# Third Quarter FY 2017 Conference Call

February 2, 2017


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Triumph Group

# FORWARD LOOKING STATEMENTS

Parts of this presentation contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause Triumph's actual results, performance, or achievements to be materially different from any expected future results, performance, or achievements. For more information, see the risk factors described in Triumph's current Form 10-K and other SEC filings.

# INTRODUCTION

## FY17 Q3 Operational & Financial Summary

| | |
|---|---|
| Net sales | $845M |
| Operating income | $55M |
| Net income | $29M |
| EPS | $0.59 |
| Adjusted EPS | $1.01 |
| Free cash use | $37M |

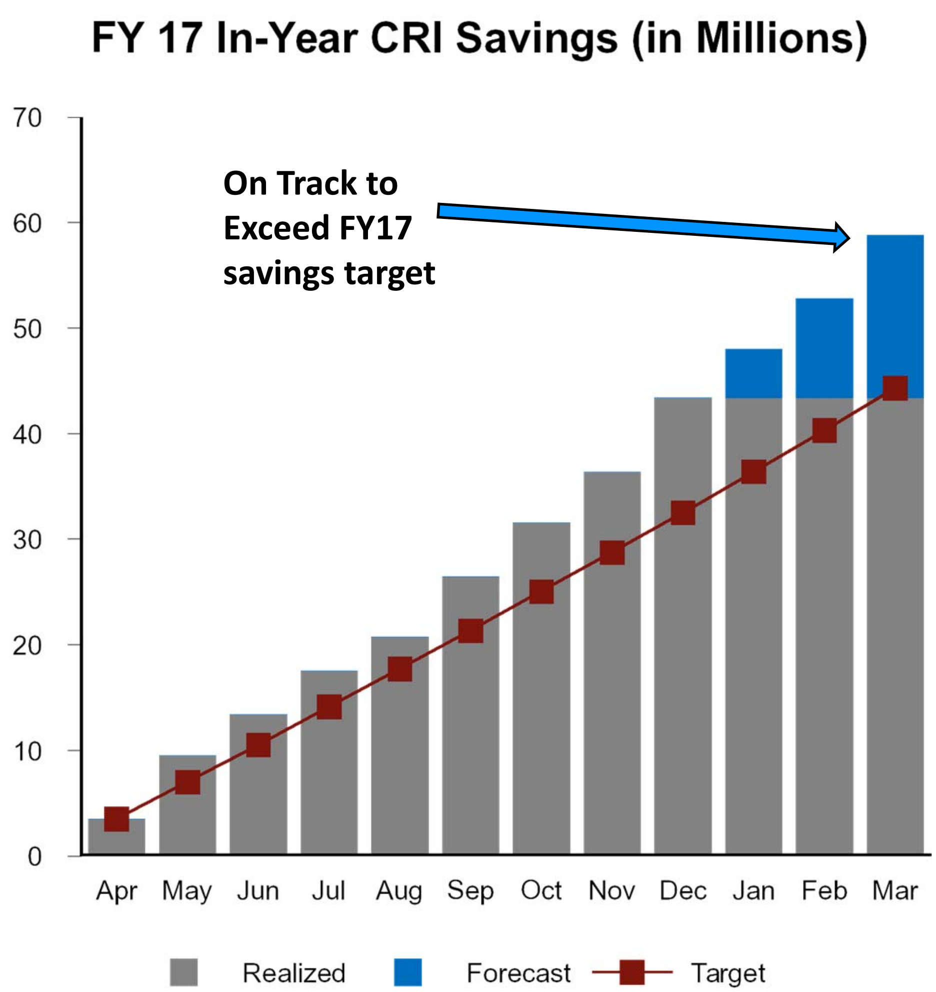
Reaffirming revenue and EPS guidance, and updating cash guidance

## Highlights

- ✓ Improving margins YOY in 2 of 4 business units
- ✓ Improved execution and operational performance
- ✓ Improved cash performance
- ✓ Increased competitive wins
- ✓ Exceeding FY17 savings goals

*Q3 Builds on Q2 Success*

# TRANSFORMATION PROGRESS




## Progress Against Plan

- Five facility consolidations underway
- Reductions in force ongoing
- New Senior Leadership Team in place
- Upgrading Operating Company leaders
- Cash Conversion focus improved free cash use from $49M in Q2 to $37M in Q3
- Supply Chain Initiatives benefiting new bids
- Divesting Triumph Air Repair and APU
- Lean deployment accelerating
- Planning for FY18 savings underway

*Transformation on track to exceed expected results*

# BUSINESS UNIT HIGHLIGHTS

## Integrated Systems

- 29% of TGI revenue – generates 57% of OI *
- 20% operating margin in Q3
- Broad platform participation
- Well positioned on ramping aircraft programs
- Engaged on new start programs
- Targeting “own” aftermarket
- Benefiting from aircraft refreshes (e.g. FADECs)
- Winning dual-source opportunities/takeaways
- Player in aircraft “electrification”
- TGI investment priority

## Product Support

- 10% of TGI revenue – generates 17% of OI *
- 17% operating margin in Q3
- 6% revenue CAGR over the last three years
- Strong customer relationships
- Winning new MRO work
- Expanding customer base
- Partnering with OEMs on sustainment LTAs
- Partnering with leading distribution companies
- Supporting out of production and new fleets
- Piloting new business models

