



Q4 2017 Supplemental Financial Information

November 9, 2017

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.

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 this presentation, including the Appendix.

Strategic Direction



Q4 2017 Financial Results

- Sales of \$532 million, down 2.2% *
 - YoY quarterly comparison impacted by timing as customers accelerated deliveries into the first half and lower Avionics & Controls revenue driven by program delays and the wind down of the T-6B program
- GAAP EPS of \$1.22 (per diluted share) **
 - Adjusted EPS of \$1.27 ***
- Book-to-bill: 1.1x
- Challenged operation within Advanced Materials segment impacted Q4 performance

FY 2017 Financial Results

- Sales of \$2.0 billion, up 0.5% *
 - FY 2017 sales similar to FY 2016 level and experienced similar business segment contribution mix
- GAAP EPS of \$4.15 (per diluted share) **
 - Adjusted EPS of \$4.36 ***
- Free cash flow of \$135.4 million ***
 - 115% of net income

2017 Year-over-Year (YOY) Summary

<i>Dollars in millions, except EPS</i>	Q4 2017	Q4 2016	Change		FY 2017	FY 2016	Change
Sales	\$ 532	\$ 544	(\$ 12)		\$ 2,002	\$ 1,993	\$ 9
Gross Margin	\$ 175	\$ 194	(\$ 19)		\$ 665	\$ 661	\$ 4
- % of sales	32.9%	35.6%	(2.7)%		33.2%	33.2%	0%
Operating Earnings from Continuing Operations	\$ 58	\$ 71	(\$ 13)		\$ 195	\$ 170	\$ 25
- % of sales	11.0%	13.1%	(2.1)%		9.7%	8.5%	1.2%
Earnings from Continuing Operations	\$ 37	\$ 52	(\$ 15)		\$ 125	\$ 117	\$ 8
Earnings Per Diluted Share from Continuing Operations	\$ 1.22	\$ 1.75	(\$ 0.53)		\$ 4.15	\$ 3.93	\$ 0.22

2017 Sales Change (YOY)

<i>Dollars in millions</i>	Items	Q4 Sales	FY Sales
2016		\$ 544	\$ 1,993
	• Foreign currency translation	13	(2)
	• Sales volume / mix	(43)	(4)
	• Defense Technologies energetic incident	<u>18</u>	<u>15</u>
2017		<u>\$ 532</u>	<u>\$ 2,002</u>

2017 Segment Sales Change (YOY)

	Total ESL		Avionics & Controls		Sensors & Systems		Advanced Materials	
	Q4	FY	Q4	FY	Q4	FY	Q4	FY
Organic Sales¹	(8.0)%	(0.2)%	(13.8)%	(3.6)%	2.9%	4.8%	(12.3)%	(1.6)%
FX	2.4%	(0.1)%	3.0%	1.3%	3.0%	(0.5)%	(0.1)%	(2.3)%
Energetic Incident	3.3%	0.8%	0.0%	0.0%	0.0%	0.0%	16.4%	3.7%
YOY Change	(2.3)%	0.5%	(10.8)%	(2.3)%	5.9%	4.3%	4.0%	(0.2)%

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.

2017 Gross Margin Change (YOY)

<i>Dollars in millions</i>	Items	Q4 Gross Margin	FY Gross Margin
2016		\$ 194	\$ 661
	• Foreign currency translation	7	8
	• Sales volume / mix	(30)	(6)
	• Defense Technologies energetic incident	8	6
	• Other	<u>(4)</u>	<u>(4)</u>
2017		<u>\$ 175</u>	<u>\$ 665</u>

Q4 2017 Earnings Adjustment

<i>Dollars in millions, except EPS Adjustments are net of tax</i>	Q4 Earnings from Continuing Ops	Diluted EPS		FY Earnings from Continuing Ops	Diluted EPS
GAAP	\$ 37	\$ 1.22		\$ 125	\$ 4.15
<ul style="list-style-type: none"> Advanced Displays Integration Costs and Compliance Costs 	<u>1</u>	<u>0.05</u>		<u>6</u>	<u>0.21</u>
Adjusted *	<u>\$ 38</u>	<u>\$ 1.27</u>		<u>\$ 131</u>	<u>\$ 4.36</u>

* See Page 1 regarding non-GAAP financial measures.

