5,939 | 22,255 | 35,168 | | 63,362 |
| Total current liabilities | 5,939 | 28,801 | 53,985 | (223) | 88,502 |
| LONG-TERM DEBT | | 1,357,230 | | | 1,357,230 |
| DEFERRED INCOME TAXES | (5,606) | 157,278 | | | 151,672 |
| OTHER NON-CURRENT LIABILITIES | | 3,073 | 1,444 | | 4,517 |
| Total liabilities | 333 | 1,546,382 | 55,429 | (223) | 1,601,921 |
| STOCKHOLDERS EQUITY | 653,900 | 770,683 | 2,306,486 | (3,077,169) | 653,900 |
| TOTAL LIABILITIES AND STOCKHOLDERS EQUITY | \$ 654,233 | \$ 2,317,065 | \$ 2,361,915 | \$ (3,077,392) | \$ 2,255,821 |

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TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATING STATEMENT OF INCOME
FOR THE THIRTEEN WEEK PERIOD ENDED DECEMBER 27, 2008

(Amounts in thousands)

| | TransDigm Group | TransDigm Inc. | Subsidiary Guarantors | Eliminations | Total Consolidated |
|----------------------------------|--------------------|-------------------|--------------------------|--------------|-----------------------|
| NET SALES | \$ | \$ 16,206 | \$ 165,443 | \$ (373) | \$ 181,276 |
| COST OF SALES | | 9,427 | 67,918 | (357) | 76,988 |
| GROSS PROFIT | | 6,779 | 97,525 | (16) | 104,288 |
| OPERATING EXPENSES: | | | | | |
| Selling and administrative | | 6,007 | 12,169 | | 18,176 |
| Amortization of intangibles | | 156 | 3,068 | | 3,224 |
| Total operating expenses | | 6,163 | 15,237 | | 21,400 |
| INCOME FROM OPERATIONS | | 616 | 82,288 | (16) | 82,888 |
| OTHER INCOME (EXPENSES): | | | | | |
| Interest expense - net | | (20,851) | (1,131) | | (21,982) |
| Equity in income of subsidiaries | 39,599 | 52,736 | | (92,335) | |
| INCOME BEFORE INCOME TAXES | 39,599 | 32,501 | 81,157 | (92,351) | 60,906 |
| INCOME TAX PROVISION (BENEFIT) | | (7,098) | 28,405 | | 21,307 |
| NET INCOME | \$ 39,599 | \$ 39,599 | \$ 52,752 | \$ (92,351) | \$ 39,599 |

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TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATING STATEMENT OF INCOME
FOR THE THIRTEEN WEEK PERIOD ENDED DECEMBER 29, 2007

(Amounts in thousands)

| | TransDigm Group | TransDigm Inc. | Subsidiary Guarantors | Eliminations | Total Consolidated |
|----------------------------------|--------------------|-------------------|--------------------------|--------------|-----------------------|
| NET SALES | \$ | \$ 16,604 | \$ 146,967 | \$ (435) | \$ 163,136 |
| COST OF SALES | | 10,558 | 64,753 | (267) | 75,044 |
| GROSS PROFIT | | 6,046 | 82,214 | (168) | 88,092 |
| OPERATING EXPENSES: | | | | | |
| Selling and administrative | | 5,843 | 12,029 | | 17,872 |
| Amortization of intangibles | | 156 | 3,155 | | 3,311 |
| Total operating expenses | | 5,999 | 15,184 | | 21,183 |
| INCOME FROM OPERATIONS | | 47 | 67,030 | (168) | 66,909 |
| OTHER INCOME (EXPENSES): | | | | | |
| Interest expense - net | | (17,220) | (7,287) | | (24,507) |
| Equity in income of subsidiaries | 26,968 | 37,828 | | (64,796) | |
| INCOME BEFORE INCOME TAXES | 26,968 | 20,655 | 59,743 | (64,964) | 42,402 |
| INCOME TAX PROVISION (BENEFIT) | | (6,313) | 21,747 | | 15,434 |
| NET INCOME | \$ 26,968 | \$ 26,968 | \$ 37,996 | \$ (64,964) | \$ 26,968 |

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TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE THIRTEEN WEEK PERIOD ENDED DECEMBER 27, 2008

