



**Triumph Group**

## **Fourth Quarter FY'21 Earnings Conference Call**

*Daniel J. Crowley, Chairman, President and Chief Executive Officer*

*James F. McCabe Jr., Senior Vice President and Chief Financial Officer*

# Forward Looking Statements



This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are often, but not always, identified by the use of words such as “anticipate”, “believe”, “expect”, “plan”, “intend”, “project”, “may”, “will”, “should”, “could”, or similar words suggesting future outcomes or outlooks. These forward-looking statements include, but are not limited to, statements of expectations of or assumptions about strategic actions, objectives, expectations, intentions, aerospace market conditions, aircraft production rates, financial and operational performance, revenue and earnings growth and profitability and earnings results. These statements are based on the current projections, expectations and beliefs of Triumph’s management. These forward looking statements involve known and unknown risks, uncertainties and other factors which could cause actual results to differ materially from any expected future results, performance or achievements, including, but not limited to, competitive and cyclical factors relating to the aerospace industry, dependence on some of Triumph’s business from key customers, requirements of capital, uncertainties relating to the integration of acquired businesses, general economic conditions affecting Triumph’s business segments, product liabilities in excess of insurance, technological developments, limited availability of raw materials or skilled personnel, changes in governmental regulation and oversight and international hostilities and terrorism. In addition to these factors, widespread health developments, including the recent global coronavirus (COVID-19) and the responses there to (such as voluntary and in some cases, mandatory quarantines, as well as shut downs and other restrictions on travel and commercial, social and other activities) could adversely and materially affect, among other things, the economic and financial markets and labor resources of the countries in which we operate, our manufacturing and supply chain operations, commercial operations and sales force, administrative personnel, third-party service providers, business partners and customers and the demand for our products, which could result in a material adverse effect on our business, financial conditions and results of operations. For a more detailed discussion of these and other factors affecting us, see the risk factors described in “Item 1A. Risk Factors.” Further information regarding the important factors that could cause actual results, performance or achievements to differ from those expressed in any forward looking statements can be found in Triumph’s reports filed with the SEC, including in the risk factors described in Triumph’s Annual Report on Form 10-K for the fiscal year ended March 31, 2020.

# VISION

As One Team, we enable the safety and prosperity of the world.

# MISSION

We partner with our customers to triumph over their hardest aerospace, defense and industrial challenges to deliver value to our stakeholders.

# VALUES

**Integrity • Continuous Improvement • Teamwork • Innovation • Act with Velocity**

- Generating **positive free cash flow** for 2<sup>nd</sup> consecutive quarter
- **Enhanced liquidity** through “at the market” offering and debt retirement
- Core **organic growth and improving adjusted margins** throughout the year
- **Strategic exits accelerating** with recent divestitures and 747 closeout

**Hidden Value of Our Core Business Showing Through**

- ✓ **Systems & Support sales up 14% sequentially**
- ✓ **Military sales up 25% YOY**
- ✓ **Sequential improvement in Commercial results in both OEM and MRO**
- ✓ **Gross margins improving YOY driven by quality of backlog and revenue**
- ✓ **\$145M net equity raise; \$64M debt retirement**
- ✓ **Completed sale of Composites & Military structures facilities**

