



# Q2 2016 Supplemental Financial Information

*May 5, 2016*

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. In some cases, you can identify forward-looking statements by terminology such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "potential," "predict," "should" or "will," or the negative of such terms, or other comparable terminology. These forward-looking statements are only predictions based on the current intent and expectations of the management of Esterline, 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 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 Transition 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 May 5, 2016, included as Exhibit 99.1 to Form 8-K filed with the SEC on the same date, as well as in this presentation.

# 2016 Update

Category	Status
Sales	<ul style="list-style-type: none"> <li>- Strong Q2-2016 orders in both defense and commercial aerospace (Book to bill = 1.2)</li> <li>- Improved operational execution contributed to Q2-2016 sales growth</li> </ul>
Global Footprint	<ul style="list-style-type: none"> <li>- Two remaining “accelerated integration” projects scheduled to complete in fiscal 2016</li> <li>- Moving production from two US sites into Everett (leveraging available space post major facility layout event)</li> <li>- Purchased DAT Belgium building; Reducing related footprint by 30% using lean tools</li> </ul>
Strategic Sourcing	<ul style="list-style-type: none"> <li>- Wave 1 and 2 cost savings on track; Wave 3 process active</li> <li>- Savings projections and timelines on track</li> <li>- Cost savings opportunity exploration continues</li> </ul>
Operating System	<ul style="list-style-type: none"> <li>- In-process lean transformation impacting ~ 80% global footprint</li> <li>- Ongoing Continuous Improvement Academies; Training ~ 700 employees in 2016</li> <li>- Everett major facility re-layout event yielding positive results</li> </ul>
Discontinued Operations	<ul style="list-style-type: none"> <li>- Closed on sale of Wallop assets (May 2016)</li> </ul>

## Q2 2016 Financial Results

- Sales of \$490 million, up 4.7%\*
  - Organic sales up \$20 million
  - \$12 million from DAT acquisition offset by \$10 million FX impact
- GAAP EPS of \$0.57
  - Adjusted EPS of \$0.92\*\* (excludes certain discrete items)
- YTD free cash flow of \$37.4 million\*\*

\* Comparison is to the recast three-month period ended March 27, 2015.

\*\* See Page 1 regarding non-GAAP financial measures.

## Q2 2016 Year-over-Year (YOY) Summary\*

<i>Dollars in millions, except EPS</i>	Q2 2016	Q2 2015*	Change
<b>Sales</b>	\$ 490	\$ 468	\$ 22
<b>Gross Margin</b>	\$ 156	\$ 150	\$ 6
- % of sales	32%	32%	--
<b>Net Earnings from Continuing Operations</b>	\$ 17	\$ 25	\$ (8)
<b>Net Earnings Per Diluted Share</b>	\$ 0.57	\$ 0.79	\$ (0.22)

\* Comparison is to the recast three-month period ended March 27, 2015.

# Q2 2016 Earnings Adjustment

<i>Dollars in millions, except EPS</i>	Earnings from Continuing Ops	EPS
<b>GAAP</b>	\$ 17.0	\$ 0.57
• Accelerated integration	1.6	0.05
• Incremental compliance	1.4	0.05
• DAT integration	3.1	0.11
• Long-term contract adjustments	<u>4.2</u>	<u>0.14</u>
<b>Adjusted *</b>	<u>\$ 27.3</u>	<u>\$ 0.92</u>

\* See Page 1 regarding non-GAAP financial measures.

## Q2 2016 Sales Change (YOY)\*

<i>Dollars in millions</i>	Items	Sales
	<b>Q2 2015*</b>	\$ 468
	• Foreign currency translation	(11)
	• FX forward contract gain	1
	• DAT incremental	12
	• Sales volume	<u>20</u>
	<b>Q2 2016</b>	<u>\$ 490</u>

\* Comparison is to the recast three-month period ended March 27, 2015.

## Q2 2016 Segment Sales Change (YOY)\*

	Total Change	Organic <sup>1</sup>	FX	Acquisition
<b>Avionics &amp; Controls</b>	6%	3%	(4%)	7%
<b>Sensors &amp; Systems</b>	3%	3%	(1%)	-
<b>Advanced Materials</b>	6%	8%	(2%)	-
<b>Total</b>	5%	4%	(2%)	3%

<sup>1</sup> Q2 2016 organic sales growth represents the total reported increase within the company's continuing operations less the impact of all foreign currency translation and hedging activities and acquisitions.

