



Q2 2018 Supplemental Financial Information

May 3, 2018

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 Annual Report on Form 10-K/A.

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 3, 2018, included as Exhibit 99.1 to Form 8-K filed with the SEC on the same date, as well as in this presentation, including the Appendix.

Strategic Direction



Enhance operations, drive organic growth, generate cash

Q2 2018 Financial Results

- Sales of \$517.6 million, up 1.7% over prior-year period
 - Positive foreign exchange translation drove higher sales year-over-year
 - FY18 Q1 to Q2 sales improvement in all three business segments
- GAAP EPS¹ of \$0.80 per diluted share
- Book-to-bill of 1.26x
- Year-to-date free cash flow of \$62.0 million*

¹ From Continuing Operations

* This is a non-GAAP financial measure. See Page 1 and the Appendix of this presentation for more information regarding non-GAAP financial measures.

Q2 2018 Year-over-Year (YOY) Summary

<i>Dollars in millions, except EPS</i>	Q2 2018	Q2 2017	Change
Sales	\$ 518	\$ 509	\$ 9
Gross Margin	\$ 164	\$ 177	\$ (13)
- % of sales	31.6%	34.8%	(3.2)%
Operating Earnings from Continuing Operations	\$ 34	\$ 55	\$ (21)
- % of sales	6.6%	10.9%	(4.3)%
Earnings from Continuing Operations	\$ 24	\$ 34	\$ (10)
Earnings Per Diluted Share from Continuing Operations	\$ 0.80	\$ 1.15	\$ (0.35)

Q2 2018 Sales Change (YOY)

<i>Dollars in millions</i>	Items	Sales
Q2 2017		\$ 509
	• Foreign currency translation	19
	• FX forward contract	8
	• Sales volume	<u>(18)</u>
Q2 2018		<u>\$ 518</u>

Q2 2018 Segment Sales Change (YOY)

	Total Change	Organic ¹	FX
Avionics & Controls	(0.2)%	(3.8)%	3.6%
Sensors & Systems	8.4%	(0.6)%	9.0%
Advanced Materials	(5.7)%	(8.2)%	2.5%
Total	1.7%	(3.6)%	5.3%

¹ Organic sales change represents the total reported increase (decrease) within the company's continuing operations less the impact of all foreign currency translation and hedging activities.

Q2 2018 Gross Margin Change (YOY)

<i>Dollars in millions</i>	Items	Gross Margin
Q2 2017		\$ 177
	• Foreign currency translation	1
	• FX forward contract	8
	• Sales volume / mix	(14)
	• Higher manufacturing costs	(7)
	• Other	<u>(1)</u>
Q2 2018		<u>\$ 164</u>

YTD Q2 2018 Free Cash Flow* Reconciliation

<i>Dollars in millions; GAAP results</i>	YTD Q2 2018	YTD Q2 2017
Net Earnings (Loss)	\$ (11)	\$ 51
• Depreciation and amortization (Depreciation of \$29M and \$28M in FY18 and FY17, respectively)	54	51
• Change in working capital (A/R, Inventory, A/P)	7	(4)
• Long-term U.S. income taxes payable	39	–
• Other	<u>1</u>	<u>(7)</u>
Cash flow from operations	\$ 90	\$ 91
• Purchase of capital assets (capital expenditures)	<u>(28)</u>	<u>(29)</u>
Free cash flow *	<u>\$ 62</u>	<u>\$ 62</u>
<i>Dollars in millions; Supplemental Information</i>	YTD Q2 2018	YTD Q2 2017
• Purchase of capital assets	\$ (28)	\$ (29)
• Proceeds from sale of capital assets	1	–
• Proceeds from sale of business	<u>48</u>	<u>1</u>
Cash Flows Provided (Used) by Investing Activities	<u>\$ 21</u>	<u>\$ (28)</u>

* This is a non-GAAP financial measure. See Page 1 and the Appendix of this presentation for more information regarding non-GAAP financial measures.

Q2 2018 EBITDA *

<i>Dollars in millions</i> **	Q2 2018	Q2 2017
Net Earnings (Loss) Attributable to Esterline	\$ 24	\$ 34
• Loss from discontinued operations **	0	0
• Earnings attributable to noncontrolling interests **	0	1
• Income tax expense	2	13
• Interest income **	0	0
• Interest expense	8	7
• Depreciation & amortization ¹	<u>27</u>	<u>25</u>
EBITDA from Continuing Operations *	<u>\$ 61</u>	<u>\$ 80</u>

¹ Excludes debt issuance costs, which are included in interest expense, of \$0.4 million in Q2 2018 and \$0.3 million in Q2 2017.

* This is a non-GAAP financial measure. See Page 1 and the Appendix of this presentation for more information regarding non-GAAP financial measures.

