

TransDigm Group INC  
Form 10-Q  
February 08, 2017  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

ý Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
for the quarterly period ended December 31, 2016.

¨ Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-32833

TransDigm Group Incorporated

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

41-2101738

(I.R.S. Employer Identification No.)

1301 East 9th Street, Suite 3000, Cleveland, Ohio 44114

(Address of principal executive offices) (Zip Code)

(216) 706-2960

(Registrant’s telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, non-accelerated filer, or smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

LARGE ACCELERATED FILER  ACCELERATED FILER

NON-ACCELERATED FILER  SMALLER REPORTING COMPANY

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES  NO

The number of shares outstanding of TransDigm Group Incorporated’s common stock, par value \$.01 per share, was 52,844,515 as of January 30, 2017.

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CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share amounts)

(Unaudited)

	December 31, 2016	September 30, 2016
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$972,360	\$1,586,994
Trade accounts receivable - Net	512,784	576,339
Inventories - Net	715,381	724,011
Prepaid expenses and other	34,893	43,353
Total current assets	2,235,418	2,930,697
PROPERTY, PLANT AND EQUIPMENT - Net	314,557	310,580
GOODWILL	5,687,248	5,679,452
OTHER INTANGIBLE ASSETS - Net	1,735,331	1,764,343
OTHER	64,568	41,205
<b>TOTAL ASSETS</b>	<b>\$10,037,122</b>	<b>\$10,726,277</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term debt	\$64,157	\$52,645
Short-term borrowings - trade receivable securitization facility	199,840	199,771
Accounts payable	129,510	156,075
Accrued liabilities	305,411	344,112
Total current liabilities	698,918	752,603
LONG-TERM DEBT	10,555,947	9,943,191
DEFERRED INCOME TAXES	515,666	492,255
OTHER NON-CURRENT LIABILITIES	141,216	189,718
Total liabilities	11,911,747	11,377,767
<b>STOCKHOLDERS' DEFICIT:</b>		
Common stock - \$.01 par value; authorized 224,400,000 shares; issued 55,839,100 and 55,767,767 at December 31, 2016 and September 30, 2016, respectively	558	558
Additional paid-in capital	1,042,640	1,028,972
Accumulated deficit	(2,394,489 )	(1,146,963 )
Accumulated other comprehensive loss	(139,064 )	(149,787 )
Treasury stock, at cost; 2,433,035 shares at December 31, 2016 and September 30, 2016	(384,270 )	(384,270 )
Total stockholders' deficit	(1,874,625 )	(651,490 )
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$10,037,122</b>	<b>\$10,726,277</b>

See notes to condensed consolidated financial statements.

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TRANSDIGM GROUP INCORPORATED  
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
 FOR THE THIRTEEN WEEK PERIODS ENDED  
 DECEMBER 31, 2016 AND JANUARY 2, 2016  
 (Amounts in thousands, except per share amounts)  
 (Unaudited)

	Thirteen Week Periods Ended	
	December 31, 2016	January 2, 2016
NET SALES	\$814,018	\$701,695
COST OF SALES	369,763	327,128
GROSS PROFIT	444,255	374,567
SELLING AND ADMINISTRATIVE EXPENSES	101,715	82,203
AMORTIZATION OF INTANGIBLE ASSETS	25,531	16,323
INCOME FROM OPERATIONS	317,009	276,041
INTEREST EXPENSE - Net	146,004	111,983
REFINANCING COSTS	32,084	—
INCOME BEFORE INCOME TAXES	138,921	164,058
INCOME TAX PROVISION	20,050	34,617
NET INCOME	\$118,871	\$129,441
NET INCOME APPLICABLE TO COMMON STOCK	\$22,900	\$126,441
Net earnings per share - see Note 5:		
Basic and diluted	\$0.41	\$2.23
Cash dividends paid per common share	\$24.00	\$—
Weighted-average shares outstanding:		
Basic and diluted	56,524	56,805

See notes to condensed consolidated financial statements.