**Strong FY 21 Finish; Strong Momentum Entering FY 22**

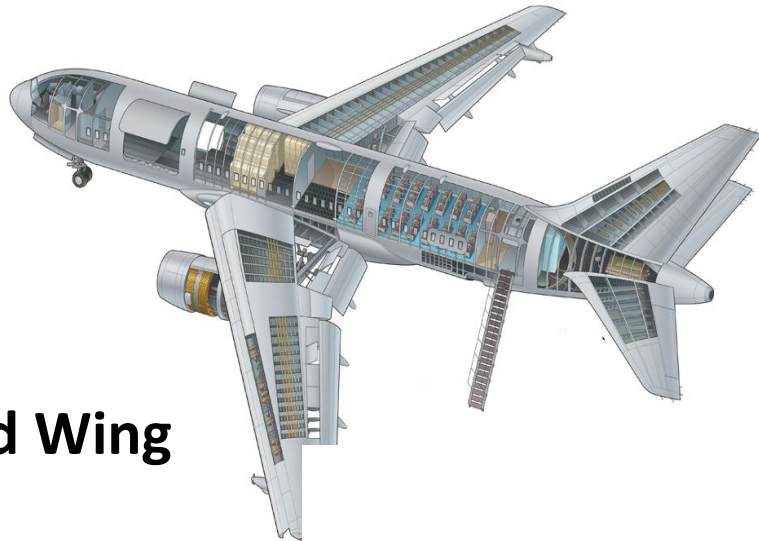
# Hidden Value – Extensive Solutions

Broad Customer Base

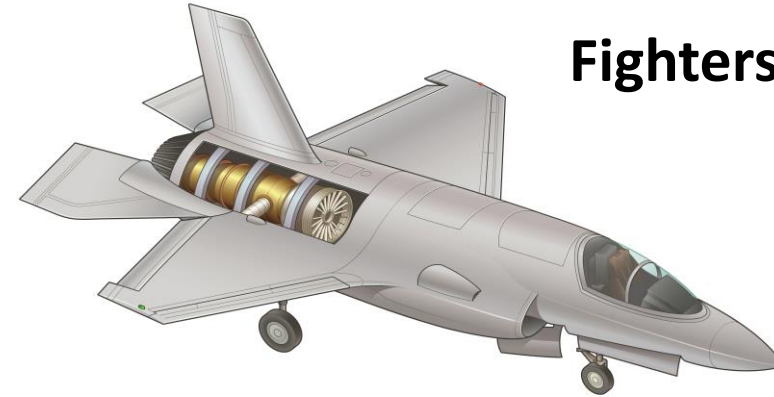
Comprehensive Products & Services

Global Market Presence

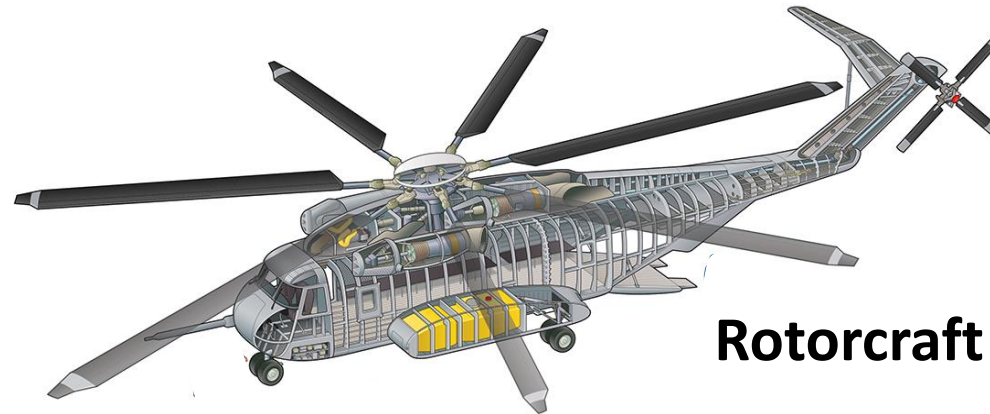
Fixed Wing



Fighters



Rotorcraft



Extensive Platform Participation



**Blade Fold System**  
System to hydraulically fold rotors for aircraft storage, including hinge lock actuator, and valves



**Blade Damping System**  
System to damp rotor movements to extend rotor life.



**Gear Boxes**  
Main rotor transmission, power take off, engine mounted accessory drive and loose gears.



**Thermal Solutions**  
Vapor cycle systems and heat exchangers for cooling engine oil, high-power electronics, radar and special missions.



**Collective Stick**  
Collective controls, precision ball bearing controls, and control levers.



**Refueling Actuation**  
Actuation to position for refueling.



**Nose Gun Control**  
The gun turret locking actuator locks gun into storage position and also controls gun elevation as directed by targeting and fire control system.



**Rotor Brake Module**  
Component to brake and secure the rotor blades.



**Engine and Airframe Components Services**  
Engine accessory repair and overhaul services for engine controls, fuel pumps, hydro-mechanical units, heat exchangers, starters, and hydraulic pumps



**Upper Boost Actuators**  
Actuators which control the position of the rotor swash-plate



**Fuel System Solutions**  
Full authority digital engine controls, hydromechanical metering unit, fuel pump and booster pump.



**Tail Rotor**  
Main rotor and tail rotor precision captured ball bearing cable control systems.



**Utility Actuation**  
Ramp door, weapons door, refueling actuation.



**Airframe Structure Services**  
Repair services for structure including, flooring, sponsors, doors, nacelles, and cowls.



**APU/Engine Starter Motor**  
Hydraulic axial piston pump used to start an engine or auxiliary power unit.



**Nose Wheel Systems**  
Structure, nose wheel steering, shimmy damper, uplocks, extend and retract actuation, and blowdown actuation.



