

Capital Allocation at Esterline

FY 2018

This presentation contains no controlled technical data or technology.

This presentation may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance. These forward-looking statements are only predictions based on the current intent and expectations of the management of Esterline as of November 9, 2017, are not guarantees of future performance or actions, and involve risks and uncertainties that are difficult to predict and may cause Esterline's or its industry's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Esterline's actual results, plans and the timing and outcome of events may differ materially from those expressed in or implied by the forward-looking statements due to risks detailed in Esterline's public filings with the Securities and Exchange Commission, including its most recent Annual Report on Form 10-K.

This presentation also contains references to non-GAAP financial information subject to Regulation G. The reconciliations of each non-GAAP financial measure to its comparable GAAP measure as well as further information on management's use of non-GAAP financial measures are included in Esterline's press release dated November 9, 2017, included as Exhibit 99.1 to Form 8-K filed with the SEC on the same date, as well as in the Appendix of this presentation.

Flexibility to Allocate Capital to Best Use

Solid Balance Sheet

- Target debt level:
 - 2.0x to 2.5x gross debt to EBITDA
 - Balance between rate and flexibility
- Clear runway - no debt maturities until 2020
- Patient capital - willingness to retain cash

Strong Free Cash Flow

- Consistent free cash flow conversion
 - 134% Average Free Cash Flow / Net Earnings in '14 – '17*
- Opportunities to reduce working capital and improve cash conversion

Solid, Pressure-tested Balance Sheet

* See page 1 regarding non-GAAP financial measures.

