

## **Deal of the Week: TransDigm Group Buys Esterline Technologies for \$4.0B**

Announcement Date	<ul style="list-style-type: none"> <li>October 10, 2018</li> </ul>	
Acquirer	<ul style="list-style-type: none"> <li>TransDigm Group Incorporated (NYSE: TDG)</li> </ul>	
Acquirer Description	<ul style="list-style-type: none"> <li>Designs, produces, and supplies aircraft components globally</li> <li>Founded in 1993 and headquartered in Cleveland, OH</li> </ul>	
Acquirer Financial Statistics	<ul style="list-style-type: none"> <li>Mkt Cap: \$18.1 billion</li> <li>EV: \$29.0 billion</li> <li>LTM Revenue: \$3.8 billion</li> </ul>	<ul style="list-style-type: none"> <li>LTM EBITDA: \$1.8 billion</li> <li>LTM EV / Revenue: 7.6x</li> <li>LTM EV / EBITDA: 16.0x</li> </ul>
Target Company	<ul style="list-style-type: none"> <li>Esterline Technologies Corporation (NYSE: ESL)</li> </ul>	
Target Description	<ul style="list-style-type: none"> <li>Designs, manufactures, and markets engineered products and systems primarily for aerospace and defense customers globally</li> <li>Founded in 1967 and headquartered in Bellevue, WA</li> </ul>	
Target Financial Statistics	<ul style="list-style-type: none"> <li>Mkt Cap: \$3.4 billion</li> <li>EV: \$3.9 billion</li> <li>LTM Revenue: \$2.0 billion</li> </ul>	<ul style="list-style-type: none"> <li>LTM EBITDA: \$276.7 million</li> <li>LTM EV / Revenue: 1.9x</li> <li>LTM EV / EBITDA: 13.9x</li> </ul>
Acquirer Advisor(s)	<ul style="list-style-type: none"> <li>Morgan Stanley</li> </ul>	
Target Advisor(s)	<ul style="list-style-type: none"> <li>Goldman Sachs and Evercore</li> </ul>	
Price / Consideration	<ul style="list-style-type: none"> <li>\$4.0 billion</li> </ul>	<ul style="list-style-type: none"> <li>Cash</li> </ul>
Rationale	<ul style="list-style-type: none"> <li>"We are pleased to have reached agreement to acquire a collection of businesses that fit well with our focused and consistent strategy," stated W. Nicholas Howley, TransDigm's Executive Chairman. "Esterline's core aerospace and defense business consists of primarily proprietary, sole source products with significant and growing aftermarket exposure. We view this as highly complementary to our existing business."</li> <li>Esterline has attractive platform positions in both the original equipment manufacturer and aftermarket and has substantial content on many important commercial aircraft variants, many regional and business jet aircraft and major defense platforms</li> <li>Esterline is a leader in its manufacturing categories, and TransDigm will apply its track record of driving performance that will generate operational efficiencies in the combined entity</li> <li>Acquisition expected to be modestly accretive to TransDigm's adjusted earnings per share within the first year of ownership</li> <li>As a result of increased operational efficiencies and improved product / market reach, executives expect private equity-like returns for investors</li> </ul>	
Deal Points	<ul style="list-style-type: none"> <li>Transdigm will purchase all of the outstanding shares of common stock of Esterline for \$122.50 per share, which represents a premium of 38% to Esterline's closing price on October 9, or a total transaction value of approximately \$4.0 billion including the assumption of debt</li> <li>TransDigm expects the acquisition to be financed primarily through \$2 billion cash on hand and the incurrence of new term loans</li> </ul>	
Of Note	<ul style="list-style-type: none"> <li>To date, TransDigm has spent roughly \$660 million on strategic acquisitions in fiscal 2018, which included the acquisitions of Kirkhill and Extant Aerospace for about \$575 million combined</li> </ul>	