**Skid Dampers**  
Hydraulic skid damper for fixed skid equipped aircraft.



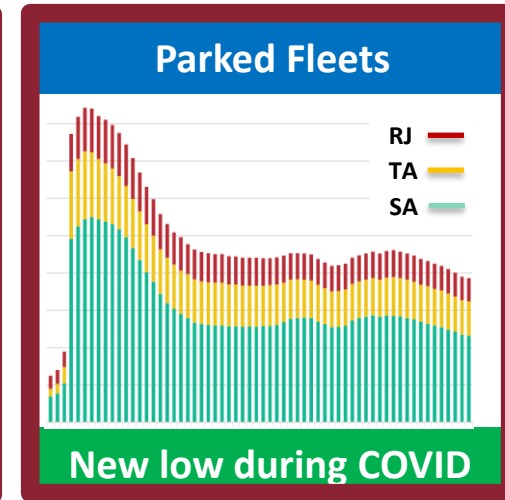
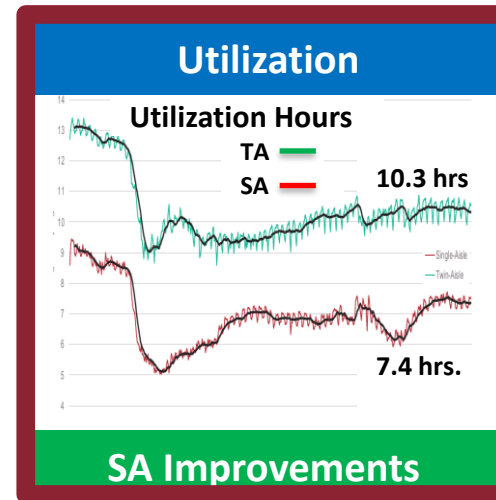
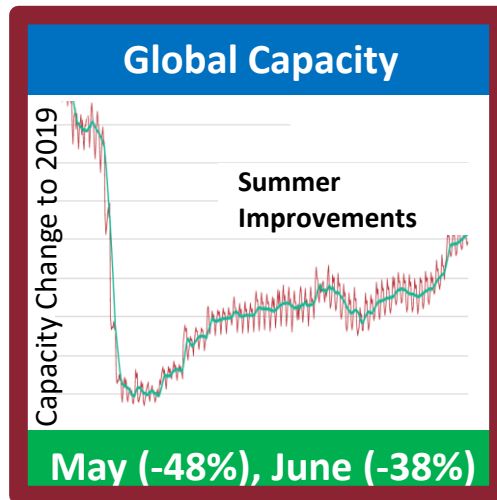
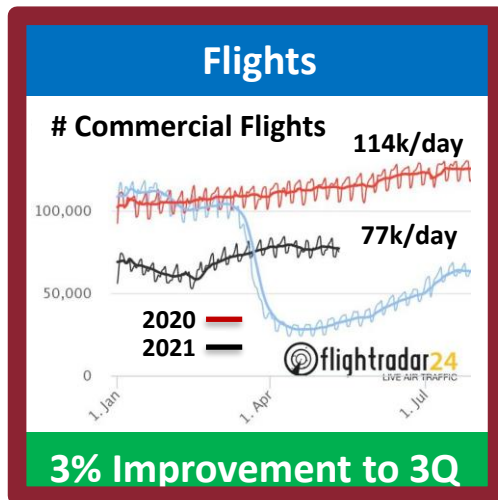
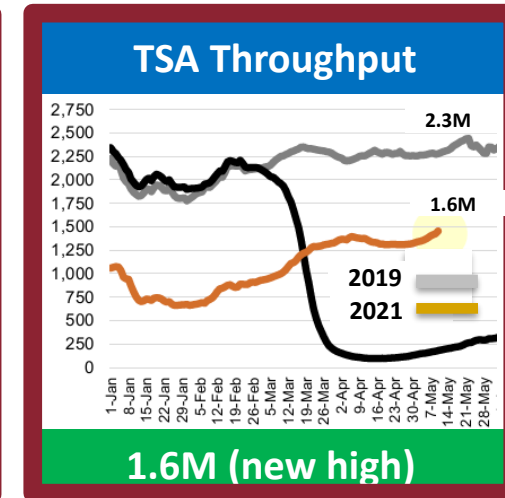
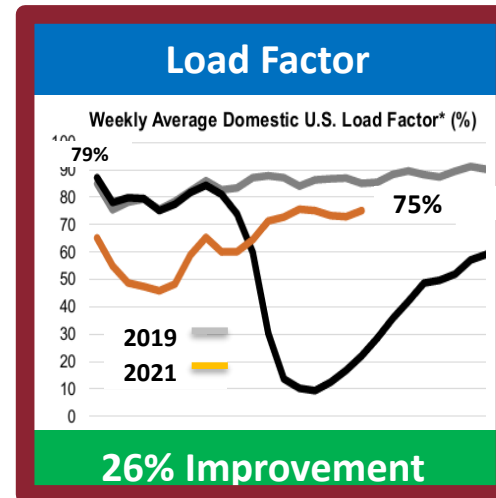
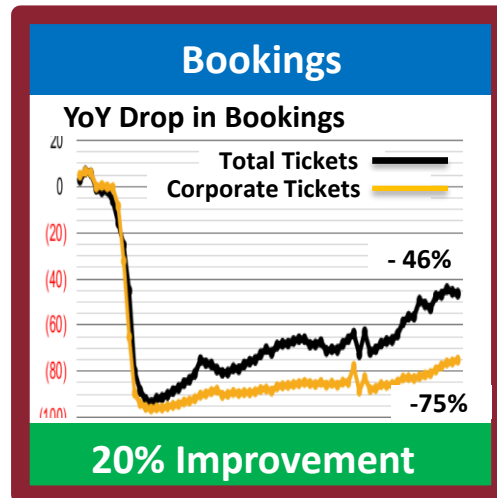
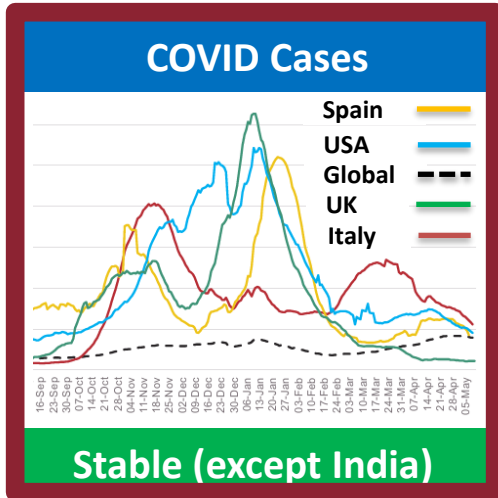
**Hydraulic Power Generation**  
Piston pumps and integrated power packs, reservoirs and controls.



