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DELTA REPORT

10-Q

TGI - TRIUMPH GROUP INC

10-Q - DECEMBER 31, 2023 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	789
CHANGES	255
DELETIONS	223
ADDITIONS	311

United States
Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-Q

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Quarterly Period Ended September 30, December 31, 2023

or

☐ **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: 1-12235

TRIUMPH GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**51-0347963**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

555 E Lancaster Avenue, Suite 400, Radnor, Pennsylvania	**19087**
(Address of principal executive offices)	(Zip Code)

(610) 251-1000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $.001 per share	**TGI**	**New York Stock Exchange**
Purchase Rights		**New York Stock Exchange**

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Securities Exchange Act of 1934. (Check one)

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

The number of outstanding shares of the Registrant's Common Stock, par value $.001 per share, on November 3, 2023 February 5, 2024, was 76,855,941 76,866,074.

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TRIUMPH GROUP, INC.

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TRIUMPH GROUP, INC.

Condensed Consolidated Balance Sheets

(unaudited)

(Dollars in thousands, except per share data)

	September 30, 2023	March 31, 2023	December 31, 2023	March 31, 2023
ASSETS				
Current assets:				
Cash and cash equivalents	$ 169,885	$ 227,403	$ 162,899	$ 227,403
Trade and other receivables, less allowance for credit losses of $8,008 and $8,382	164,928	196,775		
Trade and other receivables, less allowance for credit losses of $4,628 and $5,477			127,494	156,116
Contract assets	109,351	103,027	89,406	86,740
Inventory, net	434,381	389,245	352,188	309,084
Prepaid expenses and other current assets	18,652	17,062	16,578	14,073
Assets held for sale - current			180,642	140,096
Total current assets	897,197	933,512	929,207	933,512
Property and equipment, net	166,600	166,800	141,583	138,622
Goodwill	508,415	509,449	511,571	509,449
Intangible assets, net	69,434	73,898	67,308	73,898
Other, net	31,486	31,185	26,913	28,697
Assets held for sale - noncurrent			—	30,666
Total assets	$ 1,673,132	$ 1,714,844	$ 1,676,582	$ 1,714,844

LIABILITIES AND STOCKHOLDERS' DEFICIT				
Current liabilities:				
Current portion of long-term debt	$ 3,108	$ 3,162	$ 3,342	3,162
Accounts payable	154,955	197,932	133,550	173,575
Contract liabilities	39,773	44,482	40,182	44,095
Accrued expenses	116,791	151,348	140,092	141,679
Liabilities related to assets held for sale - current			32,216	34,413
Total current liabilities	314,627	396,924	349,382	396,924
Long-term debt, less current portion	1,655,989	1,688,620	1,627,810	1,688,620
Accrued pension and other postretirement benefits	307,840	359,375	301,661	359,375
Deferred income taxes	7,268	7,268	7,356	7,268
Other noncurrent liabilities	55,624	60,053	60,653	59,988
Liabilities related to assets held for sale - noncurrent			—	65
Stockholders' deficit:				
Common stock, $.001 par value, 200,000,000 and 100,000,000 shares authorized, 76,835,661 and 65,432,589 shares issued and outstanding	77	65		
Common stock, $.001 par value, 200,000,000 and 100,000,000 shares authorized, 76,856,572 and 65,432,589 shares issued; 76,855,941 and 65,432,589 outstanding			77	65
Capital in excess of par value	1,105,673	964,741	1,107,241	964,741
Treasury stock, at cost, 631 and 0 shares			(5)	—
Accumulated other comprehensive loss	(546,951)	(554,646)	(534,676)	(554,646)
Accumulated deficit	(1,227,015)	(1,207,556)	(1,242,917)	(1,207,556)
Total stockholders' deficit	(668,216)	(797,396)	(670,280)	(797,396)
Total liabilities and stockholders' deficit	$ 1,673,132	$ 1,714,844	$ 1,676,582	$ 1,714,844

See accompanying notes to condensed consolidated financial statements.

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TRIUMPH GROUP, INC.
Condensed Consolidated Statements of Operations
(unaudited)
(Dollars in thousands, except per share data)

	Three Months Ended September 30,		Six Months Ended September 30,		Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022	2023	2022	2023	2022
Net sales	354 ,06 $ 1	307, $ 600	68 1,2 $ 06	656 ,98 $ 4	$ 284,955	$ 261,662	$ 833,456	$ 805,104
Operating costs and expenses:								
Cost of sales (exclusive of depreciation shown separately below)	261 ,39 2	208, 062	50 2,1 25	480 ,46 2	214,972	190,014	618,742	588,009
Selling, general and administrative	47, 478	60,4 18	10 3,1 31	112 ,16 3	42,846	39,497	135,479	142,019
Depreciation and amortization	8,0 42	8,68 5	16, 16 0	18, 491	7,383	7,798	22,062	24,473
Legal judgment loss	1,3 38	—	1,3 38	—	—	—	1,338	—
Restructuring	1,9 42	2,15 2	1,9 42	2,8 51	43	—	1,985	1,074
(Gain) loss on sale of assets and businesses	(40 9)	(10 3,88 3)	12, 20 8	(10 3,8 83)				
Loss (gain) on sale of assets and businesses					—	720	12,208	(103,163)
	319 ,78 3	175, 434	63 6,9 04	510 ,08 4	265,244	238,029	791,814	652,412

Operating income	34,278	132,166	44,302	146,900	19,711	23,633	41,642	152,692
Non-service defined benefit income	(820)	(8,563)	(1,640)	(17,149)	(820)	(8,576)	(2,460)	(25,725)
Debt modification and extinguishment gain	(688)	—	(4,079)	—				
Debt modification and extinguishment (gain) loss					(1,046)	1,441	(5,125)	1,441
Warrant remeasurement gain, net	(544)	—	(8,545)	—	—	(5,537)	(8,545)	(5,537)
Interest expense and other, net	35,884	32,453	74,533	64,365	32,419	30,769	94,354	83,262
Income (loss) from continuing operations before income taxes	446	108,276	(15,967)	99,684				
(Loss) income from continuing operations before income taxes					(10,842)	5,536	(36,582)	99,251
Income tax expense	1,742	1,750	3,492	3,500	1,069	24	3,348	2,669
(Loss) income from continuing operations					(11,911)	5,512	(39,930)	96,582
(Loss) income from discontinued operations, net of tax expense of $2,246, $376, $3,459, and $1,232, respectively					(3,991)	5,440	4,569	10,554
Net (loss) income	$ (1,296)	$ 106,526	$ (19,459)	$ 96,184	$ (15,902)	$ 10,952	$ (35,361)	$ 107,136
(Loss) earnings per share—basic:								
Net (loss) income	$ (0.02)	$ 1.64	$ (0.27)	$ 1.48				

(Loss) Income per share - continuing operations					$ (0.15)	$ 0.09	$ (0.55)	$ 1.49
(Loss) Income per share - discontinued operations					(0.05)	0.08	0.06	0.16
(Loss) earnings per share					$ (0.20)	$ 0.17	$ (0.49)	$ 1.65
Weighted average common shares outstanding—basic	76,447	65,036	71,368	64,946	76,895	65,066	73,200	64,969
(Loss) earnings per share—diluted:								
Net (loss) income	$ (0.02)	$ 1.63	$ (0.27)	$ 1.47				
(Loss) Income per share - continuing operations					$ (0.15)	$ —	$ (0.55)	$ 1.37
(Loss) Income per share - discontinued operations					(0.05)	0.08	0.06	0.16
(Loss) earnings per share					$ (0.20)	$ 0.08	$ (0.49)	$ 1.53
Weighted average common shares outstanding—diluted	76,447	65,282	71,368	65,318	76,895	68,454	73,200	66,346

See accompanying notes to condensed consolidated financial statements.

TRIUMPH GROUP, INC.

Condensed Consolidated Statements of Comprehensive (Loss) Income

(unaudited)

(Dollars in thousands)

	Three Months Ended September 30,	Six Months Ended September 30,	Three Months Ended December 31,	Nine Months Ended December 31,

	2023	2022	2023	2022	2023	2022	2023	2022
Net (loss) income	$ (1,296)	$ 106,526	$ (19,459)	$ 96,184	$ (15,902)	$ 10,952	$ (35,361)	$ 107,136
Other comprehensive (loss) income:								
Other comprehensive income:								
Foreign currency translation adjustment	(5,160)	(12,433)	(1,456)	(22,815)	7,021	14,050	5,565	(8,765)
Defined benefit pension plans and other postretirement benefits:								
Reclassification to net (loss) income - net of tax expense								
Amortization of net loss, net of taxes of $0 and $0, respectively	6,423	6,574	12,847	13,148	6,424	6,574	19,271	19,722
Recognized prior service credits, net of taxes of $0 and $0, respectively	(1,250)	(1,250)	(2,501)	(2,501)	(1,251)	(1,251)	(3,752)	(3,752)
Total defined benefit pension plans and other postretirement benefits, net of taxes	5,173	5,324	10,346	10,647	5,173	5,323	15,519	15,970
Cash flow hedges:								
Unrealized (loss) gain arising during the period, net of tax expense of $0 and $0, respectively	(13)	210	566	(261)				
Reclassification of (gain) loss included in net earnings, net of tax expense of $0 and $0, respectively	(845)	(583)	(1,761)	(950)				
Net unrealized loss on cash flow hedges, net of tax	(858)	(373)	(1,195)	(1,211)				
Total other comprehensive (loss) income	(845)	(7,482)	7,695	(13,379)				
Unrealized gain arising during the period, net of tax expense of $0 and $0, respectively					161	2,374	727	2,110
Reclassification of gain included in net earnings, net of tax expense of $0 and $0, respectively					(80)	(222)	(1,841)	(1,169)

Net unrealized gain (loss) on cash flow hedges, net of tax					81	2,152	(1,114)	941
Total other comprehensive income					12,275	21,525	19,970	8,146
Total comprehensive (loss) income	$ (2,141)	$ 99,044	$ (11,764)	$ 82,805	$ (3,627)	$ 32,477	$ (15,391)	$ 115,282

See accompanying notes to condensed consolidated financial statements.

TRIUMPH GROUP, INC.