(Amounts in thousands)

| | TransDigm Group | TransDigm Inc. | Subsidiary Guarantors | Eliminations | Total Consolidated |
|---|--------------------|-------------------|--------------------------|--------------|-----------------------|
| OPERATING ACTIVITIES: | | | | | |
| Net income | \$ 39,599 | \$ 39,599 | \$ 52,752 | \$ (92,351) | \$ 39,599 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities | (46,821) | (15,664) | (3,245) | 92,351 | 26,621 |
| Net cash provided by (used in) operating activities | (7,222) | 23,935 | 49,507 | | 66,220 |
| INVESTING ACTIVITIES: | | | | | |
| Capital expenditures | | (267) | (1,466) | | (1,733) |
| Acquisition of businesses | | (66,419) | | | (66,419) |
| Net cash used in investing activities | | (66,686) | (1,466) | | (68,152) |
| FINANCING ACTIVITIES: | | | | | |
| Changes in intercompany activities | 14,872 | 34,825 | (49,697) | | |
| Excess tax benefit from exercise of stock options | 714 | | | | 714 |
| Proceeds from exercise of stock options | 560 | | | | 560 |
| Purchase of treasury stock | (9,095) | | | | (9,095) |
| Net cash provided by (used in) financing activities | 7,051 | 34,825 | (49,697) | | (7,821) |
| DECREASE IN CASH AND CASH EQUIVALENTS | (171) | (7,926) | (1,656) | | (9,753) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 1,552 | 160,680 | (3,170) | | 159,062 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 1,381 | \$ 152,754 | \$ (4,826) | \$ | \$ 149,309 |

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TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE THIRTEEN WEEK PERIOD ENDED DECEMBER 29, 2007

(Amounts in thousands)

| | TransDigm Group | TransDigm Inc. | Subsidiary Guarantors | Eliminations | Total Consolidated |
|---|--------------------|-------------------|--------------------------|--------------|-----------------------|
| OPERATING ACTIVITIES: | | | | | |
| Net income | \$ 26,968 | \$ 26,968 | \$ 37,996 | \$ (64,964) | \$ 26,968 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities | (26,453) | (12,118) | 6,867 | 64,964 | 33,260 |
| Net cash provided by (used in) operating activities | 515 | 14,850 | 44,863 | | 60,228 |
| INVESTING ACTIVITIES: | | | | | |
| Capital expenditures | | (197) | (2,204) | | (2,401) |
| Net cash used in investing activities | | (197) | (2,204) | | (2,401) |
| FINANCING ACTIVITIES: | | | | | |
| Changes in intercompany activities | (3,807) | 47,508 | (43,701) | | |
| Excess tax benefit from exercise of stock options | 5,017 | | | | 5,017 |
| Proceeds from exercise of stock options | 1,525 | | | | 1,525 |
| Net cash provided by (used in) financing activities | 2,735 | 47,508 | (43,701) | | 6,542 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 3,250 | 62,161 | (1,042) | | 64,369 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 11,117 | 97,780 | (2,951) | | 105,946 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 14,367 | \$ 159,941 | \$ (3,993) | \$ | \$ 170,315 |

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

The following discussion of the Company's financial condition and results of operations should be read together with TD Group's 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. The following discussion may contain predictions, estimates and other forward-looking statements that involve a number of risks and uncertainties, including those discussed in this report. These risks could cause our actual results to differ materially from any future performance suggested below.

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including, in particular, the statements about the Company's plans, strategies and prospects under this section entitled Management's Discussion and Analysis of Financial Condition and Results of Operations. Although the Company believes that its plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, the Company can give no assurance that such plans, intentions or expectations will be achieved. Many of the factors affecting these forward-looking statements are outside the control of the Company. Consequently, such forward-looking statements should be regarded solely as the Company's current plans, estimates and beliefs. The Company does not undertake and specifically declines any obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events, except as required by applicable law. All forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the foregoing cautionary statements.

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: a decrease in flight hours and our customers' profitability, both of which are affected by general economic conditions; future terrorist attacks; our substantial indebtedness; our reliance on certain customers; the U.S. defense budget and risks associated with being a government supplier; failure to maintain government or industry approvals; the pricing review by the Department of Defense Office of Inspector General to which certain of our divisions and subsidiaries have been subject; failure to complete or successfully integrate acquisitions; future sales of our common stock in the public market caused by the substantial amount of stock held by our affiliates; and other factors. Please refer to the other information included in this Quarterly Report on Form 10-Q and to 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 aircraft components for use on nearly all commercial and military aircraft in service today. Our business is well diversified due to the broad range of products 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/electromechanical actuators and controls, ignition systems and components, gear pumps, specialized valves, engineered connectors, power conditioning devices, specialized fluorescent lighting and AC/DC electric motors, aircraft audio systems, engineered latches and cockpit security devices, lavatory hardware and components, hold open rods and locking devices, specialized cockpit displays, elastomers, NiCad batteries/chargers, and starter generators and related components. Each of these product offerings consists of many individual products that are typically customized to meet the needs of a particular aircraft platform or customer.