**Landing Gear System Solutions**  
Full landing gear system design including structure, hydraulic power pack, actuation, door actuation, uplocks, valves and controls.

**Q4 Focus: Extensive Suite Of Rotorcraft Solutions With IP content**

# Aviation Industry Macro Trends Q4



Sources: Airlines for America, Cirium Ascend, Flight Radar 24

**Positive Trends Across Key Leading Indicators**



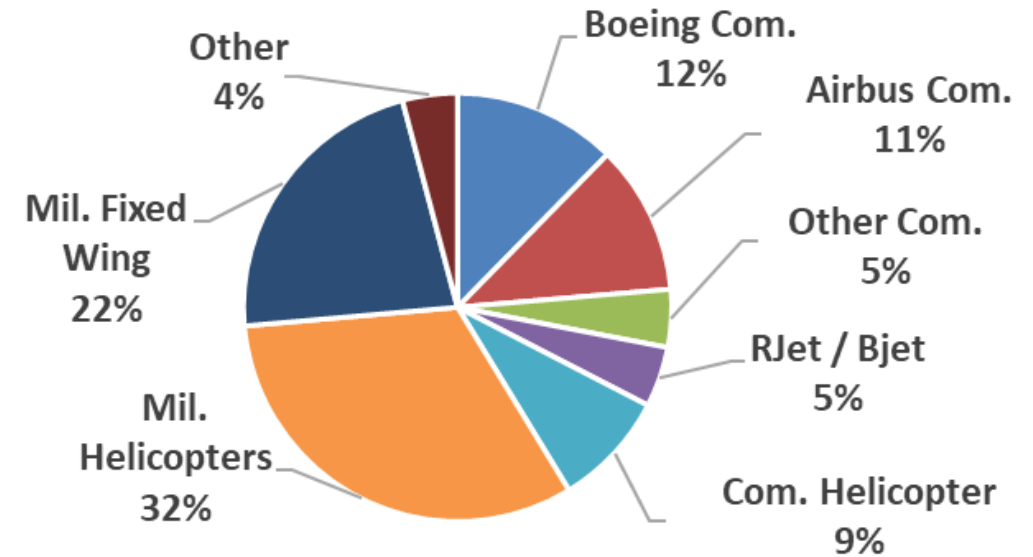
# Systems & Support – Q4 Insights

- TSS sales declined 14% driven by the commercial end market mitigated by a 22% increase in Mil/Gov sales.
- 4th quarter TSS sales rose 14% sequentially driven by military and commercial end market improvements of 7% and 24% respectively.
- All Boeing Commercial Transport platform shipments rose in sequentially (Net +37%)
- TSS MRO performance is leading indicator of aviation recovery:

TSS MRO	Q4/Q4	Q4/Q3
<b>Total</b>	<b>-9%</b>	<b>29%</b>
<b>Gov/Mil</b>	<b>28%</b>	<b>25%</b>
<b>Commerical</b>	<b>-32%</b>	<b>33%</b>

- 50% of TSS Q4 sales and 55% of BL from Mil/Gov end market

TSS Backlog - Q4 FY21



**Measurable Recovery in Q4. Military Backlog > 50%.**

# Organic Growth Offsetting COVID-19 Impact

## Competitive Wins

T-7A Afterburner Fuel Pump  
CFM56 Engine MRO  
Falcon 6X Anti-Ice Valve Control  
FARA OEM Actuation System  
F-15EX Control Cables  
F-18 Heat Exchanger

## Customer

GE  
AAR  
Dassault  
FARA OEM  
Boeing  
US Navy

## BU

TSS  
TSS  
TSS  
TSS  
TSS  
TSS

- In Q4, TSS had two of the highest month bookings for FY21
- Q4 Wins > \$350M

## Follow-on Business

787 Landing Gear Systems  
CH-53K Engine Accessory Gearbox  
429 Main Transmission  
F-16 Reconnaissance System Cooling Pod  
AH-64 Engine Control Upgrade  
Citation Jet Engine Heat Exchanger

## Customer

Boeing  
GE  
Bell  
Collins Aerospace  
US Army  
Williams Int.

## BU

TSS  
TSS  
TSS  
TSS  
TSS  
TSS

## Partnerships

Finalized Joint Venture  
Landing Gear Distribution Agreement

## Customer

AirFrance KLM  
VSE

## BU

TSS  
TSS



**Platform Diversity Across Fixed Wing, Rotorcraft, Commercial, and Military**

# Significant Recent Awards



## T-7A Engine Components

### West Hartford

#### GE F404 Afterburner Fuel Pump

- Recently signed 5-year agreement to supply GE with the afterburner fuel pump for the F404 engine to be placed on Boeing T-7A.
- This initial contract expands upon existing T-7A hydraulic and AMAD content (IP).
- T-7A program projected to have the largest 5-year growth CAGR among fixed wing military aircraft.



## Geared Solutions Renewals

### CH-53K Engine Acc. Gearbox

- Signed multi-year agreement with GE to provide the T408 Accessory Gearbox for the CH-53K.
- Strengthens Triumph's position on the King Stallion which contains shipset content over \$2M/vehicle.

### Bell 429 Main Rotor Gearbox

- Recently completed a multi-year agreement to continue supplying Bell with the Main Rotor Gearbox for the 429 rotorcraft.



## Diversified MRO Awards

### Multiple Platforms and Customers

- AH-64 EMC-102 Upgrades
  - US Army
- F-18 ATFLIR Pod ECV MRO
  - US Navy
- B-1 HX Spares
  - US Air Force
- T129 HMA Spares
  - Foreign Military
- AH-64 Eng. Driven Pump MRO
  - Boeing Defense
- CFM56 Repair RFP
  - AAR

**Extending Contracts and Expanding IP-based Solutions**

# Systems & Support Expectations

## Recent Performance

\$1.1B Sales –  
Production/MRO<sup>1</sup>  
60%/40%

~15% EBITDAP Margin  
–Production/MRO<sup>2</sup>  
30%/70%

Solid Cash Generation

## Near-Term Expectations

Production 0-3% higher  
MRO 15-20% higher

Improve margin %  
through cost reductions,  
volume, mix and price

Reinvestment in  
operations and R&D

## Longer-Term View

Recovery to FY20 levels

Margin expansion to  
prior targets of ~20%

Improved Cash  
Conversion

## Sales by End Market



■ Commercial ■ Military ■ Other

**End Market EBITDAP consistent with Sales Profile**

**Stable Military End Market**

**Commercial End Market Improvements Slow, But Steady**

**Solid Results Sets Foundation For Post-COVID Performance**

<sup>1</sup> MRO is 60%/40% repair services to spare part sales

<sup>2</sup> MRO margin is 35%/45% repair services to spare part sales

# Consolidated Quarterly Results



<i>(\$ in millions)</i>	FY'21 Q4	FY'21 Q3	FY'20 Q4
Net Sales	\$467	\$423	\$693
Operating Loss	(46)	(35)	(40)
Operating Margin	(10%)	(8%)	(6%)
Adjusted Operating Income*	\$33	\$38	\$39
Adjusted Operating Margin	7%	9%	6%

Planned reductions from our portfolio transformation and sunsetting programs along with production rate reductions lead to the decrease in sales.