Condensed Consolidated Statements of Stockholders' Deficit

For the three and six nine months ended September 30, 2023 December 31, 2023

(unaudited)

(Dollars in thousands)

	Outstanding Shares	Common Stock All Classes	Capital in Excess of Par Value	Treasury Stock	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total	Outstanding Shares	Common Stock All Classes	Capital in Excess of Par Value	Treasury Stock	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total

March 31, 2023	65,432,589	$ 65	$ 964,741	$ —	$ (554,646)	$ (1,207,556)	$ (797,396)	65,432,589	$ 65	$ 964,741	$ —	$ (554,646)	$ (1,207,556)	$ (797,396)
Net loss	—	—	—	—	—	(18,163)	(18,163)	—	—	—	—	—	(18,163)	(18,163)
Foreign currency translation adjustment	—	—	—	—	3,704	—	3,704	—	—	—	—	3,704	—	3,704
Pension liability adjustment, net of income taxes of $0	—	—	—	—	5,173	—	5,173	—	—	—	—	5,173	—	5,173
Change in fair value of foreign currency hedges, net of income taxes of $0	—	—	—	—	(337)	—	(337)	—	—	—	—	(337)	—	(337)
Share-based compensation	300,102	—	3,622	—	—	—	3,622	300,102	—	3,622	—	—	—	3,622

Repurchase of restricted shares for minimum tax obligation	(103,996)	—	—	(1,235)	—	—	(1,235)	(103,996)	—	—	(1,235)	—	—	(1,235)
Retirement of treasury shares	—	—	(414)	414	—	—	—	—	—	(414)	414	—	—	—
Employee stock purchase plan	12,907	—	150	—	—	—	150	12,907	—	150	—	—	—	150
Warrant exercises, net of income taxes of $0	1,122,438	1	13,481	—	—	—	13,482	1,122,438	1	13,481	—	—	—	13,482
Issuance of shares on pension contribution	3,200,000	4	38,311	821	—	—	39,136	3,200,000	4	38,311	821	—	—	39,136
June 30, 2023	69,964,040	$ 70	$ 1,019,891	$ —	$ (546,106)	$ (1,225,719)	$ (751,864)	69,964,040	$ 70	$ 1,019,891	$ —	$ (546,106)	$ (1,225,719)	$ (751,864)

Net loss	—	—	—	—	—	(1,296)	(1,296)	—	—	—	—	—	(1,296)	(1,296)
Foreign currency translation adjustment	—	—	—	—	(5,160)	—	(5,160)	—	—	—	—	(5,160)	—	(5,160)
Pension liability adjustment, net of income taxes of $0	—	—	—	—	5,173	—	5,173	—	—	—	—	5,173	—	5,173
Change in fair value of foreign currency hedges, net of income taxes of $0	—	—	—	—	(858)	—	(858)	—	—	—	—	(858)	—	(858)
Share-based compensation	127,324	—	3,677	47	—	—	3,724	127,324	—	3,677	47	—	—	3,724
Repurchase of restricted shares for minimum tax obligation	(4,944)	—	—	(47)	—	—	(47)	(4,944)	—	—	(47)	—	—	(47)
Employee stock purchase plan	13,443	—	166	—	—	—	166	13,443	—	166	—	—	—	166

Warrant exercises, net of income taxes of $0	6,735,798	7	81,939	—	—	—	81,946	6,735,798	7	81,939	—	—	—	81,946
September 30, 2023	76,835,661	$ 77	$ 1,105,673	$ —	$ (546,951)	$ (1,227,015)	$ (668,216)	76,835,661	$ 77	$ 1,105,673	$ —	$ (546,951)	$ (1,227,015)	$ (668,216)
Net loss								—	—	—	—	—	(15,902)	(15,902)
Foreign currency translation adjustment								—	—	—	—	7,021	—	7,021
Pension liability adjustment, net of income taxes of $0								—	—	—	—	5,173	—	5,173
Change in fair value of foreign currency hedges, net of income taxes of $0								—	—	—	—	81	—	81
Share-based compensation								2,174	—	1,442	—	—	—	1,442

Repurchase of restricted shares for minimum tax obligation	(631)	—	—	(5)	—	—	(5)
Employee stock purchase plan	18,737	—	126	—	—	—	126
December 31, 2023	76,855,941	$ 77	$ 1,107,241	$ (5)	$ (534,676)	$ (1,242,917)	$ (670,280)

TRIUMPH GROUP, INC.
Condensed Consolidated Statements of Stockholders' Deficit
For the three and six nine months ended September 30, 2022 December 31, 2022
(unaudited)
(Dollars in thousands)

	Outstanding Shares	Common Stock All Classes	Capital in Excess of Par Value	Treasury Stock	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total	Outstanding Shares	Common Stock All Classes	Capital in Excess of Par Value	Treasury Stock	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
March 31, 2022	64,614,382	$64	$973,112	$(96)	$(463,354)	$(1,297,149)	$(787,423)	64,614,382	$64	$973,112	$(96)	$(463,354)	$(1,297,149)	$(787,423)

Net loss	—	—	—	—	—	(10,342)	(10,342)	—	—	—	—	—	(10,342)	(10,342)
Foreign currency translation adjustment	—	—	—	—	(10,382)	—	(10,382)	—	—	—	—	(10,382)	—	(10,382)
Pension liability adjustment, net of income taxes of $0	—	—	—	—	5,323	—	5,323	—	—	—	—	5,323	—	5,323
Change in fair value of foreign currency hedges, net of income taxes of $0	—	—	—	—	(838)	—	(838)	—	—	—	—	(838)	—	(838)
Share-based compensation	471,676	1	1,656	—	—	—	1,657	471,676	1	1,656	—	—	—	1,657
Repurchase of shares for share-based compensation minimum tax obligation	(172,282)	—	—	(3,442)	—	—	(3,442)	(172,282)	—	—	(3,442)	—	—	(3,442)
Retirement of treasury shares	—	—	(3,538)	3,538	—	—	—	—	—	(3,538)	3,538	—	—	—
Employee stock purchase plan	6,605	—	160	—	—	—	160	6,605	—	160	—	—	—	160

June 30, 2022	64,920,381	$65	$971,390	$—	$(469,251)	$(1,307,491)	$(805,287)	64,920,381	$65	$971,390	$—	$(469,251)	$(1,307,491)	$(805,287)
Net income	—	—	—	—	—	106,526	106,526	—	—	—	—	—	106,526	106,526
Foreign currency translation adjustment	—	—	—	—	(12,433)	—	(12,433)	—	—	—	—	(12,433)	—	(12,433)
Pension liability adjustment, net of income taxes of $0	—	—	—	—	5,324	—	5,324	—	—	—	—	5,324	—	5,324
Change in fair value of foreign currency hedges, net of income taxes of $0	—	—	—	—	(373)	—	(373)	—	—	—	—	(373)	—	(373)
Share-based compensation	51,426	—	3,970	—	—	—	3,970	51,426	—	3,970	—	—	—	3,970
Repurchase of shares for share-based compensation minimum tax obligation	(4,022)	—	—	(48)	—	—	(48)	(4,022)	—	—	(48)	—	—	(48)
Retirement of treasury shares	—	—	—	48	—	—	48	—	—	—	48	—	—	48

Employee stock purchase plan	12,698	—	170	—	—	—	170	12,698	—	170	—	—	—	170
September 30, 2022	64,980,483	$65	$975,530	$—	$(476,733)	$(1,200,965)	$(702,103)	64,980,483	$65	$975,530	$—	$(476,733)	$(1,200,965)	$(702,103)
Net income								—	—	—	—	—	10,952	10,952
Foreign currency translation adjustment								—	—	—	—	14,050	—	14,050
Pension liability adjustment, net of income taxes of $0								—	—	—	—	5,323	—	5,323
Change in fair value of foreign currency hedges, net of income taxes of $0								—	—	—	—	2,152	—	2,152
Issuance of warrants on common shares								—	—	(19,500)	—	—	—	(19,500)
Share-based compensation								—	—	890	—	—	—	890
Employee stock purchase plan								14,983	—	173	—	—	—	173
December 31, 2022								64,995,466	$65	$957,093	$—	$(455,208)	$(1,190,013)	$(688,063)

TRIUMPH GROUP, INC.

Condensed Consolidated Statements of Cash Flows

(Dollars in thousands)

	Six Months Ended September 30,		Nine Months Ended December 31,	
	2023	2022	2023	2022
Operating Activities				
Net (loss) income	$ (19,459)	$ 96,184	$ (35,361)	$ 107,136
Adjustments to reconcile net (loss) income to net cash used in operating activities:				
Depreciation and amortization	16,160	18,491	25,688	27,115
Amortization of acquired contract liability	(1,165)	(1,390)	(1,951)	(1,832)
Loss (gain) on sale of assets and businesses	12,208	(103,883)	12,208	(103,163)
Gain on modification and extinguishment of debt	(4,079)	—	(5,125)	—
Other amortization included in interest expense	2,980	3,140	4,458	4,857
Provision for credit losses	781	383	855	495
Warrants remeasurement gain	(8,532)	—	(8,545)	(6,435)
Share-based compensation	7,346	5,530	8,788	6,420
Changes in other assets and liabilities, excluding the effects of acquisitions and divestitures:				
Trade and other receivables	22,131	(5,799)	16,926	(8,579)
Contract assets	(6,426)	(10,910)	(4,144)	(14,667)
Inventories	(45,394)	(39,324)	(49,545)	(39,829)
Prepaid expenses and other current assets	(1,028)	756	(880)	839
Accounts payable, accrued expenses, and contract liabilities	(69,795)	(58,487)	(30,502)	(63,014)
Accrued pension and other postretirement benefits	(2,386)	(17,073)	(3,352)	(25,647)
Other, net	713	6	2,207	4,013
Net cash used in operating activities	(95,945)	(112,376)	(68,275)	(112,291)

Investing Activities				
Capital expenditures	(11,028)	(7,167)	(16,258)	(12,274)
Payments on sale of assets and businesses	(6,785)	(6,161)	(6,840)	(6,160)
Investment in joint venture	(1,527)	—	(1,658)	—
Net cash used in investing activities	(19,340)	(13,328)	(24,756)	(18,434)
Financing Activities				
Proceeds from issuance of long-term debt	2,000	—	2,000	—
Retirement of debt and finance lease obligations	(19,865)	(1,809)	(50,585)	(1,809)
Payment of deferred financing costs	(1,578)	—	(1,728)	—
Proceeds on issuance of common stock, net of issuance costs	79,961	—	79,961	—
Repurchase of shares for share-based compensation minimum tax obligation	(1,282)	(3,490)	(1,287)	(3,490)
Net cash provided by (used in) financing activities	59,236	(5,299)	28,361	(5,299)
Effect of exchange rate changes on cash	(1,469)	(5,425)	166	(5,425)
Net change in cash and cash equivalents	(57,518)	(136,428)	(64,504)	(141,449)
Cash and cash equivalents at beginning of period	227,403	240,878	227,403	240,878
Cash and cash equivalents at end of period	$ 169,885	$ 104,450	$ 162,899	$ 99,429

See accompanying notes to condensed consolidated financial statements.