For the first quarter of fiscal 2009, we generated net sales of \$181.3 million and net income of \$39.6 million. EBITDA As Defined was \$91.5 million, or 50.5% of net sales. See below for certain information regarding EBITDA and EBITDA As Defined, including a reconciliation of EBITDA and EBITDA As Defined to net income.

Table of Contents**Certain Acquisitions****APC Acquisition**

On December 16, 2008, TransDigm Inc. acquired all of the outstanding capital stock of Aircraft Parts Corporation (APC) for approximately \$67.4 million in cash, subject to adjustment based on the level of working capital as of the closing date of the acquisition. APC is a designer and manufacturer of starter generators, generator control units and related components for turbine engines, all of which fit well with TransDigm's overall business direction.

Unison Product Line Acquisition

On September 26, 2008, TransDigm Inc., through its wholly-owned Champion Aerospace, LLC subsidiary, acquired certain assets related to the magneto and harness product line business of Unison Industries, LLC (Unison product line) for approximately \$68.3 million in cash, net of purchase price adjustment of \$1.1 million received in November 2008. The acquired product line includes the highly engineered SLICK™ magnetos, harnesses and components, which are used on substantially all of the world's general aviation piston aircraft. These products fit well with Champion's existing product offerings and TransDigm's overall business direction.

CEF Acquisition

On May 7, 2008, TransDigm Inc. acquired all of the outstanding capital stock of CEF Industries, Inc. (CEF) for approximately \$84.4 million in cash, net of a purchase price adjustment of \$0.5 million received in January 2009. CEF is a designer and manufacturer of specialized and highly engineered actuators, pumps and related components for the aerospace market, all of which fit well with TransDigm's overall business direction.

EBITDA and EBITDA As Defined

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

| | Thirteen Week Periods Ended | |
|--|--------------------------------|----------------------|
| | December 27, 2008 | December 29, 2007 |
| Net Income | \$ 39.6 | \$ 27.0 |
| Adjustments: | | |
| Depreciation and amortization expense | 6.7 | 6.5 |
| Interest expense, net | 22.0 | 24.5 |
| Income tax provision | 21.3 | 15.4 |
| EBITDA ⁽¹⁾ | 89.6 | 73.4 |
| Adjustments: | | |
| Acquisition-related costs ⁽²⁾ | 0.8 | 0.8 |
| Non-cash compensation and deferred compensation costs ⁽³⁾ | 1.1 | 1.7 |
| EBITDA As Defined ⁽¹⁾ | \$ 91.5 | \$ 75.9 |

(1) EBITDA represents earnings before interest, taxes, depreciation and amortization. EBITDA As Defined represents EBITDA plus, as applicable for the relevant period, inventory purchase accounting adjustments, acquisition integration costs, and non-cash compensation and deferred compensation charges.

We present EBITDA because we believe that it is a useful indicator of our operating performance. Our management believes that EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties to measure a company's operating performance without regard to items such as interest expense, income tax expense and depreciation and amortization, which may vary substantially from company to company depending upon, among other things, accounting methods, book value of assets, capital structure and

the method by which assets are acquired. We also believe

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EBITDA is useful to our management and investors as a measure of comparative operating performance between time periods and among companies as it is reflective of changes in pricing decisions, cost controls and other factors that affect operating performance.

Our management uses EBITDA As Defined to review and assess our operating performance and management team in connection with our employee incentive programs, the preparation of our annual budget and financial projections. Our management also believes that 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 first lien leverage ratio, which is measured based on our Consolidated EBITDA. Our senior secured credit facility defines Consolidated EBITDA in the same manner as we define EBITDA As Defined. 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 thereunder (and, in turn, an event of default under our senior secured credit facility could result in an event of default under the indenture governing our 7³/₄% senior subordinated notes).

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 EBITDA and EBITDA As Defined as an analytical tool has limitations, and you should not consider either 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, and our calculation of EBITDA and EBITDA As Defined may not be comparable to the calculation of similarly titled measures reported by other companies.