** Amounts are rounded to the nearest millions. Zero indicates an amount less than \$1 million.

YTD Q2 2018 EBITDA *

<i>Dollars in millions</i> **	YTD Q2 2018	YTD Q2 2017
Net Earnings (Loss) Attributable to Esterline	\$ (11)	\$ 50
• Loss from discontinued operations **	0	5
• Earnings attributable to noncontrolling interests	1	1
• Income tax expense	56	13
• Interest income **	(1)	0
• Interest expense	16	15
• Depreciation & amortization ¹	<u>53</u>	<u>51</u>
EBITDA from Continuing Operations *	<u>\$ 114</u>	<u>\$ 135</u>

¹ Excludes debt issuance costs of \$0.7 million, which are included in interest expense.

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2018 Guidance

	Current Guidance
Sales	\$2.00B - \$2.05B
EPS (diluted, continuing ops, excluding one-time tax expenses of \$48.6M, or \$1.62 per share)	\$3.65 - \$3.85
EBITDA *	\$270M - \$290M
Free Cash Flow *	\$115M - \$140M

Guidance Updated

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2018 Guidance Assumptions

- Interest expense ~\$30 million
- Second-half tax rate ~25% – 27%
- Average diluted shares outstanding ~30 million
- Depreciation / Amortization expense ~\$105 – \$110 million
- Cap Ex ~\$70 million
- Total SG&A expected to be approximately 19% of sales

Share Repurchase Update

	# Shares <i>In thousands</i>	\$ Value <i>In millions</i>	\$ Authorization Remaining <i>In millions</i>
• FY 2014	269	\$ 30.3	
• FY 2015	2,562	259.5	
• FY 2016	305	18.7	
• FY 2017	-	-	
• Q1 2018	287	20.4	
• Q2 2018	314	23.0	
Total since inception ¹	3,737	\$ 351.9	\$ 48

¹ \$400 million total authorization for share repurchase

Appendix

Q2 2017 Adjusted Gross Margin* and EBIT *

In thousands

GAAP Sales

<u>Avionics</u>	<u>Sensors</u>	<u>AM</u>	<u>ESL</u>
\$ 213,293	\$ 182,727	\$ 113,111	\$ 509,131

GAAP Gross Margin

\$ 70,796	\$ 68,291	\$ 38,119	\$ 177,206
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Advanced Displays Integration Costs

29	-	-	29
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Adjusted Gross Margin

\$ 70,825	\$ 68,291	\$ 38,119	\$ 177,235
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GAAP EBIT

<u>Avionics</u>	<u>Sensors</u>	<u>AM</u>	<u>Corporate</u>	<u>ESL</u>
\$ 20,772	\$ 26,357	\$ 28,322	\$ (20,021)	\$ 55,430

Advanced Displays Integration Costs

336	-	-	-	336
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Compliance Costs**

-	-	-	1,468	1,468
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Adjusted EBIT

\$ 21,108	\$ 26,357	\$ 28,322	\$ (18,553)	\$ 57,234
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Adjusted Gross Margin as a % of Sales

33.2% **37.4%** **33.7%** - **34.8%**

Adjusted EBIT as a % of Sales

9.9% **14.4%** **25.0%** - **11.2%**

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** Compliance Costs refer to discrete, non-recurring expenses associated with retention of a Special Compliance Official, external audits, remedial actions and new program implementation as required by the terms of a Consent Agreement with the U.S. State Department. These Consent Agreement costs are not normal, ongoing cash expenditures necessary to operate our business.

YTD 2017 Adjusted Gross Margin* and EBIT *

In thousands

	<u>Avionics</u>	<u>Sensors</u>	<u>AM</u>	<u>ESL</u>
GAAP Sales	\$ 405,975	\$ 350,483	\$ 211,089	\$ 967,547
GAAP Gross Margin	\$ 131,284	\$ 126,262	\$ 62,572	\$ 320,118
Advanced Displays Integration Costs	330	-	-	330
Adjusted Gross Margin	\$ 131,614	\$ 126,262	\$ 62,572	\$ 320,448

	<u>Avionics</u>	<u>Sensors</u>	<u>AM</u>	<u>Corporate</u>	<u>ESL</u>
GAAP EBIT	\$ 38,689	\$ 44,500	\$ 38,202	\$ (37,265)	\$ 84,126
Advanced Displays Integration Costs	973	-	-	-	973
Compliance Costs **	-	-	-	3,719	3,719
Adjusted EBIT	\$ 39,662	\$ 44,500	\$ 38,202	\$ (33,546)	\$ 88,818

Adjusted Gross Margin as a % of Sales	32.4%	36.0%	29.6%	-	33.1%
Adjusted EBIT as a % of Sales	9.8%	12.7%	18.1%	-	9.2%

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