Excluding non-cash impairment, loss on sale & restructuring margins are up year over year.

\*See Appendix for Non-GAAP reconciliation

## Sequential Organic Growth in Core Operations

# Consolidated Full Year Results



<i>(\$ in millions)</i>	FY'21	FY'20
Net Sales	\$1,870	\$2,900
Operating (Loss) Income	(326)	58
Operating Margin	(17%)	2%
Adjusted Operating Income*	\$108	\$204
Adjusted Operating Margin	6%	7%

Planned reductions from our portfolio transformation and sunsetting programs along with production rate reductions lead to the decrease in sales.

Excluding non-cash impairment, loss on sale & restructuring margins comparable year over year.

\*See Appendix for Non-GAAP reconciliation

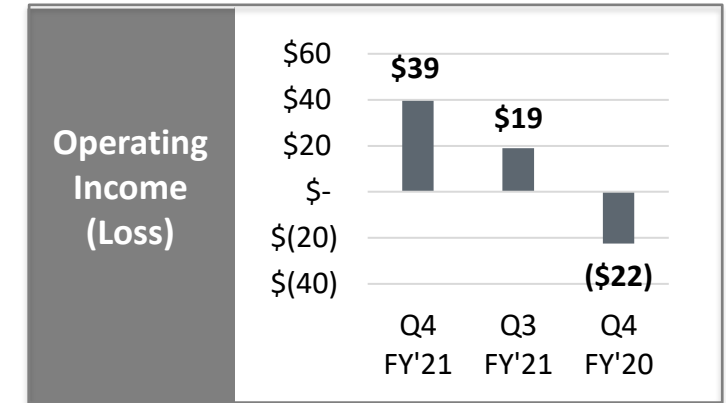
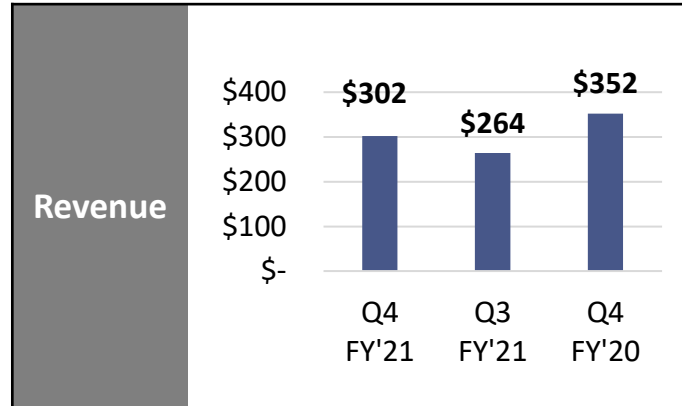
**Comparable Margins Despite Pandemic Headwinds**



T-7A

## Highlights

- T-7A Afterburner fuel pump win in Systems, Electronics & Controls
- Adjacent market captures in rail, nuclear and submarines
- AS9100 & ISO 9001 recertification received in Geared Solutions with improved results
- Integrated Drive Generator (IDG) test stand installed in Product Support resulting in doubled testing capacity



## Financial

- Net sales increased 14% compared to Q3 on early commercial OEM recovery, continued strength on military platforms such as E-2D and stronger aftermarket recovery
  - Down 14% to prior year on production and aftermarket changes due to COVID:
    - Aftermarket down 5% to prior year; up 33% sequentially
    - Commercial OEM down 32% to prior year; Military up 22% to prior year
- Operating margin up to 116 bps Y-o-Y after adjusting for prior year impairment
  - Operating expenses down 13% to prior year