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TRANSDIGM GROUP INCORPORATED  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 FOR THE THIRTEEN WEEK PERIODS ENDED  
 DECEMBER 31, 2016 AND JANUARY 2, 2016

(Amounts in thousands)

(Unaudited)

	Thirteen Week Periods Ended	
	December 31, 2016	January 2, 2016
Net income	\$118,871	\$129,441
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	(28,052 )	(8,950 )
Interest rate swap and cap agreements	38,775	8,858
Other comprehensive income (loss), net of tax	10,723	(92 )
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>\$129,594</b>	<b>\$129,349</b>

See notes to condensed consolidated financial statements.

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TRANSDIGM GROUP INCORPORATED  
 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT  
 FOR THE THIRTEEN WEEK PERIOD ENDED DECEMBER 31, 2016

(Amounts in thousands, except share amounts)

(Unaudited)

	Common Stock		Additional	Accumulated	Accumulated	Treasury Stock		Total
	Number	Par	Paid-In	Deficit	Other	Number	Value	
	of Shares	Value	Capital		Comprehensive	of Shares		
					Loss			
BALANCE, OCTOBER 1, 2016	55,767,767	\$ 558	\$1,028,972	\$(1,146,963)	\$(149,787 )	(2,433,035)	\$(384,270)	\$(651,490 )
Dividends paid	—	—	—	(1,280,070 )	—	—	—	(1,280,070 )
Unvested dividend equivalents	—	—	—	(86,327 )	—	—	—	(86,327 )
Compensation expense recognized for employee stock options	—	—	10,020	—	—	—	—	10,020
Exercise of employee stock options	71,333	—	3,648	—	—	—	—	3,648
Net income	—	—	—	118,871	—	—	—	118,871
Foreign currency translation adjustments	—	—	—	—	(28,052 )	—	—	(28,052 )
Interest rate swaps and caps, net of tax	—	—	—	—	38,775	—	—	38,775
BALANCE, DECEMBER 31, 2016	55,839,100	\$ 558	\$1,042,640	\$(2,394,489)	\$(139,064 )	(2,433,035)	\$(384,270)	\$(1,874,625)

See notes to condensed consolidated financial statements.

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TRANSDIGM GROUP INCORPORATED  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

(Unaudited)

	Thirteen Week Periods Ended	
	December 31, 2016	January 2, 2016
<b>OPERATING ACTIVITIES:</b>		
Net income	\$118,871	\$129,441
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	12,284	9,700
Amortization of intangible assets and product certification costs	25,764	16,501
Amortization of debt issuance costs and original issue discount	4,620	3,832
Refinancing costs	32,084	—
Non-cash equity compensation	10,020	10,681
Deferred income taxes	(493	) 601
Other, net	(4,563	) —
Changes in assets/liabilities, net of effects from acquisitions of businesses:		
Trade accounts receivable	59,812	14,368
Inventories	8,365	(14,108 )
Income taxes receivable/payable	21,148	15,803
Other assets	(4,826	) 917
Accounts payable	(26,200	) (28,160 )
Accrued interest	(2,550	) 29,939
Accrued and other liabilities	(28,545	) (10,846 )
Net cash provided by operating activities	225,791	178,669
<b>INVESTING ACTIVITIES:</b>		
Capital expenditures	(21,807	) (10,172 )
Payments made in connection with acquisitions - see Note 3	(30,002	) —
Net cash used in investing activities	(51,809	) (10,172 )
<b>FINANCING ACTIVITIES:</b>		
Proceeds from exercise of stock options	3,648	8,892
Special dividend and dividend equivalent payments	(1,375,998	) (3,000 )
Treasury stock purchased	—	(70,775 )
Proceeds from 2017 term loans, net	1,132,774	—
Repayment on term loans	(16,151	) (10,960 )
Cash tender and redemption of the 2021 Notes, including premium	(528,847	) —
Other	(143	) (87 )
Net cash used in financing activities	(784,717	) (75,930 )
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	(3,899	) (1,309 )
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(614,634	) 91,258
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	1,586,994	714,033
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	\$972,360	\$805,291
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid during the period for interest	\$143,702	\$78,733
Cash (refunded) paid during the period for income taxes	\$(956	) \$884
See notes to condensed consolidated financial statements.		