Triumph Group, Inc.

Notes to Condensed Consolidated Financial Statements

(Dollars in thousands, except per share data)

1. BACKGROUND AND BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Triumph Group, Inc. ("Triumph") have been prepared in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, the interim financial information includes all adjustments of a normal recurring nature necessary for a fair presentation of the results of operations, financial position, and cash flows. The results of operations for the three and six nine months ended September 30, 2023 December 31, 2023 and 2022, are not necessarily indicative of results that may be expected for the year ending March 31, 2024. The accompanying condensed consolidated financial statements are unaudited and should be read in conjunction with the fiscal 2023 audited consolidated financial statements and notes thereto included in the Company's Form 10-K for the fiscal year ended March 31, 2023, filed with the Securities and Exchange Commission (the "SEC") on May 24, 2023.

Triumph Group, Inc. ("Triumph" or the "Company") is a Delaware corporation which, through its operating subsidiaries, designs, engineers, manufactures, and sells products for the global aerospace original equipment manufacturers ("OEMs") of aircraft and aircraft components and repairs and overhauls aircraft components and accessories for commercial airline, air cargo carrier, and military customers on a worldwide basis. Triumph and its subsidiaries (collectively, the "Company") are organized based on the products and services that they provide. The Company has two reportable segments: Systems & Support and Interiors (formerly Aerospace Structures).

Systems & Support consists of the Company’s operations that provide integrated solutions, including design; development; and support of proprietary components, subsystems and systems, as well as production of complex assemblies using external designs. Capabilities include hydraulic, mechanical and electromechanical actuation, power, and control; a complete suite of aerospace gearbox solutions, including engine accessory gearboxes and helicopter transmissions; active and passive heat exchange technology; fuel pumps, fuel metering units, and Full Authority Digital Electronic Control fuel systems; and hydromechanical and electromechanical primary and secondary flight controls. As disclosed in Note 3, in December 2023 the Company entered into a definitive agreement with AAR Corp. (“AAR”), to sell Systems & Support also provides full life cycle solutions for commercial, regional, and military aircraft. The Company’s extensive product and service offerings include full post-delivery value chain services that simplify the Support's maintenance, repair, and overhaul (“MRO”) supply chain. Through its ground support equipment maintenance, component MRO, operations located in Wellington, Kansas; Grand Prairie, Texas; San Antonio, Texas; Hot Springs, Arkansas; and post-production supply chain activities, Chonburi, Thailand (“Product Support”). As a result of this agreement, effective in the third quarter of fiscal 2024, the Company has classified the Product Support results of operations for all periods presented as discontinued operations, and has classified the assets and liabilities of the disposal group as held for sale, and these operations are no longer reported as part of the Systems & Support is positioned to provide integrated planeside repair solutions globally. Capabilities include repair services for metallic and composite aircraft structures; nacelles; thrust reversers; interiors; auxiliary power units; and a wide variety of pneumatic, hydraulic, fuel, and mechanical accessories. Repair services generally involve the replacement and/or remanufacturing of parts, which is similar to the original manufacture of the part. The processes that the Company performs related to repair and overhaul services are essentially the repair of wear parts or replacement of parts that are beyond economic repair. The repair service generally involves remanufacturing a complete part or a component of a part. reportable segment.

Interiors (formerly Aerospace Structures) consists of the Company’s operations that have historically supplied commercial, business, and regional manufacturers with large metallic structures and continues to supply aircraft interior systems, including air ducting and thermal acoustic insulations systems. Subsequent to the divestitures disclosed in Note 3, the remaining operations of Interiors are those that supply commercial and regional manufacturers with aircraft interior systems.

The accompanying condensed consolidated financial statements include the accounts of Triumph and its wholly-owned subsidiaries. Intercompany accounts and transactions have been eliminated from the accompanying condensed consolidated financial statements.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition and Contract Balances

The Company's revenue is principally from contracts with customers to provide design, development, manufacturing, and support services associated with specific customer programs. The Company regularly enters into long-term master supply agreements that establish general terms and conditions and may define specific program requirements. Many agreements include clauses that provide sole supplier status to the Company for the duration of the program's life. Purchase orders (or authorizations to proceed) are issued pursuant to the master supply agreements. Additionally, a majority of the Company's agreements with customers include options for future purchases. Such options primarily reduce the administrative effort of issuing subsequent purchase

orders and do not represent material rights granted to customers. The Company generally enters into agreements directly with its customers and is the principal in all current contracts.

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The identification of a contract with a customer for purposes of accounting and financial reporting requires an evaluation of the terms and conditions of agreements to determine whether presently enforceable rights and obligations exist. Management considers a number of factors when making this evaluation that include, but are not limited to, the nature and substance of the business exchange, the specific contractual terms and conditions, the promised products and services, the termination provisions in the contract, as well as the nature and execution of the customer's ordering process and how the Company is authorized to perform work. Generally, presently enforceable rights and obligations are not created until a purchase order is issued by a customer for a specified number of units of product or services. Therefore, the issuance of a purchase order is generally the point at which a contract is identified for accounting and financial reporting purposes.

Management identifies the promises to the customer. Promises are generally explicitly stated in each contract, but management also evaluates whether any promises are implied based on the terms of the agreement, past business practice, or other facts and circumstances. Each promise is evaluated to determine if it is a performance obligation. A performance obligation is a promise in a contract to transfer a distinct good or service. The Company considers a number of factors when determining whether a promise is a distinct performance obligation, including whether the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer, whether the Company provides a significant service of integrating goods or services to deliver a combined output to the customer, or whether the goods or services are highly interdependent. The Company’s performance obligations consist of a wide range of engineering design services and manufactured components, as well as spare parts and repairs for OEMs.

The transaction price for a contract reflects the consideration the Company expects to receive for fully satisfying the performance obligations in the contract. Typically, the transaction price consists solely of fixed consideration but may include variable consideration for contractual provisions such as unpriced contract modifications, cost-sharing provisions, and other receipts or payments to customers. The Company identifies and estimates variable consideration, typically at the most likely amount the Company expects to receive from its customers. Variable consideration is only included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized for the contract will not occur, or when the uncertainty associated with the variable consideration is resolved. Consideration paid or payable to a customer is reflected as a reduction in net revenues when the amounts paid are not related to a distinct good or service at the later of when the related revenue is recognized or when the Company pays or promises to pay the consideration to the customer. The Company's contracts with customers generally require payment under normal commercial terms after delivery with payment typically required within 30 to 120 days of delivery.

The Company generally is not subject to collecting sales tax and has made an accounting policy election to exclude from the transaction price any sales and other similar taxes collected from customers. As a result, any such collections are accounted for on a net basis.

The total transaction price is allocated to each of the identified performance obligations using the relative stand-alone selling price. The objective of the allocation is to reflect the consideration that the Company expects to receive in exchange for the products or services associated with each performance obligation. Stand-alone selling price is the price at which the Company would sell a promised good or service separately to a customer. Stand-alone selling prices are established at contract inception, and subsequent changes in transaction price are allocated on the same basis as at contract inception. When stand-alone selling prices for the Company’s products and services are not observable, the Company uses either the “Expected Cost Plus a Margin” or "Adjusted Market Assessment" approaches to estimate stand-alone selling price. Expected costs are typically derived from the available periodic forecast information.

Revenue is recognized when or as control of promised products or services transfers to a customer and is recognized at the amount allocated to each performance obligation associated with the transferred products or services. Service sales, principally representing repair, maintenance, and engineering activities are recognized over the contractual period or as services are rendered. Sales under long-term contracts with performance obligations satisfied over time are recognized using either an input or output method. The Company recognizes revenue over time as it performs on these contracts because of the continuous transfer of control to the customer as represented by contractual terms that entitle the Company to the reimbursement of costs plus a reasonable profit for work performed to manufacture products for which the Company has no alternate use or for work performed on a customer-owned asset.

With control transferring over time, revenue is recognized based on the extent of progress toward completion of the performance obligation. The Company generally uses the cost-to-cost input method of progress for its contracts because it best depicts the transfer of control to the customer that occurs as work progresses. Under the cost-to-cost method, the extent of progress toward completion is measured based on the proportion of costs incurred to date to the total estimated costs at completion of the performance obligation. The Company reviews its cost estimates on contracts on a periodic basis, or when circumstances change

and warrant a modification to a previous estimate. Cost estimates are largely based on negotiated or estimated purchase contract terms, historical performance trends, and other economic projections. Significant factors that influence these estimates include

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inflationary trends, technical and schedule risk, internal and subcontractor performance trends, business volume assumptions, asset utilization, and anticipated labor agreements.

Revenue and cost estimates are regularly monitored and revised based on changes in circumstances. Impacts from changes in estimates of net sales and cost of sales are recognized on a cumulative catch-up basis, which recognizes in the current period the cumulative effect of the changes on current and prior periods based on a performance obligation's percentage of completion. Forward loss reserves for anticipated losses on long-term contracts are recorded in full when such losses become evident, to the extent required, and are included in contract liabilities on the accompanying condensed consolidated balance sheets. The Company believes that the accounting estimates and assumptions made by management are appropriate; however, actual results could differ materially from those estimates.