\* Comparison is to the recast three-month period ended March 27, 2015.



## Q2 2016 Gross Margin Change (YOY)\*

<i>Dollars in millions</i>	Items	Gross Margin
<b>Q2 2015*</b>		\$ 150
	• Foreign currency translation	(7)
	• FX forward contract gain	1
	• DAT incremental	5
	• Sales volume / mix	<u>7</u>
<b>Q2 2016</b>		<u>\$ 156</u>

\* Comparison is to the recast three-month period ended March 27, 2015.

# YTD Q2 2016 Free Cash Flow Reconciliation

<i>Dollars in millions; GAAP results</i>	YTD Q2 2016	YTD Q2 2015*
<b>Net Earnings</b>	\$ 20	\$ 39
• Depreciation and amortization	49	50
• Change in working capital (A/R, Inventory, A/P)	2	(21)
• Other	<u>9</u>	<u>(17)</u>
<b>Cash flow from operations</b>	\$ 80	\$ 51
• Capital expenditures	<u>(43)</u>	<u>(25)</u>
<b>Free cash flow**</b>	<u>\$ 37</u>	<u>\$ 26</u>

<b>Amounts included in Free Cash Flow - GAAP</b>	YTD Q2 2016	YTD Q2 2015*
Adjustments to Net Income (after-tax) **	\$ 19	\$ 18
Loss from Discontinued Operations	\$ (7)	\$ (20)

\* Comparison is to the recast six-month period ended March 27, 2015.

\*\* See Page 1 regarding non-GAAP financial measures.

# YTD Q2 2016 EBITDA

<i>Dollars in millions</i>	YTD Q2 2016	YTD Q2 2015*
<b>Operating Earnings from Continuing Operations</b>	\$ 45	\$ 90
• Depreciation and amortization	<u>49</u>	<u>50</u>
<b>EBITDA from Continuing Operations **</b>	<u>\$ 94</u>	<u>\$ 140</u>

\* Comparison is to the recast six-month period ended March 27, 2015.

\*\* See Page 1 regarding non-GAAP financial measures.

# Share Repurchase Update

	<b># Shares</b> <i>In thousands</i>	<b>\$ Value</b> <i>In millions</i>	<b>\$ Authorization Remaining</b> <i>In millions</i>
• FY 2014	269	\$ 30.3	
• FY 2015	2,562	259.5	
• Q1 2016	0	0	
• Q2 2016	202	12.1	
<b>Total since inception*</b>	<b>3,033</b>	<b>\$ 301.9</b>	<b>\$98.1</b>

\* \$400 million total authorization for share repurchase.

# 2016 Guidance

	Guidance
Sales	\$1.925B - \$1.975B
GAAP EPS (diluted, continuing ops)	\$3.42 - \$3.82
Adjusted EPS* (diluted, continuing ops)	\$4.40 - \$4.80
EBITDA*	\$230M - \$250M
Free Cash Flow*	\$110M - \$130M

Guidance	2016 Adjusted EPS
GAAP EPS (diluted, continuing ops)	\$3.42 - \$3.82
Accelerated Integration	\$0.17
Incremental Compliance	\$0.31
DAT Integration	\$0.37
Long-Term Contract Adjustment	\$0.13
Adjusted EPS* (diluted, continuing ops)	\$4.40 - \$4.80

Reaffirm 2016 Guidance

\* See Page 1 regarding non-GAAP financial measures.