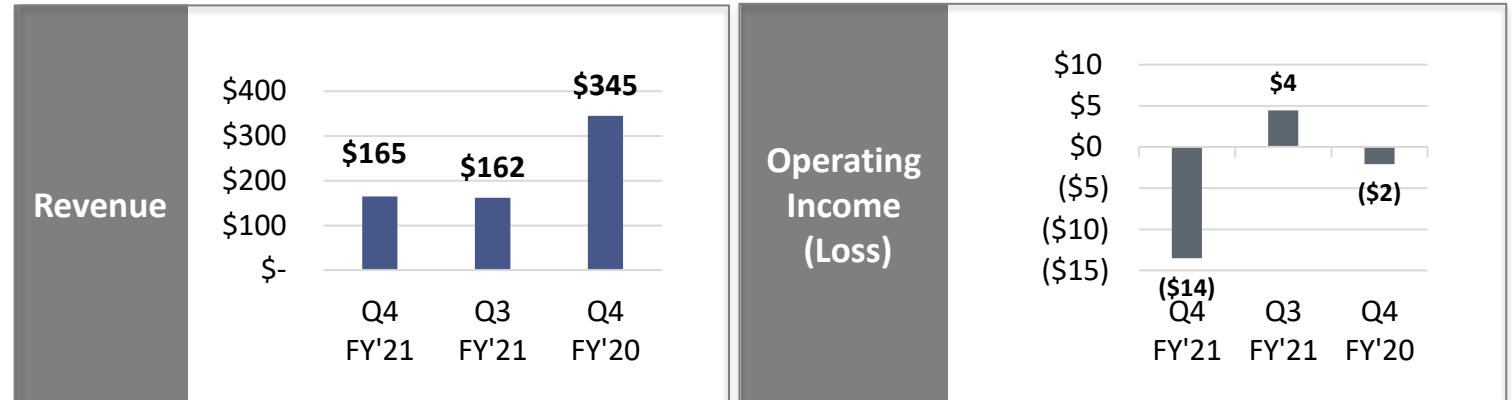
**Increased Revenues In Both Commercial OEM and MRO Markets Sequentially**



Boeing 767

## Highlights

- “Green” performance across all commercial and military programs
- 747 Program wind-down on schedule
- Signed agreement in February and closed divestiture of Red Oak and Milledgeville operations to ACP on May 7th
- Completed sale-leaseback of Spokane building to facilitate pending closure



## Financial

- Revenue increased 2% sequentially on commercial programs combined with sustaining military production and spares
- Continued operational execution (direct and indirect cost efficiencies) offset by commercial volume and divestiture declines
- Remaining programs and facility exits on track
- Operating margin, adjusted for restructuring, slightly improved vs prior year

**Stabilized Performance; Portfolio Actions On Track**



# Free Cash Flow Walk



<i>Consolidated (\$ in millions)</i>	FY'21 Q4	FY'21 Full Year
Net loss	\$ (74)	\$ (451)
<b>Non-cash items:</b>		
Depreciation & Amortization	21	93
Non-Cash Impairment (Intangibles & Rotables)	-	276
Interest Expense & Other	39	171
Amortization of Acquired Contracts	(4)	(39)
Pension Income	(8)	(38)
OPEB Income	(4)	(10)
Income Tax Expense	1	3
<b>Cash sources (uses):</b>		
Working Capital Change	92	(56)
Interest Payments	(38)	(117)
Capital Expenditures	(6)	(25)
OPEB Payments	(1)	(2)
Tax Payments, net	(1)	(2)
Free Cash flow/(Use)	<u>\$ 17</u>	<u>\$ (198)</u>

## Full Year FY'21 Cash Drivers

- (\$40M) of advance liquidation; (\$10M) in Q4
- (\$60M) funding on G280 & B747-8; (\$10M) in Q4
- (\$33M) in restructuring costs

## Expected FY'22 Cash Drivers

- (\$84M) of advance liquidation; (\$21M) / Qtr
- (\$60M) of funding on B747-8 exit; Mostly 1<sup>st</sup> half
- (\$30M) of customer settlements; Mostly Q1

See Appendix for reconciliation of cash used in operations to free cash use

**Improving Operations And Working Capital Driving Positive Cash Flow**

# Net Debt & Liquidity



*(\$ in millions)*

FY'21 Q4

Cash	\$ (590)
8.875% 1 <sup>st</sup> Lien Notes Due Aug 2024	700
Receivable Securitization Facility	-
Finance Leases	20
5.250% Senior Notes Due June 2022	236
6.250% Senior Notes Due Sept 2024	525
7.750% Senior Notes Due Aug 2025	500
Net Debt	<u>\$ 1,392</u>

- Raised \$145M net proceeds in 'At The Market' equity offering
- Retired ~\$63M of notes due June 2022
  - Called remaining notes due June 2022 in May
- ~ \$113M repayment of 1<sup>st</sup> Lien Notes in May
- Cash and Availability ~ \$624M