(2) Represents costs incurred to integrate acquired businesses into TD Group's operations and purchase accounting adjustments to inventory that were charged to cost of sales when inventory was sold.

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

Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with GAAP, which often requires the judgment of management in the selection and application of certain accounting principles and methods. Management believes that the quality and reasonableness of our most critical policies enable the fair presentation of our financial position and results of operations. However, investors are cautioned that the

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sensitivity of financial statements to these methods, assumptions and estimates could create materially different results under different conditions or using different assumptions.

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A summary of our significant accounting policies and estimates is included in the Annual Report on Form 10-K for the year ended September 30, 2008. There has been no significant change to our critical accounting policies during the thirteen week period ended December 27, 2008.

Results of Operations

The following table sets forth, for the periods indicated, certain operating data of the Company as a percentage of net sales:

| | Thirteen Week Periods Ended | |
|-------------------------------------|-----------------------------|----------------------|
| | December 27, 2008 | December 29, 2007 |
| Net sales | 100% | 100% |
| Cost of Sales | 42 | 46 |
| Selling and administrative expenses | 10 | 11 |
| Amortization of intangibles | 2 | 2 |
| Income from operations | 46 | 41 |
| Interest expense - net | 12 | 15 |
| Income tax provision | 12 | 9 |
| Net income | 22% | 17% |

Changes in Results of Operations**Thirteen week period ended December 27, 2008 compared with the thirteen week period ended December 29, 2007.**

Net Sales. Net sales increased by \$18.2 million, or 11.1%, to \$181.3 million for the quarter ended December 27, 2008, from \$163.1 million for the comparable quarter last year. Sales growth excluding acquisitions was \$4.5 million and represented a 2.7% increase over the prior year. The organic sales growth was primarily due to (i) an increase of \$7.3 million in defense sales due to increased demand for both OEM and aftermarket spare parts across most of our product lines, (ii) an increase of \$2.2 in commercial OEM sales due primarily to increases in regional and business jet sales, partially offset by a decrease in sales to The Boeing Company due to a decrease in production from Boeing's employee strike, and (iii) decrease of \$4.7 million of commercial aftermarket sales due to the impact of the global economic downturn resulting in a decrease in worldwide airline traffic. Management also believes there may have been some reduction in end-user inventories that contributed to the decline in commercial aftermarket sales.

The remaining \$13.7 million of the increase resulted primarily from the acquisitions of CEF and Unison product line which were not owned in the comparable quarter last year.

Cost of Sales. Cost of sales increased by \$2.0 million, or 2.6%, to \$77.0 million for the quarter ended December 27, 2008 from \$75.0 million for the comparable quarter last year. Cost of sales as a percentage of sales decreased to 42.5% for the thirteen week period ended December 27, 2008 from 46.0% for the thirteen week period ended December 29, 2007. Cost of sales as a percentage of net sales decreased by approximately three and a half percentage points due to the strength of our proprietary products, productivity improvements especially from the cost reduction initiatives implemented during the fourth quarter of fiscal 2008 and favorable product mix partially offset by the dilutive impact from recent acquisitions.

Selling and Administrative Expenses. Selling and administrative expenses increased by \$0.3 million to \$18.2 million, or 10.0% of sales, for the quarter ended December 27, 2008 from \$17.9 million, or 11.0% of sales, for the comparable quarter last year. This increase was primarily due to the higher sales discussed above partially offset by a decrease in research and development expenses relating to lower

spending on the Boeing 787 program of \$1.0 million, or 0.7% of net sales.

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Amortization of Intangibles. Amortization of intangibles decreased slightly by \$0.1 million to \$3.2 million for the quarter ended December 27, 2008 from \$3.3 million for the comparable quarter last year.

Interest Expense-net. Interest expense decreased \$2.5 million, or 10.3%, to \$22.0 million for the quarter ended December 27, 2008 from \$24.5 million for the comparable quarter last year as a result of lower interest rates and partially offset by lower interest income of \$1.0 million. The Company's weighted average level of outstanding borrowings was approximately \$1.36 billion for both the quarter ended December 27, 2008 and the comparable quarter last year. The average interest rate decreased to 6.4% for the quarter ended December 27, 2008 from 7.5% during the comparable quarter last year.