# Appendix

# 2015 Recast Income Statement\*

In Thousands, Except Per Share Amounts

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>FY 2015</u>
Net Sales	\$ 504,611	\$ 468,210	\$ 484,723	\$ 545,249	\$ 2,002,793
Cost of Sales	326,370	318,193	319,433	359,409	1,323,405
	<u>178,241</u>	<u>150,017</u>	<u>165,290</u>	<u>185,840</u>	<u>679,388</u>
Expenses					
Selling, general & administrative	98,089	99,432	92,028	94,607	384,156
Research, development and engineering	23,531	25,143	26,401	25,351	100,426
Restructuring charges	3,293	1,634	1,135	2,081	8,143
Total Expenses	<u>124,913</u>	<u>126,209</u>	<u>119,564</u>	<u>122,039</u>	<u>492,725</u>
Operating Earnings from Continuing Operations	53,328	23,808	45,726	63,801	186,663
Other Expense (Income)	-	(12,744)	-	241	(12,503)
Interest Expense, Net	7,898	5,799	10,306	8,479	32,482
Loss on Extinguishment of Debt	-	-	329	11,122	11,451
Earnings from Continuing Operations Before Income Taxes	<u>45,430</u>	<u>30,753</u>	<u>35,091</u>	<u>43,959</u>	<u>155,233</u>
Income Tax Expense	<u>10,972</u>	<u>5,714</u>	<u>6,744</u>	<u>3,481</u>	<u>26,911</u>
Earnings from Continuing Operations Including Noncontrolling Interests	34,458	25,039	28,347	40,478	128,322
Loss (Earnings) Attributable to Noncontrolling Interests	<u>17</u>	<u>(108)</u>	<u>(125)</u>	<u>(211)</u>	<u>(427)</u>
Earnings from Continuing Operations Attributable to Esterline, Net of Tax	34,475	24,931	28,222	40,267	127,895
Loss from Discontinued Operations Attributable to Esterline, Net of Tax	<u>(5,876)</u>	<u>(14,600)</u>	<u>(5,820)</u>	<u>(14,023)</u>	<u>(40,319)</u>
Net Earnings Attributable to Esterline	<u>\$ 28,599</u>	<u>\$ 10,331</u>	<u>\$ 22,402</u>	<u>\$ 26,244</u>	<u>\$ 87,576</u>
Adjustments to Continuing Operations, Net of Tax	13,188	4,494	7,784	25,720	51,186
Adjusted Earnings from Continuing Operations Attributable to Esterline, Net of Tax	<u>\$ 47,663</u>	<u>\$ 29,425</u>	<u>\$ 36,006</u>	<u>\$ 65,987</u>	<u>\$ 179,081</u>
Diluted Shares Outstanding	<u>32,364</u>	<u>31,687</u>	<u>31,322</u>	<u>29,901</u>	<u>31,215</u>
EPS from Continuing Operations - Diluted	<u>\$ 1.06</u>	<u>\$ 0.79</u>	<u>\$ 0.91</u>	<u>\$ 1.35</u>	<u>\$ 4.10</u>
Adjusted EPS from Continuing Operations - Diluted	<u>\$ 1.48</u>	<u>\$ 0.92</u>	<u>\$ 1.15</u>	<u>\$ 2.21</u>	<u>\$ 5.74</u>

\* See Page 1 regarding non-GAAP financial measures.

# 2015 Recast Income Statement

In Thousands

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>FY 2015</u>
Avionics & Controls	\$ 206,617	\$ 187,330	\$ 200,078	\$ 232,019	\$ 826,044
Sensors & Systems	182,894	171,538	175,544	184,989	714,965
Advanced Materials	115,100	109,342	109,101	128,241	461,784
Net Sales	<u>\$ 504,611</u>	<u>\$ 468,210</u>	<u>\$ 484,723</u>	<u>\$ 545,249</u>	<u>\$2,002,793</u>
Avionics & Controls	\$ 37,326	\$ 7,934	\$ 16,836	\$ 31,129	\$ 93,225
Sensors & Systems	17,458	16,256	22,968	27,553	84,235
Advanced Materials	21,555	19,469	24,514	25,796	91,334
Segment Earnings	<u>76,339</u>	<u>43,659</u>	<u>64,318</u>	<u>84,478</u>	<u>268,794</u>
Corporate Expense	23,011	19,851	18,592	20,677	82,131
Other (Income) Expense	-	(12,744)	-	241	(12,503)
Interest Income	(184)	(135)	(87)	(226)	(632)
Interest Expense	8,082	5,934	10,393	8,705	33,114
Loss on Extinguishment of Debt	-	-	329	11,122	11,451
Earnings from Continuing Operations Before Income Taxes	<u>\$ 45,430</u>	<u>\$ 30,753</u>	<u>\$ 35,091</u>	<u>\$ 43,959</u>	<u>\$ 155,233</u>