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TRANSDIGM GROUP INCORPORATED  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
THIRTEEN WEEK PERIODS ENDED DECEMBER 31, 2016 AND JANUARY 2, 2016  
(UNAUDITED)

1. DESCRIPTION OF THE BUSINESS

Description of the Business – TransDigm Group Incorporated (“TD Group”), through its wholly-owned subsidiary, TransDigm Inc., is a leading global designer, producer and supplier of highly engineered aircraft components for use on nearly all commercial and military aircraft in service today. TransDigm Inc., along with TransDigm Inc.’s direct and indirect wholly-owned operating subsidiaries (collectively, with TD Group, the “Company” or “TransDigm”), offers a broad range of proprietary aerospace components. TD Group has no significant assets or operations other than its 100% ownership of TransDigm Inc. TD Group’s common stock is listed on the New York Stock Exchange, or the NYSE, under the trading symbol “TDG.”

Major product offerings, substantially all of which are ultimately provided to end-users in the aerospace industry, include mechanical/electro-mechanical actuators and controls, ignition systems and engine technology, specialized pumps and valves, power conditioning devices, specialized AC/DC electric motors and generators, NiCad batteries and chargers, engineered latching and locking devices, rods and locking devices, engineered connectors and elastomers, databus and power controls, cockpit security components and systems, specialized cockpit displays, aircraft audio systems, specialized lavatory components, seat belts and safety restraints, engineered interior surfaces and related components, lighting and control technology, military personnel parachutes, high performance hoists, winches and lifting devices, and cargo loading, handling and delivery systems.

2. UNAUDITED INTERIM FINANCIAL INFORMATION

The financial information included herein is unaudited; however, the information reflects all adjustments (consisting solely of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the Company’s financial position and results of operations and cash flows for the interim periods presented. These financial statements and notes should be read in conjunction with the financial statements and related notes for the year ended September 30, 2016 included in TD Group’s Form 10-K filed on November 15, 2016. As disclosed therein, the Company’s annual consolidated financial statements were prepared in conformity with generally accepted accounting principles in the United States (“GAAP”). The September 30, 2016 condensed consolidated balance sheet was derived from TD Group’s audited financial statements. The results of operations for the thirteen week period ended December 31, 2016 are not necessarily indicative of the results to be expected for the full year.

Certain reclassifications have been made to the prior year condensed consolidated financial statements to conform to current year classifications related to the adoption of ASU 2016-09 during the fourth quarter of fiscal 2016 impacting the classification of excess tax benefits for share-based payments which are recognized as a component of the income tax provision rather than a component of additional paid-in capital. The accounting pronouncement and impact of the fiscal year 2016 adoption of the pronouncement on the condensed consolidated financial statements is summarized in Note 4, "Recent Accounting Pronouncements."

3. ACQUISITIONS

During the fiscal year ended September 30, 2016, the Company completed the acquisitions of Young & Franklin Inc. / Tactair Fluid Controls Inc. (“Y&F/Tactair”), Data Device Corporation (“DDC”) and Breeze-Eastern Corporation (“Breeze-Eastern”). The Company accounted for the acquisitions using the acquisition method and included the results of operations of the acquisitions in its consolidated financial statements from the effective date of each acquisition. As of December 31, 2016, the purchase price allocations for Y&F/Tactair and DDC remain preliminary as the Company completes its assessments under the acquisition method during the measurement period. Pro forma net sales and results of operations for the acquisitions had they occurred at the beginning of the applicable thirteen week periods ended December 31, 2016 or January 2, 2016 are not material and, accordingly, are not provided.

The acquisitions strengthen and expand the Company's position to design, produce and supply highly engineered proprietary aerospace components in niche markets with significant aftermarket content and provide opportunities to create value through the application of our three core value-driven operating strategies (obtaining profitable new business, improving our cost structure, and providing highly engineered value-added products to customers). The purchase price paid for each acquisition reflects the current earnings before interest, taxes, depreciation and amortization (EBITDA) and cash flows, as well as the future EBITDA and cash flows expected to be generated by the business, which are driven in most cases by the recurring aftermarket consumption over the life of a particular aircraft, estimated to be approximately 25 to 30 years.