Capital Allocation

Consistent

Organic Growth Focus

R&D

CAPEX

Opportunistic

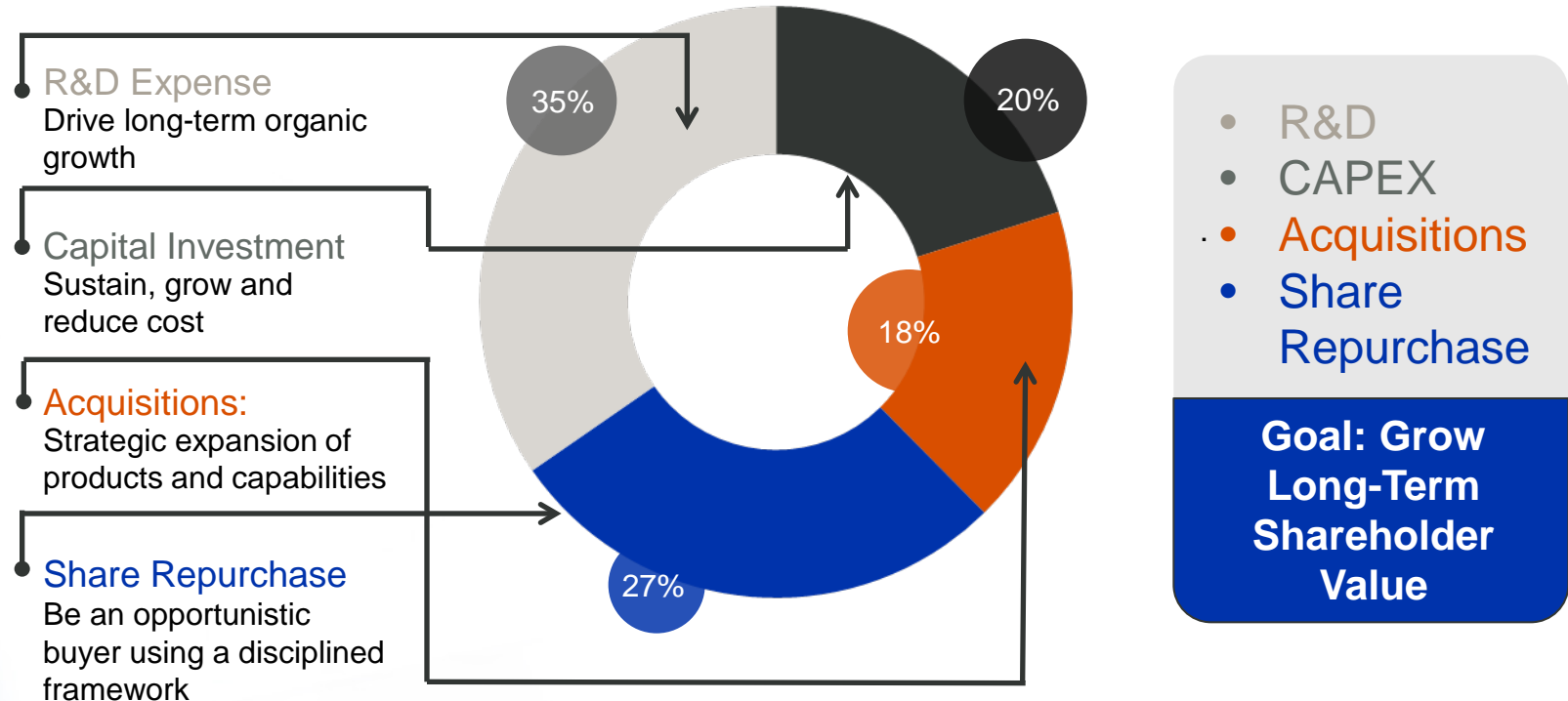
External Growth Focus

Acquisitions

Return of Capital

Long-term Shareholder Value Accretion

Balanced Capital Deployment 2014-2017



R&D – Drive Long-term Organic Growth

- Customer-facing investment
 - Specific product development for awarded programs
 - Technology roadmaps addressing customer needs & driving long-term organic growth
- Internal investment with attractive risk/return profile

Consistent Investment: ~5% of Sales

CAPEX– Sustain & Grow the Existing Business

- Maintain and enhance competitive position of existing businesses
 - Maintain/upgrade/enhance operational capabilities
 - Improve efficiency
 - Enhance margins

Consistent Investment: \$60M - \$70M / year

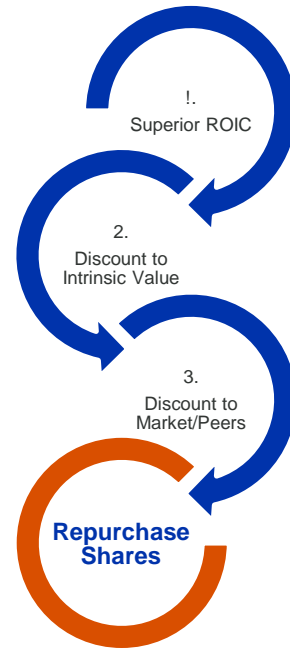
Focused & Disciplined External Investment

- **Economics** – IRR > risk adjusted cost of capital, accretive on a cash earnings basis
- **Strategic Fit** – current core markets, meaningful scale, complementary technology/products
- **Opportunity** – leverage ESL infrastructure, hard \$ synergies, enhance competitive positioning, key customer/market penetration/expansion
- **Integration** – geographic fit, cultural fit, management bandwidth, due diligence to minimize risk, dedicated team

External Growth: Focused/Patient/Disciplined

Return Capital to Shareholders - Considerations

- Opportunistic & disciplined share repurchase
 - Provide superior risk-adjusted return to capital allocation alternatives including M&A
 - Made at a discount to intrinsic value AND
 - Made at a relative discount to peer/market valuations
- Modest repurchase designed to offset dilution over time



Return of Capital: Disciplined/Opportunistic

Appendix – Non-GAAP Financial Measures

Free Cash Flow Reconciliation

<i>Dollars in millions</i>	FY 2014	Recast FY 2015	FY 2016	FY 2017	Total
Cash Flow from Operations	\$ 216	\$ 194	\$ 167	\$ 193	\$ 770
• Capital Expenditures	<u>(46)</u>	<u>(55)</u>	<u>(68)</u>	<u>(58)</u>	<u>(227)</u>
Free Cash Flow *	<u>\$ 170</u>	<u>\$ 139</u>	<u>\$ 99</u>	<u>\$ 135</u>	<u>\$ 543</u>
Net Earnings	<u>\$ 102</u>	<u>\$ 88</u>	<u>\$ 102</u>	<u>\$ 117</u>	<u>\$ 409</u>
Free Cash Flow / Net Earnings (%)	167%	158%	97%	115%	133%

Average Free Cash Flow / Net Earnings (FY14-FY17) = 134%

* See page 1 regarding non-GAAP financial measures.