*Integrated Systems and Product Support Driving Shareholder Value*

* YTD figures, OI excludes corporate costs

# BUSINESS UNIT HIGHLIGHTS

## Precision Components

- 25% of TGI revenue – generates 3% of OI *
- 1% operating margin in Q3 (6% excluding NR)
- Impacted by restructuring and forward loss
- A350 Cabin Brackets and B767 Landing Gear "Returned to Green"
- Bidding consolidation savings into new bids
- Highest new business win rate of 4 BUs
- Dual-sourced on F-35 components
- 2016 Partner of the Year from Mitsubishi Heavy Industries at Interiors Business

## Aerospace Structures

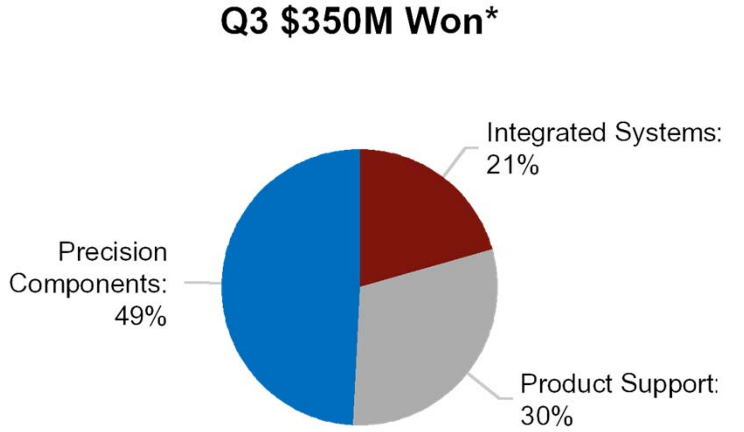
- 36% of TGI revenue – generates 23% of OI *
- 8% operating margin in Q3
- Customer relationships improving
- B747 and B767 recovered to OTD
- Global Hawk/Triton Program on Track
- E2 and Global 7000 transitioning to production
- G650 deliveries increasing
- 500th G550 wing delivered
- Bidding new starts
- Bombardier claim litigation initiated

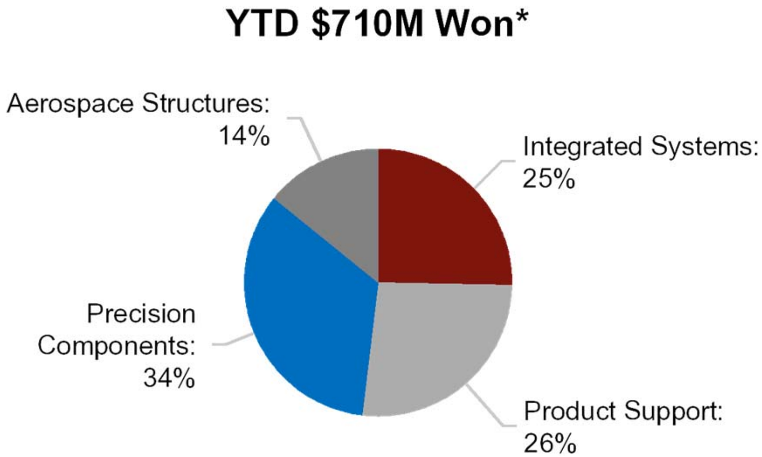
***Restructuring and Driving Operational Excellence***

* YTD figures, OI excludes corporate costs

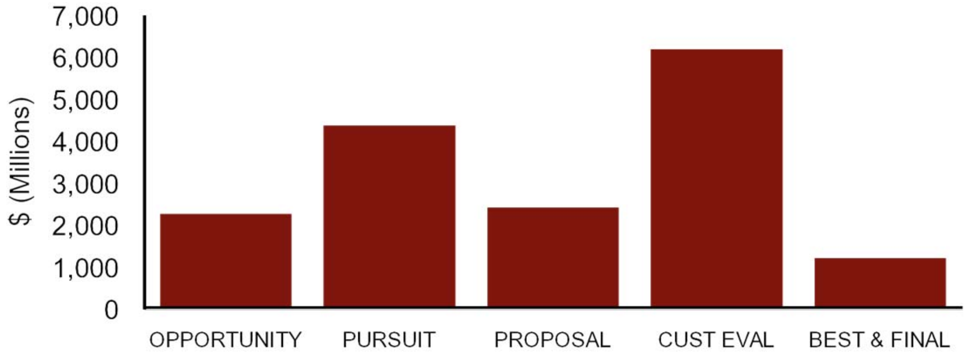
# DRIVING ORGANIC GROWTH

## COMPETITIVE WINS




## $16.5B PIPELINE




## Highlights

- Strong pipeline with large % in final customer review
- Increasing win rate
  - Q3 wins ~ Q1 & Q2 combined
- Competitive wins YTD equivalent to 3% net sales growth

* Excludes contract continuations/extensions awarded in G650, Hale, C-17 and others

# CONSOLIDATED RESULTS

| *($ in thousands)* | FY2017 Q3 | FY2016 Q3 | Variance % |
|---|---|---|---|
| Net Sales | $ 844,863 | $ 913,866 | (8)% |
| Operating Income (Loss) | 55,166 | (126,250) | 144% |
| Operating Margin | 7% | (14)% | |
| Adjusted Operating Income | 83,648 | 115,350 | |
| Adjusted Operating Margin | 10% | 13% | |
| Adjusted EBITDA | 84,641 | 121,953 | (31)% |
| Adjusted EBITDA Margin | 10% | 14% | |