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Y&F/Tactair – On September 23, 2016, the Company acquired all of the outstanding stock of Young & Franklin, Inc., the parent company of Tactair Fluid Controls, Inc., for approximately \$258.8 million in cash, which includes a working capital adjustment of \$2.7 million paid in the first quarter of fiscal 2017. Y&F/Tactair manufactures proprietary, highly engineered valves and actuators. These products fit well with TransDigm’s overall business direction. Y&F/Tactair is included in TransDigm’s Power & Control segment. The purchase price includes approximately \$74.5 million of tax benefits being realized by the Company over a 15-year period that began in the first quarter of fiscal 2017. The Company expects that approximately \$133.1 million of goodwill recognized for the acquisition will be deductible for tax purposes and approximately \$10.5 million of goodwill recognized for the acquisition will not be deductible for tax purposes.

DDC – On June 23, 2016, the Company acquired all of the outstanding stock of ILC Holdings, Inc., the parent company of Data Device Corporation, from Behrman Capital for a total purchase price of approximately \$997.7 million in cash, which includes a working capital settlement of \$1.4 million received in the first quarter of fiscal 2017. TransDigm financed the acquisition of DDC with cash proceeds from the issuance of senior subordinated notes due in June 2026 and term loans. DDC is a supplier of databus and power controls and related products that are used primarily in military avionics, commercial aerospace and space applications. These products fit well with TransDigm’s overall business direction. DDC is included in TransDigm's Power & Control segment.

The total purchase price of DDC was allocated to the underlying assets acquired and liabilities assumed based upon management’s estimated fair values at the date of acquisition. To the extent the purchase price exceeded the estimated fair value of the net identifiable tangible and intangible assets acquired, such excess was allocated to goodwill. The following table summarizes the purchase price allocation of the estimated fair values of the assets acquired and liabilities assumed at the transaction date (in thousands).

## Assets acquired:

Current assets, excluding cash acquired	\$ 100,647
Property, plant, and equipment	20,818
Intangible assets	229,300
Goodwill	765,113
Other	2,036
Total assets acquired	\$ 1,117,914

## Liabilities assumed:

Current liabilities	\$ 19,472
Other noncurrent liabilities	100,787
Total liabilities assumed	\$ 120,259
Net assets acquired	\$ 997,655

The Company expects that all of the approximately \$765.1 million of goodwill recognized for the acquisition will not be deductible for tax purposes.

Breeze-Eastern – On January 4, 2016, the Company completed the tender offer for all of the outstanding stock of Breeze-Eastern for \$19.61 per share in cash. The purchase price was approximately \$205.9 million, of which \$146.4 million (net of cash acquired of \$30.8 million) was paid at closing and \$34.9 million was accrued for payment to dissenting shareholders. Of the accrual, \$28.7 million related to the original merger consideration and \$6.2 million represented the settlement reached with the dissenting shareholders resolving the dispute over the dissenting shareholders’ statutory appraisal action. Of the \$6.2 million settlement, \$4.9 million was recorded as selling and administrative expense and \$1.3 million was recorded as interest expense for statutory interest arising under Delaware General Corporation Law. On October 20, 2016, the Company paid the \$34.9 million settlement to the dissenting shareholders and the dissenting stockholders fully released their claims against the Company. Breeze-Eastern manufactures high performance lifting and pulling devices for military and civilian aircraft, including rescue hoists, winches and cargo hooks, and weapons-lifting systems. These products fit well with TransDigm’s overall business direction. Breeze-Eastern is included in TransDigm’s Power & Control segment. All of the approximately \$115.1 million of goodwill recognized for the acquisition is not deductible for tax purposes.

The Breeze-Eastern acquisition includes environmental reserves recorded at a fair value of approximately \$25.0 million. Of the \$25.0 million in environmental reserves, \$4.8 million is included in accrued liabilities and \$20.2 million is included in other non-current liabilities on the condensed consolidated balance sheet. The estimated \$25.0 million fair value of the environmental reserves for Breeze-Eastern are recorded at the probable and estimable amount.

