

Company	TransDigm Group		Date	09/17/15	
Prepared by	HARPER		Data taken from	BI Stock Data	
Where traded	NYS	Industry	Aerospace & Defense		
Capitalization --- Outstanding Amounts	Reference				
Preferred (\$M)	0.0	% Insiders	% Institution		
Common (M Shares)	56.6	0.5	93.6		
Debt (\$M)	8,449.1	% to Tot Cap	116.1	% Pot Dil	0.0

Stock Selection Guide

Symbol: TDG

1 VISUAL ANALYSIS of Sales, Earnings, and Price



- | | | | |
|-----------------------------------|-------|--|-------|
| (1) Historical Sales Growth | 22.8% | (3) Historical Earnings Per Share Growth | 16.9% |
| (2) Estimated Future Sales Growth | 14.8% | (4) Estimated Future Earnings Per Share Growth | 15.0% |

2 EVALUATING Management

TransDigm Group

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Last 5 Year Avg.
Pre-tax Profit on Sales	15.3%	9.5%	24.0%	28.9%	33.0%	30.3%	19.0%	28.7%	23.3%	18.9%	24.0%
% Earned on Equity		6.9%	18.6%	19.7%	19.3%	21.0%	17.4%	27.9%	15.7%	-10.4%	14.3%
% Debt To Capital	72.8%	71.8%	73.6%	67.5%	62.4%	74.9%	79.5%	74.8%	106.2%	126.3%	92.3%

3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is building block for translating earnings into future stock prices.

CLOSING PRICE 232.5 (9/17/2015)

HIGH THIS YEAR 244.90

LOW THIS YEAR 166.61

	A	B	C	D	E	F	G	H	
Year	Price		Earnings	Price Earnings Ratio		Dividend	% Payout	% High Yield	
	High	Low	Per Share	High A / C	Low B / C	Per Share	F / C * 100	F / B * 100	
5 2010	64.7	38.9	2.52	25.7	15.5	0.00	0.0	0.0	
6 2011	95.0	60.9	2.80	33.9	21.7	0.00	0.0	0.0	
7 2012	146.7	74.3	5.97	24.6	12.4	0.00	0.0	0.0	
8 2013	164.6	116.6	2.39	68.9	48.8	0.00	0.0	0.0	
9 2014	198.3	136.9	3.16	62.7	43.3	0.00	0.0	0.0	
AVERAGE		85.5		43.2	28.3				
CURRENT/TTM			7.25						
AVERAGE PRICE EARNINGS RATIO 35.8					CURRENT PRICE EARNINGS RATIO 32.1				

4 EVALUATING RISK and REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

A HIGH PRICE - NEXT 5 YEARS

Avg. High P/E 43.2 X Estimate High Earnings/Share 6.36 = Forecasted High Price \$ 274.8

B LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E 28.3 X Estimate Low Earnings/Share 3.16 = Forecasted Low Price \$ 89.4

(b) Avg. Low Price of Last 5 Years 85.5

(c) Recent Market Low Price 116.6

(d) Price Dividend Will Support $\frac{\text{Indicated Dividend}}{\text{High Yield}} = \frac{0.00}{0.00\%} = 0.0$

Selected Forecasted Low Price \$ 85.5

C ZONING using 25%-50%-25%

Forecasted High Price 274.8 Minus Forecasted Low Price 85.5 = 189.3 Range. 25% of Range 47.3

Buy Zone 85.5 to 132.8

Hold Zone 132.8 to 227.5

Sell Zone 227.5 to 274.8

Present Market Price of 232.49 is in the **SELL** Zone

D UPSIDE DOWNSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS)

$\frac{\text{High Price} - \text{Present Price}}{\text{Present Price} - \text{Low Price}} = \frac{274.8 - 232.49}{232.49 - 85.5} = \frac{42.3}{147.0} = 0.3$ To 1

E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

$\frac{\text{High Price} - \text{Closing Price}}{\text{Closing Price}} = \frac{274.8 - 232.49}{232.49} = 1.18$ X 100 = 118.21 - 100 = 18.2 % Appreciation

5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

A $\frac{\text{Indicated Annual Dividend}}{\text{Closing Price}} = \frac{0.00}{232.49} = 0.0\%$ Current Yield

B AVERAGE YIELD - USING FORECAST HIGH P/E $\frac{\text{Forecast High P/E}}{\text{Closing Price}} = \frac{43.2}{232.49} = 0.0\%$

AVERAGE YIELD - USING FORECAST AVERAGE P/E $\frac{\text{Forecast Avg P/E}}{\text{Closing Price}} = \frac{35.8}{232.49} = 0.0\%$

C COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E

Annualized Appreciation 3.4 %
Average Yield 0.0 %
Annualized Rate of Return 3.4 %

COMPOUND ANNUAL RETURN - USING FORECAST AVG P/E

Annualized Appreciation -0.4 %
Average Yield 0.0 %
Annualized Rate of Return -0.4 %