- Net sales decrease due to:
  - Rate reductions on 747-8, G450/550, C-17
  - Partially offset by increased production on 767/Tanker and stronger sales in Product Support
- Adjusted operating income excludes:
  - $14.1M of restructuring costs
  - $14.4M loss on assets held for sale

# EARNINGS PER SHARE

| | Quarter Ended | |
|---|---|---|
| *(Shares in thousands)* | **December 31, 2016** | **December 31, 2015** |
| Earnings per share (GAAP - Diluted) | $ 0.59 | $ (1.80) |
| Adjustments to earnings per share: | | |
| Loss on assets held for sale | 0.21 | — |
| Tradename impairment | — | 3.02 |
| Legal settlements | — | 0.17 |
| Restructuring costs (non-cash) | 0.05 | — |
| Restructuring costs (cash) | 0.16 | — |
| Adjusted earnings per share (Non-GAAP - Diluted) | $ 1.01 | $ 1.39 |
| Weighted-average shares outstanding (diluted) | 49,440 | 49,228 |

# INTEGRATED SYSTEMS

| *($ in thousands)* | FY2017 Q3 | FY2016 Q3 | Variance |
|---|---|---|---|
| Net Sales | $ 256,080 | $ 271,849 | (6)% |
| Operating Income | 51,596 | 52,321 | (1)% |
| Operating Margin | 20% | 19% | |
| Adjusted EBITDA | 53,734 | 53,176 | 1% |
| Adjusted EBITDA Margin | 22% | 20% | |

Integrated Systems will provide Servo Control System for U.S. Navy's Next Generation Jammer Increment 1 external jamming pod.

*(Photo from Director Operational Test and Evaluation, FY2016 Annual Report)*

- Increased EBITDA margin driven by Cost Reduction Initiatives
- Net sales decrease due to:
  - $5.7 million decline from unfavorable currency change in GBP,
  - $4.5 million decline from Q2 divestiture, partially offset by $1.2 million increase from the October 2015 acquisition of Fairchild Controls
  - Continued softness in rotorcraft market (both commercial and military)
- Selected by Raytheon to provide U.S. Navy's Next Generation Jammer Pod Servo Control System.
- Received the "Excellence in the Use of Technology" Award for Isle of Man facility

# AEROSPACE STRUCTURES

| *($ in thousands)* | FY2017 Q3 | FY2016 Q3 | Variance |
|---|---|---|---|
| Net Sales | $ 304,235 | $ 346,639 | (12)% |
| Operating Income (Loss) | 23,867 | (210,938) | (111)% |
| Operating Margin | 8% | (61)% | |
| Adjusted Operating Income | 23,867 | 28,762 | (17)% |
| Adjusted Operating Margin | 8% | 8% | |
| Adjusted EBITDA | 20,704 | 20,997 | (1)% |
| Adjusted EBITDA Margin | 7% | 7% | |

G600 first flight, Dec. 2016. Triumph Aerospace Structures provides composite skins for the horizontal tail on the Gulfstream G600.

*(Photo: Gulfstream Aerospace Corp.)*

- Net sales decrease due to production rate reductions on 747-8, G450/550 and C-17, partially offset by the increase in 767/ Tanker
- $2.6M restructuring in Q3 in operating income
- Improved execution resulting in net favorable EAC adjustments of $2.1M
- Negotiating key contract extensions

# PRECISION COMPONENTS

| *($ in thousands)* | FY2017 Q3 | FY2016 Q3 | Variance |
|---|---|---|---|
| Net Sales | $ 226,294 | $ 250,284 | (10)% |
| Operating Income | 2,942 | 24,106 | (88)% |
| Operating Margin | 1% | 10% | |
| Adjusted EBITDA | 16,468 | 34,723 | (53)% |
| Adjusted EBITDA Margin | 7% | 14% | |

Triumph Precision Components - Toronto facility awarded $53 million agreement from Rolls Royce to supply thrust links for the Trent 900/1000 engines.

- TTM book to bill 1.2 : 1
- Restructuring of $4.8M and related inefficiencies impacted Q3 margins
- $5M forward loss on an engine program in Q3
- New wins on Rolls Royce for Trent XWB Engine Components & Cessna Citation Longitude
- Facility consolidations tracking close to plan

# PRODUCT SUPPORT FY17

| ($ in thousands) | FY2017 Q3 | FY2016 Q3 | Variance |
|---|---|---|---|
| Net Sales | $ 87,292 | $ 78,127 | 12% |
| Operating Income | 14,662 | 12,402 | 18% |
| Operating Margin | 17% | 16% | |
| Adjusted EBITDA | 16,956 | 16,764 | 1% |
| Adjusted EBITDA Margin | 19% | 21% | |


Triumph Product Support to partner with L3 Technologies for the KC-10 thrust reverser aerial refueling boom.