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The environmental matters relate to soil and groundwater contamination and other environmental matters at several former facilities unrelated to Breeze-Eastern's current operations.

#### 4. RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09 which creates a new topic in the Accounting Standards Codification ("ASC") 606, "Revenue From Contracts With Customers." In addition to superseding and replacing nearly all existing U.S. GAAP revenue recognition guidance, including industry-specific guidance, ASC 606 establishes a new control-based revenue recognition model; changes the basis for deciding when revenue is recognized over time or at a point in time; provides new and more detailed guidance on specific topics; and expands and improves disclosures about revenue. The new revenue standards may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. The guidance is effective for the Company for annual reporting periods, including interim periods therein, beginning October 1, 2018. We have performed a preliminary review of the new guidance as compared to our current accounting policies. We have also commenced a review of a representative sample of contracts and other agreements with our customers and are evaluating the provisions contained within these contracts and agreements in consideration of the five step model specified within ASC 606. The Company is currently evaluating the impact that adopting the standard, along with the subsequent updates and clarifications, will have on its consolidated financial statements and disclosures. During fiscal 2017, we plan to finalize our review and determine our date and method of adoption.

In September 2015, the FASB issued ASU 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments," a new standard intended to simplify the accounting for measurement period adjustments in a business combination. Measurement period adjustments are changes to provisional amounts recorded when the accounting for a business combination is incomplete as of the end of a reporting period. The measurement period can extend for up to a year following the transaction date. During the measurement period, companies may make adjustments to provisional amounts when information necessary to complete the measurement is received. The new guidance requires companies to recognize these adjustments, including any related impacts to net income, in the reporting period in which the adjustments are determined. Companies are no longer required to retroactively apply measurement period adjustments to all periods presented. The guidance was effective for the Company on October 1, 2016. However, as early adoption was permissible, the Company adopted the pronouncement beginning October 1, 2015. The adoption of this pronouncement did not have a significant impact on the Company's consolidated financial statements and disclosures. In February 2016, the FASB issued ASU 2016-02, "Leases (ASC 842)," which will require that a lessee recognize assets and liabilities on the balance sheet for all leases with a lease term of more than twelve months, with the result being the recognition of a right of use asset and a lease liability. The guidance is effective for the Company for annual reporting periods, including interim periods therein, beginning October 1, 2019, with early adoption permitted. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements and disclosures.

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting." The guidance requires the recognition of the income tax effects of awards in the income statement when the awards vest or are settled, thus eliminating additional paid in capital pools. The guidance also allows for the employer to repurchase more of an employee's shares for tax withholding purposes without triggering liability accounting. In addition, the guidance allows for a policy election to account for forfeitures as they occur rather than on an estimated basis. The guidance is effective for the Company for annual reporting periods, including interim periods therein, beginning October 1, 2017, with early adoption permitted. As early adoption is permissible, the Company adopted this standard in the fourth quarter of fiscal 2016. As a result of adopting the standard in the fourth quarter of fiscal 2016, the condensed consolidated financial statements and earnings per share for the quarter ended January 2, 2016 were recasted where presented within this Form 10-Q to reflect the impact of this standard if the Company had adopted as of the beginning of fiscal 2016. Therefore, approximately \$14.5 million in year-to-date excess tax benefits as of January 2, 2016 were reclassified from a component of additional paid-in-capital to a component of the income tax provision with a year-to-date favorable impact to basic and diluted earnings per common share of \$0.26. The

corresponding cash flows are reflected in cash provided by operating activities instead of financing activities, as required. In addition, the Company continued to account for forfeitures on an estimated basis.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments (ASU 2016-13)," which changes the impairment model for most financial assets. The new model uses a forward-looking expected loss method, which will generally result in earlier recognition of allowances for losses. ASU 2016-13 is effective for annual and interim periods beginning after December 15, 2019 and early adoption is permitted for annual and interim periods beginning after December 15, 2018. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements and disclosures.