For the three and six nine months ended September 30, 2023 December 31, 2023, cumulative catch-up adjustments resulting from changes in estimated contract values and contract costs during the periods were immaterial. For the three months ended September 30, 2022 December 31, 2022, cumulative catch-up adjustments resulting from changes in estimates increased net sales, operating income, net income, and earnings per diluted share by approximately $867 1,459, $9,422 748, $9,422 748, and $0.14 0.01, respectively. For the six nine months ended September 30, 2022 December 31, 2022, cumulative catch-up adjustments resulting from changes in estimates increased net sales, operating income, net income, and earnings per diluted share by approximately $11,993 13,360, $19,495 20,151, $19,495 20,151, and $0.30, respectively.

Revenues for performance obligations that are not recognized over time are recognized at the point in time when control transfers to the customer. For performance obligations that are satisfied at a point in time, the Company evaluates the point in time when the customer can direct the use of and obtain the benefits from the products and services. Generally, the shipping terms determine the point in time when control transfers to customers. Shipping and handling activities are not considered performance obligations and related costs are included in cost of sales as incurred.

Differences in the timing of revenue recognition and contractual billing and payment terms result in the recognition of contract assets and liabilities. Refer to Note 4 for further discussion.

Concentration of Credit Risk

The Company's trade and other accounts receivable are exposed to credit risk. However, the risk is limited due to the diversity of the customer base and the customer base's wide geographical area. Trade accounts receivable from The Boeing Company ("Boeing") (representing commercial, military, and space) represented approximately 17 13% and 12 13% of total trade accounts receivable, including receivables presented within assets held for sale - current, as of September 30, 2023 December 31, 2023 and March 31, 2023, respectively. As of March 31, 2023, trade and other receivables from Daher Aerospace Inc. ("Daher") include receivables that largely corresponded with payables associated with transition services and represented approximately 20% as of March 31, 2023. The transition services agreement with Daher contractually expired as of June 30, 2023, and remaining receivables and payables as of that date were not significant. The Company had no other concentrations of credit risk of more than 10%.

Sales to Boeing from continuing operations for the six nine months ended September 30, 2023 December 31, 2023, were $149,041 200,577, or 22 24% of net sales, of which $102,716 123,323 and $46,325 77,254 were from Systems & Support and Interiors, respectively. Sales to Boeing for the six nine months ended September 30, 2022 December 31, 2023, included within discontinued operations were approximately $31,366. Sales to Boeing from continuing operations for the nine months ended December 31, 2022, were $189,311 238,750, or 29 30% of net sales, of which $89,825 110,290 and $99,486 128,460 were from Systems & Support and Interiors, respectively. Sales to Boeing for the nine months ended December 31, 2022, included within discontinued operations were approximately $27,066.

No other single customer accounted for more than 10% of the Company's net sales. However, the loss of any significant customer, including Boeing, could have a material adverse effect on the Company and its operating subsidiaries.

Warrants

On December 1, 2022, the Company's board of directors declared a distribution to holders of the Company's shares of common stock in the form of warrants to purchase shares of common stock (the "Warrants"). Holders of common stock received three Warrants for every ten shares of common stock held as of December 12, 2022 (the "Record Date"). The Company issued approximately 19.5 million Warrants on December 19, 2022, to holders of record of common stock as of the close of business on the Record Date.

Each Warrant represented the right to purchase initially one share of common stock, at an exercise price of $12.35 per Warrant, subject to certain anti-dilution adjustments. Payment for shares of common stock on exercise of Warrants could have been made in (i) cash or (ii) under certain circumstances, certain of the Company's outstanding notes (the "Designated Notes").

The common stock warrants are accounted for as derivative liabilities in accordance with ASC 815-40 and included within accrued liabilities on the accompanying condensed consolidated balance sheets. The Company measured the Warrants at fair value as of

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the issuance date using a Monte Carlo pricing model, a Level 3 fair value measurement (as described below), due to the level of market activity. Inherent in the option pricing simulation are assumptions related to expected stock-price volatility, expected life and risk-free interest rate. The Company estimates the volatility of the Warrants based on implied and historical volatility of the Company’s common stock. The risk-free interest rate is based on the U.S. Treasury zero-coupon yield curve on the grant date for a maturity similar to the expected remaining life of the Warrants. The expected life of the Warrants is based on the Company’s ability to redeem the Warrants, subject to a 20 calendar-day notice period, as well as the automatic acceleration of the Expiration Date following the Price Condition Date. During the three months ended December 31, 2022, due to increased trading volume, the Company began remeasuring outstanding Warrants using the Warrants trading price, a Level 1 fair value measurement (as described below). The Warrants are remeasured at each balance sheet date. Warrants remeasurement adjustments are recognized in warrant remeasurement gain, net on the accompanying condensed consolidated statements of operations.

At distribution, the fair value of the Warrants was $19,500. Approximately 7.7 million of Warrants were exercised in the six months ended September 30, 2023, resulting in total cash proceeds, net of transaction costs, of approximately $79,961, and $8,532 of warrants remeasurement gain was recognized in the six months ended September 30, 2023. On July 6, 2023, the Company redeemed all of the approximately 11.4 million remaining outstanding Warrants for a total redemption price of approximately $11 per Warrant pursuant to its June 16, 2023, notice of redemption.

Contingencies

Contingences are existing conditions, situations or circumstances involving uncertainty as to possible gain or loss that will ultimately be resolved when future events occur or fail to occur. Such contingencies include, but are not limited to environmental obligations, litigation, regulatory investigations and proceedings, product quality, and gains or losses resulting from other events and developments. Liabilities for loss contingencies are accrued in the amount of the Company's best estimate for the ultimate loss when a loss is considered probable of having been incurred and is reasonably estimable. When there appears to be a range of possible costs with equal likelihood, liabilities are based on the low-end of such range. Disclosure is provided for material loss contingencies when a loss is probable but a reasonable estimate cannot be made, and when it is reasonably possible that a loss will be incurred or the amount of a loss will exceed the recorded provision. The Company regularly reviews contingencies to determine whether the likelihood of loss has changed and to assess whether a reasonable estimate of the loss or range of loss can be made. Contingencies that might result in gains are generally not accrued until the contingencies are resolved and the gain is realized or realizable. Refer to Note 12 for further disclosure.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. When determining fair value measurements for assets and liabilities required to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and also considers assumptions that market participants would use when pricing an asset or liability. The fair value hierarchy has three levels of inputs that may be used to measure fair value: Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities; Level 2—Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability; and Level 3—Unobservable inputs for the asset or liability. The Company has applied fair value measurements when measuring the warrants (refer to the above disclosure), when disclosing the fair value of its long-term debt not recorded at fair value (see Note 6), and to its pension and postretirement plan assets (see Note 9).

Supplemental Cash Flow Information

For the six nine months ended September 30, 2023 December 31, 2023 and 2022 the Company paid $1,699 4,962 and $2,619 3,838, respectively for income taxes, net of income tax refunds received.

3. DIVESTED OPERATIONS AND ASSETS HELD FOR SALE

Fiscal 2024 Divestiture and Discontinued Operations

In December 2023, the Company’s Board of Directors committed to a plan, and the Company entered into a definitive agreement with AAR, to sell Product Support for cash proceeds of $725,000 subject to adjustments related to the closing balance sheet and certain transaction expenses; the adjustments will be estimated at closing and are expected to be finalized during the first half of fiscal 2025. Product Support companies provide aftermarket maintenance, repair, and overhaul solutions for commercial, regional and military aircraft. The transaction is expected to close during the fourth quarter of fiscal 2024 and result in a significant gain. As a result of this planned transaction, effective in the third quarter of fiscal 2024, we have classified our results of operations for all periods presented to reflect Product Support as discontinued operations and classified the assets and liabilities of this disposal group as held for sale. Under the terms of the purchase agreement, we will continue to guarantee the performance of certain of the divested legal entities pursuant to pre-existing performance guarantee agreements covering existing contracts with specific customers that are expected to be fully satisfied within the next twelve months. There is no limitation to the maximum potential future liabilities under these guarantee agreements; however, we are fully indemnified by the buyer, AAR, against such losses that may arise from their failure to perform under the related contracts. Other than these guarantees, a short-term transition services agreement, commercial purchases and sales which are not significant and are entered into in the ordinary course of business, and other customary short-term transitional activities, the Company will have no further continuing involvement with Product Support.

(Dollars in thousands, except per share data)

On February 6, 2024, the Company provided holders of the 2028 First Lien Notes with a conditional notice of redemption to redeem approximately $120,000 of the 2028 First Lien Notes (as defined in Note 6 below) at a redemption price equal to 103% of the aggregate principal amount plus accrued and unpaid interest. The Company also provided holders of the 2025 Notes (as defined in Note 6 below) with a conditional notice of redemption to redeem up to all of the outstanding 2025 Notes at 100% of the aggregate principal amount plus accrued and unpaid interest. Both redemptions are conditioned on the closing of the sale of Product Support, and the unsecured redemption will only occur after the Company conducts an asset sale offer whereby it will first offer the proceeds allocated to redeem the 2025 Notes to repurchase the 2028 First Lien Notes at 100% of the aggregate principal amount plus accrued and unpaid interest. In the event that the Company redeems more than $140,000 of the 2028 First Lien Notes pursuant to the asset sale offer, the redemption of the 2025 Notes will be reduced dollar-for-dollar by the amount of the 2028 First Lien Notes that are redeemed above $140,000. If the Company redeems more than $575,621 of 2028 First Lien Notes pursuant to the asset sale offer, the redemption of the 2025 Notes will not occur.

As a result of this planned transaction, effective in the third quarter of fiscal 2024, we have classified our results of operations for all periods presented to reflect Product Support as discontinued operations and classified the assets and liabilities of this disposal group as held for sale.