FY 2017 Free Cash Flow Reconciliation

<i>Dollars in millions; GAAP results</i>	FY 2017	FY 2016
Net Earnings	\$ 117	\$ 102
• Depreciation and amortization	104	100
• Change in working capital (A/R, Inventory, A/P)	(22)	(43)
• Other	<u>(6)</u>	<u>8</u>
Cash flow from operations	\$ 193	\$ 167
• Capital expenditures	<u>(58)</u>	<u>(68)</u>
Free cash flow *	<u>\$ 135</u>	<u>\$ 99</u>

Amounts included in Free Cash Flow	FY 2017	FY 2016
Adjustments to Net Income (net of tax) *	\$ 6	\$ 28
Loss from Discontinued Operations	\$ (7)	\$ (15)

* See Page 1 regarding non-GAAP financial measures.

Q4 2017 EBITDA

<i>Dollars in millions</i>	Q4 2017	Q4 2016
Operating Earnings from Continuing Operations¹	\$ 58	\$ 71
• Depreciation and amortization ²	<u>27</u>	<u>27</u>
EBITDA from Continuing Operations *	<u>\$ 85</u>	<u>\$ 98</u>

¹Operating earnings from continuing operations is earnings before interest and income taxes

²Excludes amortization of debt issuance costs, which is included in interest expense

* See Page 1 regarding non-GAAP financial measures.

FY 2017 EBITDA

<i>Dollars in millions</i>	FY 2017	FY 2016
Operating Earnings from Continuing Operations¹	\$ 195	\$ 170
• Depreciation and amortization ²	<u>102</u>	<u>99</u>
EBITDA from Continuing Operations *	<u>\$ 297</u>	<u>\$ 269</u>

¹Operating earnings from continuing operations is earnings before interest and income taxes

²Excludes amortization of debt issuance costs of \$2 million in the FY 2017 period and \$1 million in the FY 2016 period, which is included in interest expense

* See Page 1 regarding non-GAAP financial measures.

2018 Guidance Issued

FY 2018 Guidance	
Sales	\$2.025B - \$2.075B
GAAP EPS (diluted, continuing ops)	\$3.65 - \$4.05
EBITDA*	\$290M - \$310M
Free Cash Flow *	\$105M - \$130M

* See Page 1 regarding non-GAAP financial measures.

2018 Guidance Assumptions

- Interest expense ~\$30 million
- Tax rate ~27% – 28%
 - Assumes no significant changes in tax law in U.S., U.K., France or Canada
- Average diluted shares outstanding 30.2 million
- Noncontrolling interest of approximately \$1.5 million
- Depreciation / Amortization expense ~\$105 – \$110 million
- Cap Ex \$80 – \$85 million
- R&D flat YoY at ~\$103 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	-	-	
Total since inception *	3,136	\$ 308.5	\$ 91.5

* \$400 million total authorization for share repurchase.

Appendix

Q4 2017 Adjusted Gross Margin and EBIT *

In thousands

	<u>Avionics</u>	<u>Sensors</u>	<u>AM</u>	<u>ESL</u>	
GAAP Sales	\$ 225,634	\$ 191,963	\$ 113,930	\$ 531,527	
GAAP Gross Margin	\$ 78,825	\$ 65,132	\$ 30,907	\$ 174,864	
Advanced Displays Integration Costs	24	-	-	24	
Adjusted Gross Margin	\$ 78,849	\$ 65,132	\$ 30,907	\$ 174,888	
	<u>Avionics</u>	<u>Sensors</u>	<u>AM</u>	<u>Corporate</u>	<u>ESL</u>
GAAP EBIT	\$ 32,295	\$ 24,540	\$ 17,909	\$ (16,274)	\$ 58,470
Compliance Costs	-	-	-	1,832	1,832
Advanced Displays Integration Costs	83	-	-	-	83
Adjusted EBIT	\$ 32,378	\$ 24,540	\$ 17,909	\$ (14,442)	\$ 60,385
Adjusted Gross Margin as a % of Sales	34.9%	33.9%	27.1%	-	32.9%
Adjusted EBIT as a % of Sales	14.3%	12.8%	15.7%	-	11.4%