- Net sales increase due primarily to key contract wins with regional jet and commercial operators for components and accessories
- Announced pending sale of APU/Engines businesses
- Strong margins supported by increased organic sales and cost reduction initiatives
- Facility consolidations and benefits ahead of schedule

# CASH

| Operating Activities ($ in millions) | FY17 Q1 | FY17 Q2 | FY17 Q3 | YTD 2017 |
|---|---|---|---|---|
| **Cash used in operations** | **$ (84.0)** | **$ (47.2)** | **$ (41.4)** | **$ (172.7)** |
| Capital expenditures | (12.7) | (11.2) | (9.2) | (33.1) |
| Sale of assets | 0.9 | 9.1 | 13.1 | 23.2 |
| **Free cash use** | **$ (95.8)** | **$ (49.4)** | **$ (37.4)** | **$ (182.6)** |

## Q3 Cash Drivers

- Development programs used $48M
- G650/G280 used $22M
- Restructuring used $11M
- Customer advances provided $12M

*Continued improvement in cash use*

# CAPITALIZATION, LEVERAGE & LIQUIDITY

| *($ in millions)* | **12/31/2016** | |
|---|---|---|
| Cash | $ | (35) |
| Revolver & Term Loan | | 773 |
| Securitized Debt | | 215 |
| 2013 Senior Notes Due 2021 | | 375 |
| 2014 Senior Notes Due 2022 | | 300 |
| Other Debt | | 8 |
| **Net Debt** | **$** | **1,636** |
| **Shareholders' Equity** | | **981** |
| **Total Book Capitalization** | **$** | **2,616** |
| **Net Debt-to-Capitalization** | | **63%** |
| **Total Leverage Ratio** | | **4.3x** |
| **Senior Secured Leverage Ratio** | | **2.6x** |
| **Cash and Availability** | **$** | **284** |

*Compliant with all financial covenants*

# FY 2017 GUIDANCE

| | |
|---|---|
| **Revenue** | $3.5 - $3.6B |
| **EPS** | $3.15 - $3.45/share |
| **Free Cash Flow** | ($190 - $210M)<br>~~($100 - $120M)~~ |
| **Capital Expenditures** | $40 - $60M* |
| **Effective Tax Rate** | ~ 18%** |
| **Cash Tax Rate** | ~ 7%***<br>~~~ 5%~~ |

* Net of leasing as reported
** Potential opportunity to lower through release of valuation allowance and use of deferred tax benefits from Newport News sale and risk of increasing if projected pre-tax income not achieved; cash taxes would not be effected
*** Reflects expected tax payments in fiscal 2017

# CONCLUDING REMARKS

- Stabilizing operational and financial performance
- On track to exceed cost savings targets
- Pipeline and win rate improving
- Driving shareholder value

MQ-4C Triton Unmanned Aircraft System.

# Q & A

# APPENDIX

# TOP PROGRAMS

| | Integrated Systems | | | Aerospace Structures | | | Precision Components |
|---|---|---|---|---|---|---|---|
| 1. | Airbus A320, A321 | | 1. | Gulfstream | | 1. | Boeing 777 |
| 2. | Boeing 737 | | 2. | Boeing 767, Tanker | | 2. | Boeing 787 |
| 3. | Boeing 787 | | 3. | Airbus A330, A340 | | 3. | Airbus A350 |
| 4. | Boeing V-22 | | 4. | Boeing 747 | | 4. | Boeing 737 |
| 5. | Sikorsky UH60 | | 5. | Bombardier Global | | 5. | Boeing 767, Tanker |
| 6. | Boeing CH-47 | | 6. | Boeing 777 | | 6. | Boeing V-22 |
| 7. | Lockheed Martin C-130 | | 7. | NG Global Hawk | | 7. | Boeing F-15 |
| 8. | Airbus A380 | | 8. | Boeing V-22 | | 8. | Sikorsky UH60 |
| 9. | Boeing 777 | | 9. | Bell Helicopter 525 | | 9. | Bell Helicopter AH1 |
| 10. | Boeing AH-64 | | 10. | Boeing C-17 | | 10. | Airbus A320, A321 |
| Represents 56% of Integrated Systems backlog | | | Represents 97% of Aerospace Structures backlog | | | Represents 76% of Precision Components backlog | |

# PENSION/OPEB ANALYSIS

| Pension/OPEB Analysis | Fiscal Year 2016 | Fiscal Year 2017 |
|---|---|---|
| Pension Expense (Income) | ≈ ($57) million | ≈ ($67) million |
| Cash Pension Contribution | ≈ $0 | ≈ $0 |
| OPEB Expense (Income) | ≈ ($8) million | ≈ ($14) million |
| Cash OPEB Contribution | ≈ $21 million | ≈ $16 million |

# RESTRUCTURING COSTS BY SEGMENT

| | For the Three Months Ended December 31, 2016 | | | | | |
|---|---|---|---|---|---|---|
| *($ in thousands)* | Integrated Systems | Aerospace Structures | Precision Components | Product Support | Corporate | Total |
| Termination benefits | $ — | $ — | $ 494 | $ 57 | $ — | $ 551 |
| Facility closure and other exit costs | — | 297 | 1,209 | 180 | — | 1,686 |
| Other | 49 | 2,296 | 133 | 121 | 6,231 | 8,830 |
| | 49 | 2,593 | 1,836 | 358 | 6,231 | 11,067 |
| Depreciation and Amortization | 46 | — | 3,006 | 13 | — | 3,065 |
| | $ 95 | $ 2,593 | $ 4,842 | $ 371 | $ 6,231 | $ 14,132 |

| | For the Nine Months Ended December 31, 2016 | | | | | |
|---|---|---|---|---|---|---|
| *($ in thousands)* | Integrated Systems | Aerospace Structures | Precision Components | Product Support | Corporate | Total |
| Termination benefits | $ 286 | $ 250 | $ 966 | $ 147 | $ — | $ 1,649 |
| Facility closure and other exit costs | — | 297 | 1,456 | 215 | — | 1,968 |
| Other | 49 | 6,307 | 2,185 | 191 | 15,831 | 24,563 |
| | 335 | 6,854 | 4,607 | 553 | 15,831 | 28,180 |
| Depreciation and Amortization | 139 | — | 9,854 | 303 | — | 10,296 |
| | $ 474 | $ 6,854 | $ 14,461 | $ 856 | $ 15,831 | $ 38,476 |