Income Taxes. Income tax expense as a percentage of income before income taxes was approximately 35.0% for the quarter ended December 27, 2008 compared to 36.4% for the quarter ended December 29, 2007. The lower effective tax rate was primarily due to the retroactive reinstatement of the research and development tax credit. The retroactive benefit for the previously expired period from January 1, 2008 to September 30, 2008 is reflected as a discrete item which lowered the Company's effective tax rate by approximately 1.0%.

Net Income. Net income increased \$12.6 million, or 46.8%, to \$39.6 million for the first quarter of fiscal 2009 compared to \$27.0 million for the first quarter of fiscal 2008, primarily as a result of the factors referred to above.

Backlog

As of December 27, 2008, the Company estimated its sales order backlog at \$428.7 million compared to an estimated \$374.8 million as of December 29, 2007. This increase in backlog of \$53.9 million is mainly due to the purchase orders acquired in connection with the acquisitions of CEF, Unison product line and APC, discussed above, totaling approximately \$50.4 million. The majority of the purchase orders outstanding as of December 27, 2008 are scheduled for delivery within the next twelve months. Purchase orders may be subject to cancellation by the customer prior to shipment. The level of unfilled purchase orders at any given date during the year will be materially affected by the timing of the Company's receipt of purchase orders and the speed with which those orders are filled. Accordingly, the Company's backlog as of December 27, 2008 may not necessarily represent the actual amount of shipments or sales for any future period.

Foreign Operations

Although we manufacture substantially all of our products in the United States, we manufacture some products in Malaysia through our wholly owned Malaysian subsidiary. We sell our products in the United States, as well as in foreign countries. Substantially all of our foreign sales are transacted in U.S. dollars and, therefore, we have no material exposure to fluctuations in the rate of exchange between foreign currencies and the U.S. dollar as a result of foreign sales. In addition, the amount of components or other raw materials or supplies that we purchase from foreign suppliers, including our Malaysian manufacturing subsidiary, are not material, with substantially all such transactions being made in U.S. dollars. Accordingly, we have no material exposure to currency fluctuations in the rate of exchange between foreign currencies and the U.S. dollar arising from these transactions.

Sales to foreign customers are subject to numerous additional risks, including the impact of foreign government regulations, political uncertainties and differences in business practices. There can be no assurance that foreign governments will not adopt regulations or take other action that would have a direct or indirect adverse impact on the business or market opportunities of the Company within such governments countries. Furthermore, there can be no assurance that the political, cultural and economic climate outside the United States will be favorable to our operations and growth strategy.

Liquidity and Capital Resources

Operating Activities. The Company generated \$66.2 million of cash from operating activities during the thirteen week period ended December 27, 2008 compared to \$60.2 million during the thirteen week period ended December 29, 2007. The increase of \$6.0 million was primarily due to higher net income partially offset by unfavorable changes in working capital for the thirteen week period ended December 27, 2008.

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Investing Activities. Cash used in investing activities was \$68.2 million during thirteen week period ended December 27, 2008 consisting primarily of the acquisition of APC and capital expenditures of \$1.7 million. Cash used in investing activities was \$2.4 million during thirteen week period ended December 29, 2007 consisting of capital expenditures.

Financing Activities. Cash used in financing activities during the thirteen week period ended December 27, 2008 was \$7.8 million compared to cash provided by financing activities of \$6.5 million during the thirteen week period ended December 29, 2007. Cash used in financing activities during the thirteen week period ended December 27, 2008 related to the purchase of treasury stock of \$9.1 million partially offset by the exercise of stock options of \$1.3 million. Cash provided by financing activities during the thirteen week period ended December 29, 2007 related to the exercise of stock options of \$6.5 million.

Description of Current Senior Secured Credit Facility and Indenture

The senior secured credit facility (Senior Secured Credit Facility) consists of a \$780 million term loan facility, which is fully drawn, and a \$200 million revolving loan facility. At December 27, 2008, \$198.5 million of the revolving credit facility was available. The term loan facility will mature in June 2013 and is not subject to interim scheduled amortization, but is subject to certain prepayment requirements.

TransDigm Inc. entered into a three year interest rate swap in June 2006 with Credit Suisse for an initial notional amount of \$187 million at a fixed rate of 7.6%. The notional amount decreased to \$150 million on September 23, 2008. TransDigm Inc. entered into an additional three year interest rate swap in January 2008 with Credit Suisse for a notional amount of \$300 million at a fixed rate of 5.0%.