# 2015 Recast EPS - Adjustments\*

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>FY2015</u>
EPS from Continuing Operations - Diluted	\$ 1.06	\$ 0.79	\$ 0.91	\$ 1.35	\$ 4.10
Accelerated Integration	0.14	0.09	0.06	0.09	0.38
Incremental Compliance	0.08	0.09	0.10	0.22	0.50
DAT Closing Expenses, Integration and Purchase Acctg. Adjustments	0.02	0.25	0.08	0.24	0.58
Long-Term Contract Adjustments	0.11	0.13	-	-	0.24
Pension Expense	0.07	-	-	-	0.07
Non-Income Tax Gain	-	(0.43)	-	-	(0.43)
Bond Redemption Costs	-	-	-	0.31	0.30
Adjusted EPS from Continuing Operations - Diluted	<u>\$ 1.48</u>	<u>\$ 0.92</u>	<u>\$ 1.15</u>	<u>\$ 2.21</u>	<u>\$ 5.74</u>

\* See Page 1 regarding non-GAAP financial measures.

# Q2 2016 Adjusted Gross Margin and EBIT\*

*In thousands*

	<u>Avionics</u>	<u>Sensors</u>	<u>AM</u>	<u>ESL</u>	
GAAP Sales	\$ 198,665	\$ 176,069	\$ 115,576	\$ 490,310	
GAAP Gross Margin	\$ 56,520	\$ 61,275	\$ 38,378	\$ 156,173	
Accelerated Integration	57	568	335	960	
DAT Integration	1,027	-	-	1,027	
Long-Term Contract Adjustments	4,704	-	-	4,704	
Adjusted Gross Margin	\$ 62,308	\$ 61,843	\$ 38,713	\$ 162,864	
	<u>Avionics</u>	<u>Sensors</u>	<u>AM</u>	<u>Corporate</u>	<u>ESL</u>
GAAP EBIT	\$ 2,649	\$ 20,944	\$ 23,208	\$ (18,965)	\$ 27,836
Accelerated Integration	57	755	663	425	1,900
Incremental Compliance	-	-	-	2,005	2,005
DAT Integration	4,008	-	-	-	4,008
Long-Term Contract Adjustments	4,704	-	-	-	4,704
Adjusted EBIT	\$ 11,418	\$ 21,699	\$ 23,871	\$ (16,535)	\$ 40,453
<b>Adjusted Gross Margin as a % of Sales</b>	<b>31.4%</b>	<b>35.1%</b>	<b>33.5%</b>	-	<b>33.2%</b>
<b>Adjusted EBIT as a % of Sales</b>	<b>5.7%</b>	<b>12.3%</b>	<b>20.7%</b>	-	<b>8.3%</b>

\* See Page 1 regarding non-GAAP financial measures

\*\* Accelerated Integration and DAT Integration costs are split between COGS and SG&A.

# Q2 2015\* Adjusted Gross Margin and EBIT\*\*

*In thousands*

	<u>Avionics</u>	<u>Sensors</u>	<u>AM</u>	<u>ESL</u>
GAAP Sales	\$ 187,330	\$ 171,538	\$ 109,342	\$ 468,210
GAAP Gross Margin	\$ 55,959	\$ 60,083	\$ 33,975	\$ 150,017
Accelerated Integration	-	1,826	310	2,136
DAT Purchase Acctg Adj. and Integration	1,816	-	-	1,816
Long-Term Contract Adjustments	5,300	-	-	5,300
Adjusted Gross Margin	\$ 63,075	\$ 61,909	\$ 34,285	\$ 159,269

	<u>Avionics</u>	<u>Sensors</u>	<u>AM</u>	<u>Corporate</u>	<u>Other Inc.</u>	<u>ESL</u>
GAAP EBIT	\$ 7,934	\$ 16,256	\$ 19,469	\$ (19,851)	\$ 12,744	\$ 36,552
Accelerated Integration	150	2,400	962	258	-	3,770
Incremental Compliance	-	-	-	3,727	-	3,727
DAT Purchase Acctg Adj. and Integration	4,506	-	-	-	-	4,506
DAT Closing Costs	-	-	-	2,400	2,900	5,300
Long-Term Contract Adjustments	5,300	-	-	-	-	5,300
Non-Income Tax Gain	-	-	-	-	(15,656)	(15,656)
Adjusted EBIT	\$ 17,890	\$ 18,656	\$ 20,431	\$ (13,466)	\$ (12)	\$ 43,499
<b>Adjusted Gross Margin as a % of Sales</b>	<b>33.7%</b>	<b>36.1%</b>	<b>31.4%</b>	-	-	<b>34.0%</b>
<b>Adjusted EBIT as a % of Sales</b>	<b>9.5%</b>	<b>10.9%</b>	<b>18.7%</b>	-	-	<b>9.3%</b>

\* Q2 2015 is the recast three-month period ended March 27, 2015.