# SALES BY MARKET

| ($ in millions) | Q3 FY 2017 | | Q3 FY 2016 | | | |
|---|---|---|---|---|---|---|
| | Sales | % of Total | Sales | % of Total | $ Change | % Change |
| **Commercial** | $461 | 55% | $499 | 55% | $(38) | (8)% |
| **Military** | 202 | 24% | 214 | 23% | (12) | (6)% |
| **Business Jets** | 156 | 18% | 169 | 19% | (13) | (8)% |
| **Regional Jets** | 18 | 2% | 18 | 2% | — | —% |
| **Non-Aviation** | 8 | 1% | 13 | 1% | (5) | (38)% |
| **Total Sales** | $845 | 100% | $913 | 100% | $(68) | (7)% |
| **OEM** | | 81% | | 82% | | |
| **Aftermarket** | | 18% | | 16% | | |
| **Other** | | 1% | | 2% | | |
| **Total** | | 100% | | 100% | | |

# SALES ANALYSIS

| Organic Sales | | | |
|---|---|---|---|
| ($ in millions) | | | |
| | FY2017 Q3 | FY2016 Q3 | Change |
| Integrated Systems | $246 | $258 | (5)% |
| Aerospace Structures | 304 | 347 | (12)% |
| Precision Components | 226 | 250 | (10)% |
| Product Support | 87 | 78 | 12% |
| Total Organic Sales * | $863 | $933 | (7)% |
| *Includes Intercompany sales | | | |

| Export Sales | | | |
|---|---|---|---|
| ($ in millions) | | | |
| | FY2017 Q3 | FY2016 Q3 | Change |
| Export Sales | $198 | $194 | 2% |

# NON-GAAP DISCLOSURE

**FINANCIAL DATA (UNAUDITED)**

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

**Non-GAAP Financial Measures Disclosures**

We prepare and publicly release quarterly unaudited financial statements prepared in accordance with GAAP. In accordance with Securities and Exchange Commission (the "SEC") guidance on Compliance and Disclosure Interpretations, we also disclose and discuss certain, non-GAAP financial measures in our public releases. Currently, the non-GAAP financial measures that we disclose is Adjusted EBITDA, which is our net income before interest, income taxes, amortization of acquired contract liabilities, curtailments, settlements and early retirement incentives, legal settlements, deprecation and amortization. We disclose Adjusted EBITDA on a consolidated and an operating segment basis in our earnings releases, investor conference calls and filings with the SEC. The non-GAAP financial measures that we use may not be comparable to similarly titled measures reported by other companies. Also, in the future, we may disclose different non-GAAP financial measures in order to help our investors more meaningfully evaluate and compare our future results of operations to our previously reported results of operations.

We view Adjusted EBITDA as an operating performance measure and as such we believe that the GAAP financial measure most directly comparable to it is net income. In calculating Adjusted EBITDA, we exclude from net income the financial items that we believe should be separately identified to provide additional analysis of the financial components of the day-to-day operation of our business. We have outlined below the type and scope of these exclusions and the material limitations on the use of these non-GAAP financial measures as a result of these exclusions. Adjusted EBITDA is not a measurement of financial performance under GAAP and should not be considered as a measure of liquidity, as an alternative to net income (loss), income from continuing operations, or as an indicator of any other measure of performance derived in accordance with GAAP. Investors and potential investors in our securities should not rely on Adjusted EBITDA as a substitute for any GAAP financial measure, including net income (loss) or income from continuing operations. In addition, we urge investors and potential investors in our securities to carefully review the reconciliation of Adjusted EBITDA to net income set forth below, in our earnings releases and in other filings with the SEC and to carefully review GAAP financial information included as part of our Quarterly Reports on Form 10-Q and our Annual Reports on Form 10-K that are filed with the SEC, as well as our quarterly earnings releases, and compare the GAAP financial information with our Adjusted EBITDA.

Adjusted EBITDA is used by management to internally measure our operating and management performance and by investors as a supplemental financial measure to evaluate the performance of our business that, when viewed with our GAAP results and the accompanying reconciliation, we believe provides additional information that is useful to gain an understanding of the factors and trends affecting our business. We have spent more than 20 years expanding our product and service capabilities partially through acquisitions of complementary businesses. Due to the expansion of our operations, which included acquisitions, our net income has included significant charges for depreciation and amortization. Adjusted EBITDA excludes these charges and provides meaningful information about the operating performance of our business, apart from charges for depreciation and amortization. We believe the disclosure of Adjusted EBITDA helps investors meaningfully evaluate and compare our performance from quarter to quarter and from year to year. We also believe Adjusted EBITDA is a measure of our ongoing operating performance because the isolation of non-cash income and expenses, such as amortization of acquired contract liabilities, depreciation and amortization, and non-operating items, such as interest and income taxes, provides additional information about our cost structure, and, overtime, helps track our operating progress. In addition, investors, securities analysts and others have regularly relied on Adjusted EBITDA to provide a financial measure by which to compare our operating performance against that of other companies in our industry.