* See Page 1 regarding non-GAAP financial measures

Q4 2016 Adjusted Gross Margin and EBIT *

In thousands

	<u>Avionics</u>	<u>Sensors</u>	<u>AM</u>	<u>ESL</u>	
GAAP Sales	\$ 253,001	\$ 181,196	\$ 109,555	\$ 543,752	
GAAP Gross Margin	\$ 91,578	\$ 66,523	\$ 35,668	\$ 193,769	
Accelerated Integration Costs	-	566	849	1,415	
Advanced Displays Integration Costs	921	-	-	921	
Adjusted Gross Margin	\$ 92,499	\$ 67,089	\$ 36,517	\$ 196,105	
	<u>Avionics</u>	<u>Sensors</u>	<u>AM</u>	<u>Corporate</u>	<u>ESL</u>
GAAP EBIT	\$ 37,777	\$ 26,098	\$ 22,805	\$ (15,524)	\$ 71,156
Accelerated Integration Costs	-	1,798	2,018	42	3,858
Compliance Costs	-	-	-	2,237	2,237
Advanced Displays Integration Costs	1,539	-	-	-	1,539
Adjusted EBIT	\$ 39,316	\$ 27,896	\$ 24,823	\$ (13,245)	\$ 78,790
Adjusted Gross Margin as a % of Sales	36.6%	37.0%	33.3%	-	36.1%
Adjusted EBIT as a % of Sales	15.5%	15.4%	22.7%	-	14.5%

* See Page 1 regarding non-GAAP financial measures

YTD 2017 Adjusted Gross Margin and EBIT *

In thousands

GAAP Sales

<u>Avionics</u>	<u>Sensors</u>	<u>AM</u>	<u>ESL</u>
\$ 841,077	\$ 725,964	\$ 435,154	\$ 2,002,195

GAAP Gross Margin

\$ 281,443	\$ 257,522	\$ 126,494	\$ 665,459
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Advanced Displays Integration Costs

337	-	-	337
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Adjusted Gross Margin

\$ 281,780	\$ 257,522	\$ 126,494	\$ 665,796
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GAAP EBIT

<u>Avionics</u>	<u>Sensors</u>	<u>AM</u>	<u>Corporate</u>	<u>ESL</u>
\$ 94,468	\$ 96,484	\$ 73,891	\$ (70,032)	\$ 194,811

Compliance Costs

-	-	-	7,054	7,054
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Advanced Displays Integration Costs

1,251	-	-	-	1,251
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Adjusted EBIT

\$ 95,719	\$ 96,484	\$ 73,891	\$ (62,978)	\$ 203,116
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Adjusted Gross Margin as a % of Sales

33.5%	35.5%	29.1%	-	33.3%
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Adjusted EBIT as a % of Sales

11.4%	13.3%	17.0%	-	10.1%
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* See Page 1 regarding non-GAAP financial measures

YTD 2016 Adjusted Gross Margin and EBIT *

In thousands

GAAP Sales

<u>Avionics</u>	<u>Sensors</u>	<u>AM</u>	<u>ESL</u>
\$ 860,494	\$ 696,032	\$ 436,105	\$ 1,992,631

GAAP Gross Margin

\$ 282,300	\$ 245,966	\$ 132,979	\$ 661,245
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Accelerated Integration Costs

57	1,899	1,894	3,850
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Long-Term Contract Adjustments

1,851	-	-	1,851
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Advanced Displays Integration Costs

4,341	-	-	4,341
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Adjusted Gross Margin

\$ 288,549	\$ 247,865	\$ 134,873	\$ 671,287
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GAAP EBIT

<u>Avionics</u>	<u>Sensors</u>	<u>AM</u>	<u>Corporate</u>	<u>ESL</u>
\$ 78,356	\$ 87,768	\$ 74,515	\$ (70,480)	\$ 170,159

Accelerated Integration Costs

391	3,596	3,730	1,006	8,723
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Compliance Costs

-	-	-	10,437	10,437
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Long-Term Contract Adjustments

1,851	-	-	-	1,851
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Advanced Displays Integration Costs

12,014	-	-	-	12,014
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Adjusted EBIT

\$ 92,612	\$ 91,364	\$ 78,245	\$ (59,037)	\$ 203,184
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Adjusted Gross Margin as a % of Sales

33.5%	35.6%	30.9%	-	33.7%
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Adjusted EBIT as a % of Sales

10.8%	13.1%	17.9%	-	10.2%
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* See Page 1 regarding non-GAAP financial measures