**Strong Availability; De-leveraging Underway**

# Concluding Remarks

- **2<sup>nd</sup> straight quarter of positive free cash flow**
- **Strong liquidity through financing actions**
- **Continued organic growth and improving adjusted margins**
- **Strategic exits accelerating with divestiture completion**



**Challenges Met. Positioned For Future.**

# Appendix

## Systems & Support

Airbus A320, A321

Boeing V-22

Boeing AH-64

Boeing 737

Boeing 787

Sikorsky UH60

Boeing F/A-18

Bell 429

Boeing CH-47

Northrop Grumman E-2D

**Represents 52% of  
Systems & Support backlog of \$1.18B**

## Aerospace Structures

Boeing 767, Tanker

Boeing 777

Gulfstream G650

Airbus A350

Boeing 747

Boeing 787

Boeing 737

Airbus A330

Gulfstream G280

Embraer E2

**Represents 94% of  
Aerospace Structures backlog of \$0.69B**

# Restructuring by Business Unit



<i>\$ in Millions</i>	Q1 FY'21	Q2 FY'21	Q3 FY'21	Q4 FY'21	FY'21
Systems & Support	\$ 3	\$ 3	\$ 1	\$ 2	\$ 9
Aerospace Structures	7	11	3	16	37
Corporate	6	-	-	2	8
Total TGI *	<u>\$ 15</u>	<u>\$ 14</u>	<u>\$ 4</u>	<u>\$ 20</u>	<u>\$ 53</u>

\* difference due to rounding

<b>Pension/OPEB Analysis (\$ in millions)</b>	<b>FY'22</b>	<b>FY'21</b>
Pension Expense (Income) ^	≈ (\$48)	≈ (\$38)
OPEB Expense (Income) ^	≈ (\$9)	≈ (\$10)

^ Excludes impact from one-time adjustments such as curtailments, settlements or special termination benefits.

<b>Est. required contributions (\$ in millions)</b>	<b>Pension</b>	<b>OPEB</b>
Fiscal 2022	≈ \$2	≈ \$3
Fiscal 2023	≈ \$1	< \$1
Fiscal 2024	≈ \$1	< \$1
Fiscal 2025	≈ \$1	< \$1
Fiscal 2026	≈ \$1	< \$1

Adjusted Operating Income is defined as GAAP Operating Income, less expenses/gains associated with the Company's transformation, such as restructuring expenses, gains/losses on divestitures, defined benefit plan gains/losses from curtailments, settlements, etc; impairments of goodwill and other assets. Management believes that this is useful in evaluating operating performance, but this measure should not be used in isolation. The following table reconciles our Operating income to Adjusted Operating income as noted above.

	Three Months Ended March 31,		Year Ended March 31,	
	2021	2020	2021	2020
Operating (loss) income - GAAP	\$ (46,212)	\$ (40,302)	\$ (326,151)	\$ 57,907
<b>Adjustments:</b>				
Loss on sale of assets and businesses, net	58,682	1,726	104,702	56,916
Impairment of long-lived assets and goodwill	—	66,121	252,382	66,121
Impairment of rotatable inventory	—	—	23,689	—
Restructuring costs	20,477	11,850	53,224	25,340
Legal judgment gain, net of expenses	—	—	—	(9,257)
Union incentives	—	—	—	7,071
<b>Adjusted operating income - non-GAAP</b>	<b>\$ 32,947</b>	<b>\$ 39,395</b>	<b>\$ 107,846</b>	<b>\$ 204,098</b>



## FINANCIAL DATA (UNAUDITED)

### TRIUMPH GROUP, INC. AND SUBSIDIARIES (dollars in thousands)

#### Non-GAAP Financial Measure Disclosures (continued)

Cash provided by operations, is provided for consistency and comparability. We also use free cash flow as a key factor in planning for and consideration of strategic acquisitions and the repayment of debt. This measure should not be considered in isolation, as a measure of residual cash flow available for discretionary purposes, or as an alternative to operating results presented in accordance with GAAP. The following table reconciles cash provided by operations to free cash flow.

	Three Months Ended March 31,		Fiscal Year Ended March 31,	
	2021	2020	2021	2020
Cash provided by (used in) operating activities	\$ 22,752	\$ 57,378	\$ (173,119)	\$ 96,666
<b>Less:</b>				
Capital expenditures	(6,190)	(12,584)	(25,178)	(39,834)
Free cash flow (use)	\$ 16,562	\$ 44,794	\$ (198,297)	\$ 56,832



Triumph Group