Set forth below are descriptions of the financial items that have been excluded from our net income to calculate Adjusted EBITDA and the material limitations associated with using this non-GAAP financial measure as compared to net income:

- Divestitures may be useful for investors to consider because they reflect gains or losses from sale of operating units.  We do not believe these earnings necessarily reflect the current and ongoing cash earnings related to our operations.
- Legal settlements may be useful to investors to consider because they reflect gains or losses from disputes with third parties. We do not believe that these gains or losses necessarily reflect the current and ongoing cash earnings related to our operations.
- Curtailments, settlements and early retirement incentives may be useful to investors to consider because it represents the current period impact of the change in defined benefit obligation due to the reduction in future service costs. We do not believe these charges (gains) necessarily reflect the current and ongoing cash earnings related to our operations.
- Amortization of acquired contract liabilities may be useful for investors to consider because it represents the non-cash earnings on the fair value of below market contracts acquired through acquisitions. We do not believe these earnings necessarily reflect the current and ongoing cash earnings related to our operations.
- Amortization expenses (including impairments) may be useful for investors to consider because it represents the estimated attrition of our acquired customer base and the diminishing value of product rights and licenses. We do not believe these charges necessarily reflect the current and ongoing cash charges related to our operating cost structure.
- Deprecation may be useful for investors to consider because they generally represent the wear and tear on our property and equipment used in our operations. We do not believe these changes necessarily reflect the current and ongoing cash charges related to our operating cost structure.

**-More-**

# NON-GAAP DISCLOSURE

**(Continued)**

**FINANCIAL DATA (UNAUDITED)**

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

**Non-GAAP Financial Measures Disclosures (continued)**

- The amount of interest expense and other we incur may be useful for investors to consider and may result in current cash inflows or outflows. However, we do not consider the amount of interest expense and other to be a representative component of the day-to-day operating performance of our business.
- Income tax expense may be useful for investors to consider because it generally represents the taxes which may be payable for the period and the change in deferred income taxes during the period and may reduce the amount of funds otherwise available for use in our business. However, we do not consider the amount of income tax expense to be a representative component of the day-to-day operating performance of our business.

Management compensates for the above-described limitations of using non-GAAP measures by using a non-GAAP measure only to supplement our GAAP results and to provide additional information that is useful to gain an understanding of the factors and trends affecting our business.

The following table shows our Adjusted EBITDA reconciled to our net income for the indicated periods (in thousands):

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **Adjusted Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA):** | | | | |
| Net Income (Loss) | $ 29,332 | $ (88,649) | $ 83,872 | $ 35,695 |
| Add-back: | | | | |
| Income Tax Expense | 6,136 | (53,393) | 32,786 | 6,429 |
| Interest Expense and Other | 19,698 | 15,792 | 55,721 | 49,539 |
| Curtailment Charge | — | — | — | 2,863 |
| Loss on divestiture and assets held for sale | 14,350 | — | 19,124 | — |
| Legal settlement charges | — | 12,400 | — | 12,400 |
| Amortization of Acquired Contract Liabilities | (29,206) | (34,425) | (89,031) | (99,928) |
| Depreciation and Amortization | 44,331 | 270,228 | 135,080 | 356,337 |
| Adjusted Earnings before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") | $ 84,641 | $ 121,953 | $ 237,552 | $ 363,335 |
| Net Sales # | $ 844,863 | $ 913,866 | $ 2,612,885 | $ 2,828,278 |
| Adjusted EBITDA Margin # | 10.4% | 13.9% | 9.4% | 13.3% |

# Net Sales includes Amortization of Acquired Contract Liabilities. Since Adjusted EBITDA excludes Amortization of Acquired Contract Liabilities, we've also excluded it from Net Sales in arriving at Adjusted EBITDA margin throughout this document.

# NON-GAAP DISCLOSURE

**(Continued)**

**FINANCIAL DATA (UNAUDITED)**

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

**Non-GAAP Financial Measures Disclosures (continued)**

| Adjusted Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA): | For the Three Months Ended December 31, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | | Segment Data | | | | |
| | Total | Integrated Systems | Aerospace Structures | Precision Components | Product Support | Corporate/ Eliminations |
| Net Income | $ 29,332 | | | | | |
| Add-back: | | | | | | |
| Income Tax Expense | 6,136 | | | | | |
| Interest Expense and Other | 19,698 | | | | | |
| Operating Income (Loss) | $ 55,166 | $ 51,596 | $ 23,867 | $ 2,942 | $ 14,662 | $ (37,901) |
| Loss on assets held for sale | 14,350 | — | — | — | — | 14,350 |
| Amortization of Acquired Contract Liabilities | (29,206) | (7,628) | (21,105) | (473) | — | — |
| Depreciation and Amortization | 44,331 | 9,766 | 17,942 | 13,999 | 2,294 | 330 |
| Adjusted Earnings (Losses) before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") | $ 84,641 | $ 53,734 | $ 20,704 | $ 16,468 | $ 16,956 | $ (23,221) |
| Net Sales | $ 844,863 | $ 256,080 | $ 304,235 | $ 226,294 | $ 87,292 | $ (29,038) |
| Adjusted EBITDA Margin | 10.4% | 21.6% | 7.3% | 7.3% | 19.4% | n/a |