The following table shows the results of Product Support within discontinued operations for each of the periods presented:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
Major line items constituting pretax (loss) income of discontinued operations				
Net sales	$ 64,855	$ 67,194	$ 197,560	$ 180,735
Operating costs and expenses:				

Cost of sales (exclusive of depreciation shown separately below)	49,703	50,188	148,058	132,653
Selling, general and administrative	8,749	4,772	19,247	14,414
Depreciation and amortization	2,144	826	3,625	2,642
Restructuring	—	—	—	1,777
	60,596	55,786	170,930	151,485
Operating income	4,259	11,408	26,630	29,250
Interest expense and other, net	6,004	5,592	18,602	17,464
(Loss) income from discontinued operations before income taxes	(1,745)	5,816	8,028	11,786
Income tax expense	2,246	376	3,459	1,232
(Loss) income from discontinued operations	$ (3,991)	$ 5,440	$ 4,569	$ 10,554

The Company's accounting policy to allocate to discontinued operations other consolidated interest that is not directly attributable to or related to other operations of the entity based on the ratio of net assets to be sold or discontinued less debt that is required to be paid as a result of the disposal transaction to the sum of total net assets of the consolidated group plus consolidated debt, adjusted for debt that will be assumed by the buyer; debt that is required to be paid as a result of the disposal transaction; and debt that can be directly attributed to other operations of the entity. In applying the above policy, the Company allocated interest expense to discontinued operations of approximately $5,945 and $5,215 in the three months ended December 31, 2023 and 2022, respectively, and $16,428 and $17,932 in the nine months ended December 31, 2023 and 2022, respectively.

The following table shows the major classes of assets and liabilities held for sale:

	December 31, 2023	March 31, 2023
ASSETS		
Carrying amount of major classes of assets included as part of discontinued operations:		
Trade and other receivables, less allowance for credit losses of $3,011 and $2,905	$ 43,080	$ 40,659
Contract assets	17,647	16,287
Inventory, net	87,129	80,161

(Dollars in thousands, except per share data)

Prepaid expenses and other current assets		2,087		2,989
Property and equipment, net		26,161		28,178
Other, net		4,538		2,488
Total assets of the disposal group classified as held-for-sale in the statement of financial position	$	180,642	$	170,762
LIABILITIES				
Carrying amount of major classes of liabilities included as part of discontinued operations:				
Accounts payable	$	21,788	$	24,357
Contract liabilities		104		387
Accrued expenses		9,726		9,669
Other noncurrent liabilities		598		65
Total liabilities of the disposal group classified as held-for-sale in the statement of financial position	$	32,216	$	34,478

The accompanying condensed consolidated statements of cash flows do not present cash flows from discontinued operations separately from cash flows from continuing operations. Cash provided by operating activities related to discontinued operations totaled $18,610 and $14,586 for the nine months ended December 31, 2023 and 2022, respectively. Cash used in investing activities related to discontinued operations totaled $(3,023) and $(2,660) for the nine months ended December 31, 2023 and 2022, respectively. Cash used in financing activities was immaterial.

Fiscal 2023 Divestitures

In January 2022, the Company's Board of Directors committed to a plan to sell its manufacturing operations located in Stuart, Florida. In February 2022, the Company entered into a definitive agreement with the buyer of these manufacturing operations. This transaction closed in July 2022. The Company recognized a gain of approximately $96,800, net of transaction costs in fiscal year 2023. In the six nine months ended September 30, 2023 December 31, 2023, the Company paid $6,800 to the buyer of the Stuart manufacturing

operations and recognized a loss of approximately $3,900 due to the resolution of claims by the buyer related to the accounts payable representation and warranty under the purchase agreement and the finalization of certain purchase price adjustments related to the transferred working capital of the divested operations. Additionally, in the six nine months ended September 30, 2023 December 31, 2023, the Company recognized a loss on sale of approximately $8,300 related to an adjustment that would have reduced the fiscal 2023 gain on sale. Other claims for indemnification with the Buyer of the Stuart facility (refer to Note 12) remain outstanding. The operating results of the Stuart, Florida, manufacturing operations are included within the Interiors reportable segment through the date of divestiture.

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4. REVENUE RECOGNITION AND CONTRACTS WITH CUSTOMERS

Disaggregation of Revenue

The Company disaggregates revenue based on the method of measuring satisfaction of the performance obligation either over time or at a point in time. Additionally, the Company disaggregates revenue based upon the end market where products and services are transferred to the customer. The Company's principal operating segments and related revenue are discussed in Note 11.

The following table shows disaggregated net sales satisfied overtime and at a point in time (excluding intercompany sales) for the three and six nine months ended September 30, 2023 December 31, 2023 and 2022:

	Three Months Ended September 30,		Six Months Ended September 30,		Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022	2023	2022	2023	2022
Systems & Support								
Satisfied over time	$ 136,976	$ 111,718	$ 271,153	$ 232,436	$ 73,289	$ 77,559	$ 230,959	$ 222,109
Satisfied at a point in time	181,202	161,613	337,025	295,015	166,786	140,077	484,590	409,436
Revenue from contracts with customers	318,178	273,331	608,178	527,451	240,075	217,636	715,549	631,545
Amortization of acquired contract liabilities	590	867	1,165	1,390	800	442	1,965	1,832
Total Systems & Support revenue	318,768	274,198	609,343	528,841	240,875	218,078	717,514	633,377
Interiors								

Satisfied over time	$ 29,716	$ 28,456	$ 60,645	$ 118,048	$ 37,067	$ 37,692	$ 97,712	$ 155,740
Satisfied at a point in time	5,577	4,946	11,218	10,095	7,013	5,892	18,230	15,987
Revenue from contracts with customers	35,293	33,402	71,863	128,143	44,080	43,584	115,942	171,727
Total Interiors revenue	35,293	33,402	71,863	128,143	44,080	43,584	115,942	171,727
Total revenue	$ 354,061	$ 307,600	$ 681,206	$ 656,984	$ 284,955	$ 261,662	$ 833,456	$ 805,104

The following table shows disaggregated net sales by end market (excluding intercompany sales) for the three and six nine months ended September 30, 2023 December 31, 2023 and 2022:

	Three Months Ended September 30,		Six Months Ended September 30,		Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022	2023	2022	2023	2022
Systems & Support								
OEM Commercial	$ 95,898	$ 94,605	$ 177,454	$ 172,625	$ 98,178	$ 76,975	$ 275,805	233,319
OEM Military	61,058	61,399	126,853	118,335	61,149	61,705	190,758	180,901
MRO Commercial	96,443	65,078	183,382	125,117	35,089	30,485	106,938	84,910
MRO Military	55,756	44,960	103,358	95,906	38,328	39,093	117,835	111,729
Non-aviation	9,023	7,289	17,131	15,468	7,331	9,378	24,213	20,686
Revenue from contracts with customers	318,178	273,331	608,178	527,451	240,075	217,636	715,549	631,545
Amortization of acquired contract liabilities	590	867	1,165	1,390	800	442	1,965	1,832

Total Systems & Support revenue	$ 318,768	$ 274,198	$ 609,343	$ 528,841	$ 240,875	$ 218,078	$ 717,514	633,377
Interiors								
OEM Commercial	$ 35,082	$ 33,241	$ 70,740	$ 123,760	$ 44,078	$ 42,992	$ 114,819	163,877
OEM Military	—	24	—	52				
MRO Commercial	—	—	704	3,144	—	437	704	2,808
Non-aviation	211	137	419	1,187	2	155	419	5,042
Revenue from contracts with customers	35,293	33,402	71,863	128,143	44,080	43,584	115,942	171,727
Total Interiors revenue	35,293	33,402	71,863	128,143	44,080	43,584	115,942	171,727
Total revenue	$ 354,061	$ 307,600	$ 681,206	$ 656,984	$ 284,955	$ 261,662	$ 833,456	805,104

Contract Assets and Liabilities

Contract assets primarily represent revenues recognized for performance obligations that have been satisfied or partially satisfied but for which amounts have not been billed. This typically occurs when revenue is recognized over time but the Company's contractual right to bill the customer and receive payment is conditional upon the satisfaction of additional performance obligations in the contract, such as final delivery of the product. Contract assets are typically derecognized when billed in accordance with the terms of the contract. The Company pools contract assets that share underlying risk characteristics and records an allowance for expected credit losses based on a combination of prior experience, current economic conditions and management’s expectations of future economic conditions, and specific collectibility matters when they arise. Contract assets are presented net of this reserve on the condensed consolidated balance sheets. For the three and six nine months ended September 30, 2023 December 31, 2023 and 2022, credit loss expense and write-offs related to contract assets were immaterial.

Contract liabilities are recorded when customers remit contractual cash payments in advance of the Company satisfying performance obligations under contractual arrangements, including those with performance obligations to be satisfied over a period of time. Contract liabilities other than those pertaining to forward loss reserves are derecognized when or as revenue is recognized.

(Dollars in thousands, except per share data)

Contract modifications can also impact contract asset and liability balances. When contracts are modified to account for changes in contract specifications and requirements, the Company considers whether the modification either creates new or changes the existing enforceable rights and obligations. Contract modifications that are for goods or services that are not distinct from the existing contract, due to the significant integration with the original good or service provided, are accounted for as if they were part of that existing contract. The effect of a contract modification to an existing contract on the transaction price and the Company's measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue (either as an increase in or a reduction of revenue) on a cumulative catch-up basis. When the modifications include additional performance obligations that are distinct and at relative stand-alone selling price, they are accounted for as a new contract and performance obligation and are recognized prospectively.

Contract balances are classified as assets or liabilities on a contract-by-contract basis at the end of each reporting period. The following table summarizes the Company's contract assets and liabilities balances:

	September 30, 2023	March 31, 2023	Change
Contract assets	$ 109,351	$ 103,027	$ 6,324
Contract liabilities	(39,853)	(44,945)	5,092
Net contract asset	$ 69,498	$ 58,082	$ 11,416

	December 31, 2023	March 31, 2023	Change
Contract assets	$ 89,406	$ 86,740	$ 2,666
Contract liabilities	(40,182)	(44,558)	4,376
Net contract asset	$ 49,224	$ 42,182	$ 7,042

The change in contract assets is the result of revenue recognized in excess of amounts billed during the six nine months ended September 30, 2023 December 31, 2023. The change in contract liabilities is the result of revenue recognized in excess of receipt of additional customer advances during the six nine months ended September 30, 2023 December 31, 2023. For the six nine months ended September 30, 2023 December 31, 2023, the Company recognized $13,597 18,359 of revenue that was included in the contract liability balance at the beginning of the period.

Performance Obligations

Customers generally contract with the Company for requirements in a segment relating to a specific program, and the Company's performance obligations consist of a wide range of engineering design services and manufactured components, as well as spare parts and repairs. A single contract may contain multiple performance obligations consisting of both recurring and nonrecurring elements.