TransDigm Inc. issued \$575 million aggregate principal amount of 7³/₄% senior subordinated notes (7³/₄% Senior Subordinated Notes). Such notes do not require principal payments prior to their maturity in July 2014.

Stock Repurchase

In October 2008, we announced a program permitting us to repurchase a portion of our outstanding shares not to exceed \$50 million in the aggregate. From October 2008 to December 27, 2008, we have repurchased a total of 383,600 shares at an aggregate cost of \$11.8 million.

New Accounting Standards

In February 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115* (SFAS 159). SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value. SFAS 159 s objective is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. SFAS 159 is effective as of the beginning of an entity s first fiscal year beginning after November 15, 2007. The adoption of SFAS 159 did not have a material impact on the Company s consolidated financial position or results of operations.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157), which is effective for fiscal years beginning after November 15, 2007 and for interim periods within those years. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. In February 2008, the FASB issued FASB Staff Position No. FAS 157-2 (FSP 157-2), *Effective Date of FASB Statement No. 157*, which allows for the deferral of the adoption date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or presented at fair value in the financial statements on a recurring basis to fiscal years beginning after November 15, 2008. The adoption of SFAS 157 for those assets and liabilities within the scope of FSP 157-2 is not expected to have a material impact on our financial position, results of operations or cash flows. The effective provisions of SFAS 157 are included in Note 10, *Fair Value of Financial Instruments* in Notes to Condensed Consolidated Financial Statements. In October 2008, the FASB issued FASB Staff Position FAS 157-3 (FSP 157-3), *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*, which clarifies the application of SFAS 157 when the market for a financial asset is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. FSP 157-3 became effective immediately upon adoption of SFAS 157. The adoption of SFAS 157 did not have a material impact on the Company s consolidated financial position or results of operations. See Note 10 in Notes to Condensed Consolidated Financial Statements.

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ITEM 3. Quantitative and Qualitative Disclosure About Market Risk

Our main exposure to market risk relates to interest rates. Our financial instruments that are subject to interest rate risk principally include fixed-rate and floating-rate long-term debt. At December 27, 2008, we had borrowings under our Senior Secured Credit Facility of \$780 million that were subject to interest rate risk. Borrowings under our Senior Secured Credit Facility bear interest, at our option, at a rate equal to either an alternate base rate or an adjusted LIBO rate for a one-, two-, three- or six-month (or to the extent available to each lender, nine- or twelve-month) interest period chosen by us, in each case, plus an applicable margin percentage. Accordingly, the Company's cash flows and earnings will be exposed to the market risk of interest rate changes resulting from variable rate borrowings under our Senior Secured Credit Facility. The effect of a hypothetical one percentage point increase in interest rates would increase the annual interest costs under our Senior Secured Credit Facility by approximately \$7.8 million based on the amount of outstanding borrowings at December 27, 2008. The weighted average interest rate on the \$780 million of borrowings under our Senior Secured Credit Facility on December 27, 2008 was 3.50%.

At December 27, 2008, we had an agreement in place to swap variable interest rates on our Senior Secured Credit Facility for fixed interest rates through June 23, 2009 for the notional amount of \$150 million. The fair value of the interest rate swap agreement is adjusted at each balance sheet date, with a corresponding adjustment to other comprehensive income. At December 27, 2008, the fair value of the interest rate swap agreement was a liability of \$2.8 million.

At December 27, 2008, we had an agreement in place to swap variable interest rates on our Senior Secured Credit Facility for fixed interest rates through March 23, 2011 for the notional amount of \$300 million. The fair value of the interest rate swap agreement is adjusted at each balance sheet date, with a corresponding adjustment to other comprehensive income. At December 27, 2008, the fair value of the interest rate swap agreement was a liability of \$8.9 million.

The fair value of the \$780 million aggregate principal amount of borrowings under the Senior Secured Credit Facility is exposed to the market risk of interest rates. The estimated fair value of such term loan approximated \$624 million at December 27, 2008 based upon information provided to the Company from its agent under the credit facility. The fair value of the \$575 million aggregate principal amount of our 7³/₄% Senior Subordinated Notes is exposed to the market risk of interest rate changes. The estimated fair value of such notes approximated \$463 million at December 27, 2008 based upon quoted market rates.

ITEM 4. CONTROLS AND PROCEDURES

As of December 27, 2008, TD Group carried out an evaluation, under the supervision and with the participation of TD Group's management, including its Chief Executive Officer (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 Chief Executive Officer 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 Securities Exchange Act of 1934, as amended, 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 Chief Executive Officer 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. There have been no significant changes in TD Group's internal controls or other factors that could significantly affect the internal controls subsequent to the date of TD Group's evaluations.