# NON-GAAP DISCLOSURE

**(Continued)**

**FINANCIAL DATA (UNAUDITED)**

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

**Non-GAAP Financial Measures Disclosures (continued)**

| Adjusted Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA): | For the Nine Months Ended December 31, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | | Segment Data | | | | |
| | Total | Integrated Systems | Aerospace Structures | Precision Components | Product Support | Corporate/ Eliminations |
| Net Income | $ 83,872 | | | | | |
| Add-back: | | | | | | |
| Income Tax Expense | 32,786 | | | | | |
| Interest Expense and Other | 55,721 | | | | | |
| Operating Income (Loss) | $ 172,379 | $ 145,379 | $ 57,898 | $ 7,223 | $ 42,986 | $ (81,107) |
| Loss on divestiture and assets held for sale | 19,124 | — | — | — | — | 19,124 |
| Amortization of Acquired Contract Liabilities | (89,031) | (27,101) | (60,190) | (1,740) | — | — |
| Depreciation and Amortization | 135,080 | 30,228 | 54,289 | 42,344 | 7,230 | 989 |
| Adjusted Earnings (Losses) before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") | $ 237,552 | $ 148,506 | $ 51,997 | $ 47,827 | $ 50,216 | $ (60,994) |
| Net Sales | $ 2,612,885 | $ 758,803 | $ 956,114 | $ 740,354 | $ 257,317 | $ (99,703) |
| Adjusted EBITDA Margin | 9.4% | 20.3% | 5.8% | 6.5% | 19.5% | n/a |

# NON-GAAP DISCLOSURE

**(Continued)**

**FINANCIAL DATA (UNAUDITED)**

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

**Non-GAAP Financial Measures Disclosures (continued)**

| Adjusted Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA): | For the Three Months Ended December 31, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | | Segment Data | | | | |
| | Total | Integrated Systems | Aerospace Structures | Precision Components | Product Support | Corporate/ Eliminations |
| Net Loss | $ (88,649) | | | | | |
| Add-back: | | | | | | |
| Income Tax Expense | (53,393) | | | | | |
| Interest Expense and Other | 15,792 | | | | | |
| Operating (Loss) Income | $ (126,250) | $ 52,321 | $ (210,938) | $ 24,106 | $ 12,402 | $ (4,141) |
| Legal settlement charges | 12,400 | — | 10,500 | — | 1,900 | — |
| Amortization of Acquired Contract Liabilities | (34,425) | (9,804) | (23,831) | (790) | — | — |
| Depreciation and Amortization | 270,228 | 10,659 | 245,266 | 11,407 | 2,462 | 434 |
| Adjusted Earnings (Losses) before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") | $ 121,953 | $ 53,176 | $ 20,997 | $ 34,723 | $ 16,764 | $ (3,707) |
| Net Sales | $ 913,866 | $ 271,849 | $ 346,639 | $ 250,284 | $ 78,127 | $ (33,033) |
| Adjusted EBITDA Margin | 13.9% | 20.3% | 6.5% | 13.9% | 21.5% | n/a |

# NON-GAAP DISCLOSURE

**(Continued)**

**FINANCIAL DATA (UNAUDITED)**

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

**Non-GAAP Financial Measures Disclosures (continued)**

| Adjusted Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA): | For the Nine Months Ended December 31, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | | Segment Data | | | | |
| | Total | Integrated Systems | Aerospace Structures | Precision Components | Product Support | Corporate/ Eliminations |
| Net Income | $ 35,695 | | | | | |
| Add-back: | | | | | | |
| Income Tax Expense | 6,429 | | | | | |
| Interest Expense and Other | 49,539 | | | | | |
| Operating Income (Loss) | $ 91,663 | $ 153,978 | $ (132,458) | $ 74,468 | $ 31,514 | $ (35,839) |
| Curtailment charge | 2,863 | — | — | — | — | 2,863 |
| Legal settlement charges | 12,400 | — | 10,500 | — | 1,900 | — |
| Amortization of Acquired Contract Liabilities | (99,928) | (30,316) | (67,039) | (2,573) | — | — |
| Depreciation and Amortization | 356,337 | 31,316 | 276,845 | 39,600 | 7,352 | 1,224 |
| Adjusted Earnings (Losses) before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") | $ 363,335 | $ 154,978 | $ 87,848 | $ 111,495 | $ 40,766 | $ (31,752) |
| Net Sales | $ 2,828,278 | $ 791,901 | $ 1,127,230 | $ 781,250 | $ 226,649 | $ (98,752) |
| Adjusted EBITDA Margin | 13.3% | 20.3% | 8.3% | 14.3% | 18.0% | n/a |

# NON-GAAP DISCLOSURE

**(Continued)**

**FINANCIAL DATA (UNAUDITED)**

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

**Non-GAAP Financial Measures Disclosures (continued)**

Adjusted income from continuing operations, before income taxes, adjusted income from continuing operations and adjusted income from continuing operations per diluted share, before non-recurring costs has been provided for consistency and comparability. These measures should not be considered in isolation or as alternatives to income from continuing operations before income taxes, income from continuing operations and income from continuing operations per diluted share presented in accordance with GAAP. The following tables reconcile income from continuing operations before income taxes, income from continuing operations, and income from continuing operations per diluted share, before non-recurring costs.