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In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments," which clarifies existing guidance related to accounting for cash receipts and cash payments and classification on the statement of cash flows. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, and early adoption is permitted. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

## 5. EARNINGS PER SHARE (TWO-CLASS METHOD)

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

	Thirteen Week Periods Ended	
	December 31, 2016	January 2, 2016
Numerator for earnings per share:		
Net income	\$ 118,871	\$ 129,441
Less dividends paid on participating securities	(95,971 )	(3,000 )
Net income applicable to common stock - basic and diluted	\$ 22,900	\$ 126,441
Denominator for basic and diluted earnings per share under the two-class method:		
Weighted average common shares outstanding	53,365	53,706
Vested options deemed participating securities	3,159	3,099
Total shares for basic and diluted earnings per share	56,524	56,805
Basic and diluted earnings per share	\$ 0.41	\$ 2.23

## 6. INVENTORIES

Inventories are stated at the lower of cost or market. Cost of inventories is generally determined by the average cost and the first-in, first-out (FIFO) methods and includes material, labor and overhead related to the manufacturing process.

Inventories consist of the following (in thousands):

	December 31, 2016	September 30, 2016
Raw materials and purchased component parts	\$485,842	\$464,410
Work-in-progress	181,676	188,417
Finished goods	135,271	153,253
Total	802,789	806,080

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Reserves for excess and obsolete inventory	(87,408 )	(82,069 )
Inventories - Net	\$715,381	\$724,011

7. INTANGIBLE ASSETS

Other intangible assets - net in the condensed consolidated balance sheets consist of the following (in thousands):

	December 31, 2016			September 30, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Trademarks and trade names	\$718,176	\$ —	\$718,176	\$720,263	\$ —	\$720,263
Technology	1,277,928	304,238	973,690	1,279,335	288,429	990,906
Order backlog	55,341	38,791	16,550	55,341	29,641	25,700
Other	43,347	16,432	26,915	43,331	15,857	27,474
Total	\$2,094,792	\$ 359,461	\$1,735,331	\$2,098,270	\$ 333,927	\$1,764,343

The aggregate amortization expense on identifiable intangible assets for the thirteen week periods ended December 31, 2016 and January 2, 2016 was approximately \$25.5 million and \$16.3 million, respectively. The estimated amortization expense is \$91.2 million for fiscal year 2017, \$65.5 million for fiscal year 2018 and \$65.5 million for each of the four succeeding fiscal years 2019 through 2022.



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The following is a summary of changes in the carrying value of goodwill by segment from September 30, 2016 through December 31, 2016 (in thousands):

	Power & Control	Airframe	Non- aviation	Total
Balance, September 30, 2016	\$3,247,490	\$2,376,593	\$55,369	\$5,679,452
Goodwill acquired during the year	—	—	—	—
Purchase price allocation adjustments	15,334	—	—	15,334
Currency translation adjustment	—	(7,538 )	—	(7,538 )
Balance, December 31, 2016	\$3,262,824	\$2,369,055	\$55,369	\$5,687,248

## 8. DEBT

The Company's debt consists of the following (in thousands):

	December 31, 2016			
	Gross Amount	Debt Issuance Costs	Original Issue Discount	Net Amount
Short-term borrowings—trade receivable securitization facility	\$200,000	\$(160 )	\$—	\$199,840
Term loans	\$6,422,557	\$(51,446)	\$(16,519)	\$6,354,592
5 1/2% senior subordinated notes due 2020 (2020 Notes)	550,000	(4,035 )	—	545,965
7 1/2% senior subordinated notes due 2021 (2021 Notes)	—	—	—	—
6% senior subordinated notes due 2022 (2022 Notes)	1,150,000	(8,021 )	—	1,141,979
6 1/2% senior subordinated notes due 2024 (2024 Notes)	1,200,000	(8,924 )	—	1,191,076
6 1/2% senior subordinated notes due 2025 (2025 Notes)	450,000	(4,024 )	—	445,976
6 3/8% senior subordinated notes due 2026 (2026 Notes)	950,000	(9,484 )	—	940,516
	10,722,557	(85,934 )		