Changes in Internal Control over Financial Reporting

There have been no changes in TD Group's internal control over financial reporting that occurred during the thirteen week period ending December 27, 2008 that have materially affected, or are reasonably likely to materially affect, TD Group's internal control over financial reporting.

Table of Contents**PART II: OTHER 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 Item A of our Annual Report on Form 10-K for the fiscal year ended September 30, 2008. There have been no material changes to the risk factors set forth therein.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

On October 23, 2008, the Board of Directors authorized a common share repurchase program, which was announced on October 27, 2008. Under the terms of the program, the Company may purchase up to a maximum aggregate value of \$50 million of its shares of common stock. At December 27, 2008, the Company had repurchased under this program 383,600 of its shares of common stock at a gross cost of approximately \$11.8 million at a weighted-average price per share of \$30.83.

ISSUER PURCHASES OF EQUITY SECURITIES

| | (a) Total Number of Shares Purchased | (b) Average Price Paid per Share | (c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (in millions) |
|-----------------------|--------------------------------------|----------------------------------|--|--|
| October 1 - 31, 2008 | | \$ | | \$ 50.0 |
| November 1 - 30, 2008 | 66,400 | 29.83 | 66,400 | 48.0 |
| December 1-27, 2008 | 317,200 | 31.04 | 383,600 | 38.2 |

ITEM 6. Exhibits

- 3.1 Certificate of Incorporation, filed September 20, 1960, of Aircraft Parts Corporation
- 3.2 Certificate of Amendment to Certificate of Incorporation, filed November 28, 2001, of Aircraft Parts Corporation
- 3.3 Certificate of Change, filed March 25, 2005, of Aircraft Parts Corporation
- 3.4 Bylaws of Aircraft Parts Corporation
- 10.1 Amended and Restated Employment Agreement, dated October 29, 2008, between Raymond Laubenthal and TransDigm Group Incorporated * (Incorporated by reference to Form 8-K filed October 30, 2008)
- 10.2 Amended and Restated Employment Agreement, dated October 29, 2008, between Gregory Rufus and TransDigm Group Incorporated * (Incorporated by reference to Form 8-K filed October 30, 2008)
- 10.3 Form of Option Agreement under 2008 stock incentive program under TransDigm Group Incorporated 2006 Stock Incentive Plan* (Incorporated by reference to TransDigm Group Incorporated s Form 8-K filed November 21, 2008)
- 10.4 Sixth Supplemental Indenture, dated as of December 16, 2008, among TransDigm Inc., TransDigm Group Incorporated, the guarantors listed on the signature pages thereto and The Bank of New York Trust Company, N.A., as trustee (Incorporated by reference to Form 8-K filed December 18, 2008).
- 10.5 Supplement No. 6, dated as of December 16, 2008, between Aircraft Parts Corporation and Credit Suisse, as collateral agent and administrative agent, to the Guarantee and Collateral Agreement, dated as of June 23, 2006, among TransDigm Inc., TransDigm Group Incorporated, the subsidiaries of TransDigm Inc. named therein and Credit Suisse, as administrative agent and collateral agent

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(Incorporated by reference to Form 8-K filed December 18, 2008).

- 10.6 Joinder Agreement, dated as of December 16, 2008, between Aircraft Parts Corporation and Credit Suisse, as agent (incorporated by reference to Form 8-K filed December 18, 2008).

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- 10.7 Amendment to Employment Agreement dated December 31, 2008 between Christopher Anderson and Avtech Corporation (Incorporated by reference to Form 8-K filed January 2, 2009)
- 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.
- 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.
- 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.
- 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.

* Indicates management contract or compensatory plan contract or arrangement

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SIGNATURES

TRANSDIGM GROUP INCORPORATED

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 assigned.

| SIGNATURE | TITLE | DATE |
|--|---|------------------|
| /s/ W. Nicholas Howley W. Nicholas Howley | Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer) | February 4, 2009 |
| /s/ Gregory Rufus Gregory Rufus | Chief Financial Officer and Executive Vice President (Principal Financial and Accounting Officer) | February 4, 2009 |

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EXHIBIT INDEX

TO FORM 10-Q FOR THE PERIOD ENDED DECEMBER 27, 2008

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