| | Three Months Ended December 31, 2016 | | |
|---|---|---|---|
| | Pre-Tax | After-Tax | Diluted EPS |
| Income from Continuing Operations - GAAP | $ 35,468 | $ 29,332 | $ 0.59 |
| **Transformation related costs:** | | | |
| Loss on assets held for sale | 14,350 | 10,476 | 0.21 |
| Restructuring costs (non-cash) | 3,065 | 2,237 | 0.05 |
| Restructuring costs (cash) | 11,067 | 8,079 | 0.16 |
| Adjusted Income from Continuing Operations - Non-GAAP | $ 63,950 | $ 50,124 | $ 1.01 |

| | Nine Months Ended December 31, 2016 | | |
|---|---|---|---|
| | Pre-Tax | After-Tax | Diluted EPS |
| Income from Continuing Operations - GAAP | $ 116,658 | $ 83,872 | $ 1.70 |
| **Adjustments:** | | | |
| Triumph Precision Components - Strike related costs | 15,701 | 11,462 | 0.23 |
| Triumph Precision Components - Inventory write-down | 6,089 | 4,445 | 0.09 |
| Triumph Aerospace Structures - UAS program | 14,200 | 10,366 | 0.21 |
| Loss on divestiture and assets held for sale | 19,124 | 15,250 | 0.31 |
| Restructuring costs (non-cash) | 10,296 | 7,516 | 0.15 |
| Restructuring costs (cash) | 28,180 | 20,571 | 0.42 |
| Adjusted Income from Continuing Operations - Non-GAAP | $ 210,248 | $ 153,482 | $ 3.11 |

# NON-GAAP DISCLOSURE

**(Continued)**

**FINANCIAL DATA (UNAUDITED)**

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

**Non-GAAP Financial Measures Disclosures (continued)**

Adjusted income from continuing operations, before income taxes, adjusted income from continuing operations and adjusted income from continuing operations per diluted share, before non-recurring costs has been provided for consistency and comparability. These measures should not be considered in isolation or as alternatives to income from continuing operations before income taxes, income from continuing operations and income from continuing operations per diluted share presented in accordance with GAAP. The following tables reconcile income from continuing operations before income taxes, income from continuing operations, and income from continuing operations per diluted share, before non-recurring costs.

| | Three Months Ended December 31, 2015 | | |
|---|---|---|---|
| | **Pre-Tax** | **After-Tax** | **Diluted EPS** |
| Loss from Continuing Operations - GAAP | $ (142,042) | $ (88,649) | $ (1.80) |
| **Adjustments:** | | | |
| Legal settlement charges | 12,400 | 8,531 | 0.17 |
| Tradename impairment | 229,200 | 148,751 | 3.02 |
| Adjusted Income from Continuing Operations - Non-GAAP | $ 99,558 | $ 68,633 | $ 1.39 |

| | Nine Months Ended December 31, 2015 | | |
|---|---|---|---|
| | **Pre-Tax** | **After-Tax** | **Diluted EPS** |
| Income from Continuing Operations - GAAP | $ 42,124 | $ 35,695 | $ 0.72 |
| **Adjustments:** | | | |
| Legal settlement charges | 12,400 | 8,531 | 0.17 |
| Tradename impairment | 229,200 | 148,751 | 3.02 |
| Facility consolidation costs | 5,360 | 3,688 | 0.07 |
| Curtailment charge | 2,863 | 1,970 | 0.04 |
| Adjusted Income from Continuing Operations - Non-GAAP | $ 291,947 | $ 198,635 | $ 4.03 * |

* Difference due to rounding.

| The following table reconciles our Operating income to Adjusted Operating income as noted above. | **Three Months Ended December 31, 2016** | **Three Months Ended December 31, 2015** |
|---|---|---|
| Operating Income (Loss) - GAAP | $ 55,166 | $ (126,250) |
| **Adjustments:** | | |
| Loss on assets held for sale | 14,350 | — |
| Tradename impairment | — | 229,200 |
| Legal settlement charges | — | 12,400 |
| Restructuring costs (non-cash) | 3,065 | — |
| Restructuring costs (cash) | 11,067 | — |
| Adjusted Operating Income - Non-GAAP | $ 83,648 | $ 115,350 |

# NON-GAAP DISCLOSURE

**(Continued)**

**FINANCIAL DATA (UNAUDITED)**

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

**Non-GAAP Financial Measures Disclosures (continued)**

Cash provided by operations has been provided for consistency and comparability. We also use free cash flow available for debt reduction as a key factor in planning for and consideration of strategic acquisitions, stock repurchases 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 available for debt reduction.

| | Three Months Ended December 31, 2016 | Nine Months Ended December 31, 2016 |
|---|---|---|
| Cash flow from operations | $ (41,415) | $ (172,651) |
| Less: | | |
| Capital expenditures | (9,157) | (33,123) |
| Sale of assets | 13,141 | 23,185 |
| Free cash flow available for debt reduction, acquisitions and share repurchases | $ (37,431) | $ (182,589) |

We use "Net Debt to Capital" as a measure of financial leverage. The following table sets forth the computation of Net Debt to Capital:

| | December 31, 2016 | March 31, 2016 |
|---|---|---|
| **Calculation of Net Debt** | | |
| Current portion | $ 187,731 | $ 42,441 |
| Long-term debt | 1,470,649 | 1,374,879 |
| Total debt | 1,658,380 | 1,417,320 |
| Plus: Deferred debt issuance costs | 12,493 | 8,971 |
| Less: Cash | (35,461) | (20,984) |
| Net debt | $ 1,635,412 | $ 1,405,307 |
| | | |
| **Calculation of Capital** | | |
| Net debt | $ 1,635,412 | $ 1,405,307 |
| Stockholders' equity | 980,816 | 934,944 |
| Total capital | $ 2,616,228 | $ 2,340,251 |
| | | |
| Percent of net debt to capital | 62.5% | 60.0% |