As of September 30, 2023 December 31, 2023, the Company has the following unsatisfied, or partially unsatisfied, performance obligations that are expected to be recognized in the future as noted in the table below. The Company expects options to be exercised in addition to the amounts presented below.

	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
Unsatisfied performance obligations	$ 1,550,486	$ 891,840	$ 627,737	$ 29,962	$ 947

	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
Unsatisfied performance obligations	$ 1,594,870	$ 979,462	$ 604,881	$ 10,527	$ —

5. INVENTORIES

Inventories are stated at the lower of cost (average-cost or specific-identification methods) or market. The components of inventories are as follows:

	September 30, 2023	March 31, 2023	December 31, 2023	March 31, 2023
Raw materials	$ 54,723	$ 44,834	$ 33,560	$ 26,919
Work-in-process, including manufactured and purchased components	346,443	304,874	307,697	262,784
Finished goods	10,760	17,000	8,591	17,000
Rotable assets	22,455	22,537	2,340	2,381
Total inventories	$ 434,381	$ 389,245	$ 352,188	$ 309,084

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(Dollars in thousands, except per share data)

6. LONG-TERM DEBT

Long-term debt consists of the following:

	September 30, 2023	March 31, 2023	December 31, 2023	March 31, 2023
Finance leases	$ 13,339	$ 14,816	$ 14,809	$ 14,816
Senior secured first lien notes due 2028	1,200,000	1,200,000	1,200,000	1,200,000
Senior notes due 2025	466,552	499,024	435,621	499,024
Other notes	1,976	—	1,939	—
Less: debt issuance costs	(22,770)	(22,058)	(21,217)	(22,058)
	1,659,097	1,691,782	1,631,152	1,691,782
Less: current portion	3,108	3,162	3,342	3,162
	$ 1,655,989	$ 1,688,620	$ 1,627,810	$ 1,688,620

Receivables Securitization Program

In connection with the Company's receivables securitization facility (the "Securitization Facility"), the Company sells on a revolving basis certain eligible accounts receivable to Triumph Receivables, LLC, a wholly-owned special-purpose entity, which in turn sells a percentage ownership interest in the receivables to commercial paper conduits sponsored by financial institutions. The Company is the servicer of the trade accounts receivable under the Securitization Facility. Interest rates are based on the Bloomberg Short Term Bank Yield Index ("BSBY"), plus a 2.25% fee on the drawn portion and a fee ranging from 0.45% to 0.50% on the undrawn portion of the Securitization Facility. The drawn fee may be reduced to 2.00% depending on the credit rating of the Company. Collateralized letters of credit incur fees at a rate of 0.125%. The Company secures its trade accounts receivable, which are generally non-interest-bearing, in transactions that are accounted for as borrowings pursuant to ASC 860, *Transfers and Servicing*. The Company has established a letter of credit facility under the Securitization Facility. Under the provisions of the letter of credit facility, the Company may request the Securitization Facility's administrator to issue one or more letters of credit that will expire no later than 12 months after the date of issuance, extension or renewal, as applicable.

In December 2023, the Company amended the Securitization Facility, decreasing the purchase limit from $100,000 to $75,000, modifying certain other terms, and extending the term through December 2025.

As of September 30, 2023 December 31, 2023, the maximum amount available under the Securitization Facility was $100,000 75,000. The actual amount available under the Securitization Facility at any point in time is dependent upon the balance of eligible accounts receivable as well as the amount of letters of credit outstanding.

At September 30, 2023 December 31, 2023, there were $0 in borrowings and $19,594 19,623 in letters of credit outstanding under the Securitization Agreement, primarily to support insurance policies. The Securitization Facility expires in November 2024.

The agreements governing the Securitization Facility contain restrictions and covenants, including limitations on the making of certain restricted payments; creation of certain liens; and certain corporate acts such as mergers, consolidations and the sale of all or substantially all the Company's assets.

Senior Secured First Lien Notes due 2028

On March 14, 2023, the Company issued $1,200,000 principal amount of 9.000% Senior Secured First Lien Notes due March 15, 2028, pursuant to an indenture among the Company, the Guarantor Subsidiaries, and U.S. Bank National Association, as trustee (the "2028 First Lien Notes"). The 2028 First Lien Notes were sold at 100% of the principal amount and have an effective interest yield of 9.000%. Interest is payable semiannually in cash in arrears on March 15 and September 15 of each year, commencing on September 15, 2023. In the six nine months ended September 30, 2023 December 31, 2023, the Company recognized a gain of approximately $3,400 related to an adjustment to its deferred debt issuance costs, a portion of which related to fiscal 2023. The total issuance costs incurred in connection with the issuance of the 2028 First Lien Notes are now approximately $23,000 and are being amortized over the term of the 2028 First Lien Notes.

The 2028 First Lien Notes and the guarantees are first lien secured obligations of the Company and the Guarantor Subsidiaries. The 2028 First Lien Notes:

(i) rank equally in right of payment to any existing and future senior indebtedness of the Company and Guarantor Subsidiaries, including the 2025 Notes (as defined below);

(ii) are effectively senior to all existing and future second lien obligations and all existing and future unsecured indebtednes the Company and the Guarantor Subsidiaries (including the 2025 Notes), but only to the extent of the value of the Collateral (as defined below), and after giving effect to any permitted additional first lien secured obligations and other permitted liens of senior or equal priority);

(iii) are senior in right of payment to all future subordinated indebtedness of the Company and the Guarantor Subsidiaries;

(iv) are secured by the Collateral on a pari passu basis with any future permitted additional first lien secured obligations, subject to the Collateral Trust Agreement;

(v) are effectively subordinated to any existing and future obligations of the Company and the Guarantor Subsidiaries that secured by assets that do not constitute the Collateral, in each case, to the extent of the value of the assets securing su obligations; and

(vi) are structurally subordinated to all existing and future indebtedness and other liabilities of the Company's existing and future subsidiaries that do not guarantee the 2028 First Lien Notes, including the Securitization Facility.

Triumph Group, Inc.
Notes to Condensed Consolidated Financial Statements
(Dollars in thousands, except per share data)

The 2028 First Lien Notes are guaranteed on a full, senior, joint and several basis by each of the Company's domestic restricted subsidiaries (the "Guarantor Subsidiaries") that guarantees the 2025 Notes. In the future, each of the Company's domestic restricted subsidiaries (other than any domestic restricted subsidiary that is a receivable subsidiary) that (1) is not an immaterial subsidiary, (2) becomes a borrower under any of its material debt facilities or (3) guarantees (a) any of the Company's indebtedness or (b) any indebtedness of the Company's domestic restricted subsidiaries, in the case of either (a) or (b), incurred under any of the Company's material debt facilities, will guarantee the 2028 First Lien Notes. Under certain circumstances, the guarantees may be released without action by, or consent of, the holders of the 2028 First Lien Notes.

The 2028 First Lien Notes and the guarantees are secured, subject to permitted liens, by first-priority liens on substantially all of the Company's and the Guarantor Subsidiaries' assets (including certain of the Company's real estate assets), whether now owned or hereafter acquired, other than certain excluded property, which liens will secure permitted additional first lien obligations on a pari passu basis, subject to the Collateral Trust Agreement (the "Collateral"). Under certain circumstances, the Collateral may be released without action by, or the consent of, the holders of the 2028 First Lien Notes. The 2028 First Lien Notes and the guarantees will not be secured by the assets of Non-Guarantor Subsidiaries (as defined below), which include the unrestricted subsidiaries to whom certain of the Company's accounts receivables are and may in the future be sold to support borrowing under the Receivables Securitization Facility.

A collateral trust agreement (the "Collateral Trust Agreement") among the Company, the Guarantor Subsidiaries, the Collateral Trustee and U.S. Bank National Association, in its capacity as the trustee for the 2028 First Lien Notes, sets forth therein the relative rights with respect to the Collateral as among the trustee for the 2028 First Lien Notes and certain subsequent holders of first lien obligations and covering certain other matters relating to the administration of security interests. The Collateral Trust Agreement generally controls substantially all matters related to the Collateral, including with respect to decisions, distribution of proceeds or enforcement. Pursuant to the Collateral Trust Agreement, on the issue date of the 2028 First Lien Notes the Collateral Trustee will control certain matters related to the Collateral that the Collateral Trust Agreement specifies are in its discretion. If the Company incurs certain types of additional first lien obligations, the Controlling First Lien Holders (as defined in the Collateral Trust Agreement) will have the right to control decisions relating to the Collateral that are outside the Collateral Trustee's discretion under the Collateral Trust Agreement and the 2028 Note holders may no longer be in control of such decisions.

The Company may redeem the 2028 First Lien Notes, in whole or in part, at any time or from time to time on or after March 15, 2025, at specified redemption prices, plus accrued and unpaid interest, if any, to the redemption date. At any time or from time to time prior to March 15, 2025, the Company may redeem the 2028 First Lien Notes, in whole or in part, at a redemption price equal to 100% of their principal amount plus a make whole premium, together with accrued and unpaid interest, if any, to the redemption date. In addition, the Company may redeem up to 40% of the aggregate principal amount of the outstanding 2028 First Lien Notes prior to March 15, 2025, with the net cash proceeds from certain equity offerings at a redemption price equal to 109.000% of their principal amount, together with accrued and unpaid interest, if any, to the redemption date. The Company may redeem, at any time from time to time before March 15, 2025, up to 10% of the aggregate principal amount of the notes per annum, at a redemption price equal to 103% of the aggregate principal amount plus accrued and unpaid interest, if any, to the redemption date.

If the Company experiences specific kinds of changes of control, the Company is required to offer to purchase all of the 2028 First Lien Notes at a purchase price of 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of purchase.

The 2028 First Lien Notes Indenture contains covenants that, among other things, limit the ability of the Company and its restricted subsidiaries to: (i) incur additional indebtedness; (ii) pay dividends or make other distributions; (iii) make other restricted payments and investments; (iv) create liens; (v) incur restrictions on the ability of restricted subsidiaries to pay dividends or make certain other payments; (vi) sell assets, including capital stock of restricted subsidiaries; (vii) enter into sale and leaseback transactions; (viii) merge or consolidate with other entities; and (ix) enter into transactions with affiliates. In addition, the 2028 First Lien Notes Indenture requires, among other things, the Company to provide financial and current reports to holders of the 2028 First Lien Notes or file such reports electronically with the SEC. These covenants are subject to a number of exceptions, limitations and qualifications set forth in the Indenture, as well as suspension periods in certain circumstances.