\*\* See Page 1 regarding non-GAAP financial measures.

# Q3 2015\* Adjusted Gross Margin and EBIT\*\*

*In thousands*

	<u>Avionics</u>	<u>Sensors</u>	<u>AM</u>	<u>ESL</u>	
GAAP Sales	\$ 200,078	\$ 175,544	\$ 109,101	\$ 484,723	
GAAP Gross Margin	\$ 65,154	\$ 64,310	\$ 35,826	\$ 165,290	
Accelerated Integration	-	1,100	218	1,318	
DAT Purchase Acctg Adj. and Integration	2,721	-	-	2,721	
Adjusted Gross Margin	\$ 67,875	\$ 65,410	\$ 36,044	\$ 169,329	
	<u>Avionics</u>	<u>Sensors</u>	<u>AM</u>	<u>Corporate</u>	<u>ESL</u>
GAAP EBIT	\$ 16,836	\$ 22,968	\$ 24,514	\$ (18,592)	\$ 45,726
Accelerated Integration	117	1,527	505	304	2,453
Incremental Compliance	-	-	-	4,077	4,077
DAT Purchase Acctg Adj. and Integration	3,347	-	-	-	3,347
Adjusted EBIT	\$ 20,300	\$ 24,495	\$ 25,019	\$ (14,211)	\$ 55,603
<b>Adjusted Gross Margin as a % of Sales</b>	<b>33.9%</b>	<b>37.3%</b>	<b>33.0%</b>	-	<b>34.9%</b>
<b>Adjusted EBIT as a % of Sales</b>	<b>10.1%</b>	<b>14.0%</b>	<b>22.9%</b>	-	<b>11.5%</b>

\* Q3 2015 is the recast three-month period ended June 26, 2015.

\*\* See Page 1 regarding non-GAAP financial measures.

# Q4 2015\* Adjusted Gross Margin and EBIT\*\*

*In thousands*

	<u>Avionics</u>	<u>Sensors</u>	<u>AM</u>	<u>ESL</u>		
GAAP Sales	\$ 232,019	\$ 184,989	\$ 128,241	\$ 545,249		
GAAP Gross Margin	\$ 79,247	\$ 63,765	\$ 42,828	\$ 185,840		
Accelerated Integration	-	577	182	759		
DAT Purchase Acctg Adj. and Integration	2,484	-	-	2,484		
Adjusted Gross Margin	\$ 81,731	\$ 64,342	\$ 43,010	\$ 189,083		
	<u>Avionics</u>	<u>Sensors</u>	<u>AM</u>	<u>Corporate</u>	<u>Other Exp.</u>	<u>ESL</u>
GAAP EBIT	\$ 31,129	\$ 27,553	\$ 25,796	\$ (20,677)	\$ (241)	\$ 63,560
Accelerated Integration	123	1,632	711	374	-	2,840
Incremental Compliance	-	-	-	7,657	-	7,657
DAT Purchase Acctg Adj. and Integration	8,195	-	-	-	-	8,195
Adjusted EBIT	\$ 39,447	\$ 29,185	\$ 26,507	\$ (12,646)	\$ (241)	\$ 82,252
<b>Adjusted Gross Margin as a % of Sales</b>	<b>35.2%</b>	<b>34.8%</b>	<b>33.5%</b>	-	-	<b>34.7%</b>
<b>Adjusted EBIT as a % of Sales</b>	<b>17.0%</b>	<b>15.8%</b>	<b>20.7%</b>	-	-	<b>15.1%</b>

\* Q4 2015 is the recast three-month period ended October 2, 2015.

\*\* See Page 1 regarding non-GAAP financial measures.