Senior Notes Due 2025

On August 17, 2017, the Company issued $500,000 principal amount of 7.750% Senior Notes due August 15, 2025 (the "2025 Notes", and, together with the 2028 First Lien Notes, the “Senior Notes”). The 2025 Notes were sold at 100% of the principal amount and have an effective interest yield of 7.750%. Interest is payable semiannually in cash in arrears on February 15 and August 15 of each year, commencing on February 15, 2018. In connection with the issuance of the 2025 Notes, the

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Company incurred approximately $8,779 of costs, which were deferred and are being amortized on the effective interest method over the term of the 2025 Notes.

The 2025 Notes are the Company's senior unsecured obligations and rank equally in right of payment with all of its other existing and future senior unsecured indebtedness and senior in right of payment to all of its existing and future subordinated indebtedness. The 2025 Notes are guaranteed on a full, joint and several basis by each of the Guarantor Subsidiaries. The

Company may redeem some or all of the 2025 Notes at 100% of their principal amount, plus accrued and unpaid interest, if any, to the redemption date.

The Company is obligated to offer to repurchase the 2025 Notes at a price of (i) 101% of their principal amount plus accrued and unpaid interest, if any, as a result of certain change-of-control events and (ii) 100% of their principal amount plus accrued and unpaid interest, if any, in the event of certain asset sales. These restrictions and prohibitions are subject to certain qualifications and exceptions.

The indenture governing the 2025 Notes (the "2025 Indenture") contains covenants that, among other things, limit the Company's ability and the ability of any of the guarantor subsidiaries to (i) grant liens on its assets, (ii) make dividend payments, other distributions or other restricted payments, (iii) incur restrictions on the ability of the Guarantor Subsidiaries to pay dividends or make other payments, (iv) enter into sale and leaseback transactions, (v) merge, consolidate, transfer or dispose of substantially all of their assets, (vi) incur additional indebtedness, (vii) use the proceeds from sales of assets, including capital stock of restricted subsidiaries, and (viii) enter into certain transactions with affiliates.

In the six nine months ended September 30, 2023 December 31, 2023, approximately $13,404 in principal amount of the 2025 Notes were used to pay the exercise price for approximately 0.9 million Warrants. In August, the Company executed a 10b5-1 repurchase plan agreement with a third-party (the "Agent") granting the Agent the authority to repurchase on the open market up to $50,000 in principal amount of the 2025 Notes, subject to specific conditions, including daily volume and market prices. Pursuant to this agreement, in the six nine months ended September 30, 2023 December 31, 2023, the Company used approximately $18,445 48,062 to redeem $19,068 50,000 principal amount of the 2025 Notes. The extinguishment gains and losses on these transactions were immaterial. Subsequent to September 30, 2023, the Company has also redeemed totaled approximately $30,700 1,700 in principal amount of the 2025 Notes under this agreement, with approximately $200 in potential future redemptions. .

Financial Instruments Not Recorded at Fair Value

Carrying amounts and the related estimated fair values of the Company's long-term debt not recorded at fair value in the consolidated financial statements are as follows:

September 30, 2023	March 31, 2023		
December 31, 2023		December 31, 2023	March 31, 2023

Carrying Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
$	1,659,097	$ 1,652,467	$ 1,691,782	$ 1,676,879	1,631,152	$ 1,728,754	$ 1,691,782	$ 1,676,879

The fair value of the long-term debt was calculated based on either interest rates available for debt with terms and maturities similar to the Company's existing debt arrangements or broker quotes on the Company's existing debt (Level 2 inputs).

Interest paid on indebtedness during the six nine months ended September 30, 2023 December 31, 2023 and 2022, amounted to $74,218 75,108 and $62,731 89,225, respectively.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on (loss) income from continuing operations, (loss) income from discontinued operations, or net (loss) income divided by the weighted average number of common shares considered outstanding during the periods. The calculation of diluted earnings per share reflects the effect of all potentially dilutive securities (principally outstanding warrants and outstanding restricted stock units). and is based on (loss) income from continuing operations, (loss) income from discontinued operations, or net (loss) income divided by the diluted weighted average number of common shares considered outstanding during the periods. As disclosed in Note 2, the Warrants permitted the tendering of Designated Notes in payment of the exercise price. In computing diluted EPS, earnings per share, the Company applies the if-converted method to the warrants and such warrants are assumed to be exercised and the Designated Notes are assumed to be tendered unless tendering cash would be more advantageous to the warrant holder. Interest (net of tax) on any Designated Notes assumed to be tendered is added back as an adjustment to the numerator. (loss) income from continuing operations numerator as the warrants are transactions related to continuing operations. The (loss) income from continuing operations numerator is also is adjusted for any nondiscretionary adjustments based on income (net of tax) including, for example, warrant remeasurement gains and losses recognized in the period. If cash exercise is more advantageous, the Company applies the treasury stock method to the warrants when calculating diluted EPS.

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diluted earnings per share. The following is a reconciliation between the weighted average outstanding shares used in the calculation of basic and diluted earnings per share:

	Three Months Ended September 30, (in thousands)		Six Months Ended September 30,		Three Months Ended December 31, (in thousands)		Nine Months Ended December 31,	
	2023	2022	2023	2022	2023	2022	2023	2022
Numerator:								
Numerator for basic earnings per share:								
(Loss) income from continuing operations					$(11,911)	$5,512	$(39,930)	$96,582
Effect of Dilutive Securities:								
Warrants					—	(5,730)	—	(5,730)
Numerators for diluted earnings per share:								
(Loss) income from continuing operations available to common stockholders after assumed conversions					$(11,911)	$(218)	$(39,930)	$90,852
(Loss) income from discontinued operations, net of tax					(3,991)	5,440	4,569	10,554

Net (loss) income available to common stockholders after assumed conversions					$(15,902)	$5,222	$(35,361)	$101,406
Denominator:								
Denominator for basic earnings per share								
Weighted average common shares outstanding - basic	76,447	65,036	71,368	64,946	76,895	65,066	73,200	64,969
Net effect of dilutive warrants, stock options and non-vested stock (1)	—	246	—	372				
Effect of Dilutive Securities:								
Warrants					—	3,169	—	1,056
Restricted stock units					—	219	—	321
Dilutive potential common shares					—	3,388	—	1,377
Denominator for basic earnings per share								
Weighted average common shares outstanding - diluted	76,447	65,282	71,368	65,318	76,895	68,454	73,200	66,346
Earnings (loss) per share:								
Basic (loss) earnings per share - continuing operations					$(0.15)	$0.09	$(0.55)	$1.49
Basic (loss) earnings per share - discontinued operations					(0.05)	0.08	0.06	0.16
Basic (loss) earnings per share					$(0.20)	$0.17	$(0.49)	$1.65
Diluted (loss) earnings per share - continuing operations					$(0.15)	$-	$(0.55)	$1.37
Diluted (loss) earnings per share - discontinued operations					(0.05)	0.08	0.06	0.16
Diluted (loss) earnings per share					$(0.20)	$0.08	$(0.49)	$1.53

(1) For the three and six nine months ended September 30, 2023 December 31, 2023, no shares and approximately 11.5 6.2 million shares, respectively, that could potentially dilute earnings per share as a result of warrant exercises in warrants outstanding during the future respective periods were not included in diluted weighted average common shares outstanding because to do so would be anti-dilutive. For the three and six nine months ended September 30, 2023 December 31, 2023 and 2022, the shares that could potentially dilute earnings per share in the future related to stock options and non-vested share-

based compensation that were not included in diluted weighted average common shares outstanding because to do so would have been anti-dilutive were immaterial.

8. INCOME TAXES

The Company follows the *Income Taxes* topic of ASC 740, which prescribes a recognition threshold and measurement attribute criteria for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, as well as guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company's policy is to release the tax effects from accumulated other comprehensive income when all of the related assets or liabilities that gave rise to the accumulated other comprehensive income have been derecognized.

The Company has classified uncertain tax positions as noncurrent income tax liabilities unless expected to be paid in one year. Penalties and tax-related interest expense are reported as a component of income tax expense and are not significant.

As of September 30, 2023 December 31, 2023 and March 31, 2023, the total amount of unrecognized tax benefits was $12,253 12,340 and $12,085, respectively, most of which would impact the effective rate, if recognized. The Company does not anticipate that total unrecognized tax benefits will be reduced in the next 12 months.

As of September 30, 2023 December 31, 2023, the Company has a valuation allowance against principally all of its net deferred tax assets given insufficient positive evidence to support the realization of the Company’s deferred tax assets. The Company intends to continue maintaining a valuation allowance on its deferred tax assets until there is sufficient positive evidence to support the reversal of all or some portion of this allowance. A reduction in the valuation allowance could result in a significant decrease in income tax expense in the period that the release is recorded. However, the exact timing and amount of the reduction in its valuation

allowance is unknown at this time and will be subject to the earnings level the Company achieves during fiscal 2024 and future periods.

The effective income tax rate for the three months ended September 30, 2023 December 31, 2023, was (390.6 9.9)% as compared with 1.6 0.4% for the three months ended September 30, 2022 December 31, 2022. The effective income tax rate for the six nine months ended September 30, 2023 December 31, 2023 was (21.9 9.2%) as compared with 3.5 2.7% for the six nine months ended September 30, 2022 December 31, 2022. For the three and six nine months ended September 30, 2023 December 31, 2023, the effective tax rate in all periods reflected a limitation on the recognition of tax benefits due to the full valuation allowance and tax expense primarily related to foreign operations.

With few exceptions, the Company is no longer subject to U.S. federal, state, or local income tax examinations for fiscal years ended before March 31, 2014, or foreign income tax examinations by tax authorities for fiscal years ended before March 31, 2013. The Company believes appropriate provisions for all outstanding issues have been made for all jurisdictions and all open years.

9. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

The Company sponsors several defined benefit pension plans covering some of its employees. Most employees are ineligible to participate in the plans or have ceased to accrue additional benefits under the plans based upon their service to the Company or years of service accrued under the defined benefit pension plans. Benefits under the defined benefit plans are based on years of service and, for most non-represented employees, on average compensation for certain years. It is the Company's policy to fund at least the minimum amount required for all qualified plans, using actuarial cost methods and assumptions acceptable under U.S. Government regulations (and for non-U.S. plans, acceptable under local regulations), by making payments into a separate trust. The Company contributed 3,200,000 shares of common stock to this separate trust with an aggregate contribution value of approximately $39,136 on the contribution date. As a result of the contribution, the Company expects the approximately $14,700

required cash contribution to its U.S. defined benefit pension plans for the fiscal year ending March 31, 2024, to be reduced to zero, and the excess contribution value will reduce future required cash contributions.

In addition to the defined benefit pension plans, the Company provides certain healthcare benefits for eligible retired employees. Such benefits are unfunded. No active employees are eligible for these benefits. The vast majority of eligible retirees receive a fixed-dollar benefit they can use to purchase healthcare services. A small number of eligible retirees receive traditional retiree medical benefits for which the company pays all premiums. All retirees who are eligible for these traditional benefits are Medicare-eligible. Current plan documents reserve the right to amend or terminate the plans at any time, subject to applicable collective bargaining requirements for represented employees.

In accordance with the *Compensation – Retirement Benefits* topic of ASC 715, the Company has recognized the funded status of the benefit obligation as of the date of the last re-measurement, on the accompanying condensed consolidated balance sheets. The funded status is measured as the difference between the fair value of the plan's assets and the pension benefit obligation or accumulated postretirement benefit obligation, of the plan. In order to recognize the funded status, the Company determined the fair value of the plan assets. The majority of the plan assets are publicly traded investments, which were valued based on the market price as of the date of re-measurement. Investments that are not publicly traded were valued based on the estimated fair value of those investments based on the Company's evaluation of data from fund managers and comparable market data or using the net asset value as a practical expedient.

Net Periodic Benefit Plan Costs

The components of net periodic benefit income for the Company's postretirement benefit plans are shown in the following table:

	Pension Benefits				Pension Benefits			
	Three Months Ended September 30,		Six Months Ended September 30,		Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022	2023	2022	2023	2022
Components of net periodic benefit income:								
Service cost	$ 100	$ 156	$ 200	$ 342	$ 100	$ 169	$ 300	$ 511
Interest cost	20,117	16,290	40,234	32,579	20,117	16,290	60,350	48,869
Expected return on plan assets	(26,252)	(30,313)	(52,504)	(60,647)	(26,252)	(30,326)	(78,754)	(90,973)
Amortization of prior service credits	26	26	51	51	26	26	77	77
Amortization of net loss	7,523	7,725	15,046	15,449	7,523	7,725	22,568	23,174
Net periodic benefit expense (income)	$ 1,514	$ (6,116)	$ 3,027	$ (12,226)	$ 1,514	$ (6,116)	$ 4,541	$ (18,342)

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The Company recognized net periodic benefit income from its other postretirement benefits plan of approximately $4,467 and $4,581 for the six nine months ended September 30, 2023 December 31, 2023 and 2022, respectively.

Triumph Group, Inc.
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10. STOCKHOLDERS' DEFICIT

Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive loss ("AOCI") by component for the three and six nine months ended September 30, 2023 December 31, 2023 and 2022, were as follows:

	Currency Translation Adjustment	Unrealized Gains and Losses on Derivative Instruments	Defined Benefit Pension Plans and Other Postretirement Benefits	Total (1)	Currency Translation Adjustment	Unrealized Gains and Losses on Derivative Instruments	Defined Benefit Pension Plans and Other Postretirement Benefits	Total (1)
June 30, 2023	$ (45,502)	$ 880	$ (501,484)	$ (546,106)				
September 30, 2023					$ (50,662)	$ 22	$ (496,311)	$ (546,951)
Other comprehensive (loss) income before reclassifications	(5,160)	(13)	—	(5,173)	7,021	161	—	7,182
Amounts reclassified from AOCI	—	(845)	5,173 (2)	4,328	—	(80)	5,173 (2)	5,093
Net current period OCI	(5,160)	(858)	5,173	(845)	7,021	81	5,173	12,275
September 30, 2023	$ (50,662)	$ 22	$ (496,311)	$ (546,951)				
December 31, 2023					$ (43,641)	$ 103	$ (491,138)	$ (534,676)
June 30, 2022	$ (58,315)	$ (1,108)	$ (409,828)	$ (469,251)				
September 30, 2022					$ (70,748)	$ (1,481)	$ (404,504)	$ (476,733)

Other comprehensive income before reclassifications	(12,433)	210	—	(12,223)	14,050	2,374	—	16,424
Amounts reclassified from AOCI	—	(583)	5,324 (2)	4,741	—	(222)	5,323 (2)	5,101
Net current period OCI	(12,433)	(373)	5,324	(7,482)	14,050	2,152	5,323	21,525
September 30, 2022	$ (70,748)	$ (1,481)	$ (404,504)	$ (476,733)				
December 31, 2022					$ (56,698)	$ 671	$ (399,181)	$ (455,208)
March 31, 2023	$ (49,206)	$ 1,217	$ (506,657)	$ (554,646)	$ (49,206)	$ 1,217	$ (506,657)	$ (554,646)
Other comprehensive (loss) income before reclassifications	(1,456)	566	—	(890)	5,565	727	—	6,292
Amounts reclassified from AOCI	—	(1,761)	10,346 (2)	8,585	—	(1,841)	15,519 (2)	13,678
Net current period OCI	(1,456)	(1,195)	10,346	7,695	5,565	(1,114)	15,519	19,970
September 30, 2023	$ (50,662)	$ 22	$ (496,311)	$ (546,951)				
December 31, 2023					$ (43,641)	$ 103	$ (491,138)	$ (534,676)
March 31, 2022	$ (47,933)	$ (270)	$ (415,151)	$ (463,354)	$ (47,933)	$ (270)	$ (415,151)	$ (463,354)
Other comprehensive income before reclassifications	(22,815)	(261)	—	(23,076)	(8,765)	2,110	—	(6,655)
Amounts reclassified from AOCI	—	(950)	10,647 (2)	9,697	—	(1,169)	15,970 (2)	14,801
Net current period OCI	(22,815)	(1,211)	10,647	(13,379)	(8,765)	941	15,970	8,146
September 30, 2022	$ (70,748)	$ (1,481)	$ (404,504)	$ (476,733)				
December 31, 2022					$ (56,698)	$ 671	$ (399,181)	$ (455,208)

(1) Net of tax.
(2) Includes amortization of actuarial losses and recognized prior service costs, which are included in net periodic benefit income. Refer to Note 9 for additional disclosure regarding the Company's postretirement benefit plans.

11. SEGMENTS

The Company reports financial performance based on the following two reportable segments: Systems & Support and Interiors. The Company's reportable segments are aligned with how the business is managed, and the Company's views of the markets it serves. The Chief Operating Decision Maker (the "CODM") evaluates performance and allocates resources based upon review of segment information. The CODM utilizes earnings before interest, income taxes, depreciation and amortization, and pension ("Adjusted EBITDAP") as a primary measure of segment profitability to evaluate performance of its segments and allocate resources. Financial information for Systems & Support differs from information reported in prior periods as this reportable segment no longer includes the results of operations of Product Support which have been reclassified for all periods as discontinued operations.

Segment Adjusted EBITDAP is total segment revenue reduced by operating expenses (less depreciation and amortization) identifiable with that segment. Corporate includes general corporate administrative costs and any other costs not identifiable with one of the Company's segments.

The Company does not accumulate net sales information by product or service or groups of similar products and services, and therefore the Company does not disclose net sales by product or service because to do so would be impracticable.

Selected financial information for each reportable segment is as follows:

	Three Months Ended September 30, 2023				Three Months Ended December 31, 2023				
	Total	Corporate & Eliminations	Systems & Support	Interiors	Total	Corporate & Eliminations	Systems & Support	Interiors	Discontinued Operations

Net sales to external customers	$ 354,061	$ —	$ 318,768	$ 35,293	$ 284,955	$ —	$ 240,875	$ 44,080	$ —
Intersegment sales (eliminated in consolidation)	—	(27)	27	—	—	(234)	234	—	—
Segment profit and reconciliation to consolidated income before income taxes:									
Adjusted EBITDAP	58,298	—	61,002	(2,704)	37,899	—	39,439	(1,540)	—
Reconciliation of segment profit to income before income taxes									
Reconciliation of segment profit to loss before income taxes									
Depreciation and amortization	(8,042)	(445)	(6,953)	(644)	(7,383)	(406)	(6,393)	(584)	—
Interest expense and other, net	(35,884)				(32,419)				
Corporate expenses	(11,915)				(10,163)				
Share-based compensation expense	(3,724)				(1,442)				
Gain on sale of assets and businesses	409								

Amortization of acquired contract liabilities	590				800				
Non-service defined benefit income	820				820				
Legal judgment loss	(1,338)								
Debt modification and extinguishment gain	688				1,046				
Warrant remeasurement gain, net	544								
Income before income taxes	446								
Loss from continuing operations before income taxes					$ (10,842)				
Total capital expenditures	$ 4,627	$ 105	$ 3,971	$ 551	$ 5,230	$ 152	$ 3,993	$ 522	$ 563
Total assets	$ 1,673,132	$ 129,716	$ 1,438,290	$ 105,126	$ 1,676,582	$ 145,150	$ 1,247,616	$ 103,174	$ 180,642

	Three Months Ended September 30, 2022				Three Months Ended December 31, 2022				
	Total	Corporate & Eliminations	Systems & Support	Interiors	Total	Corporate & Eliminations	Systems & Support	Interiors	Discontinued Operations

Net sales to external customers	$ 307,600	$ —	$ 274,198	$ 33,402	$ 261,662	$ —	$ 218,078	$ 43,584	$ —
Intersegment sales (eliminated in consolidation	—	(8)	—	8	—	(140)	118	22	—
Segment profit and reconciliation to consolidated income before income taxes:									
Adjusted EBITDAP	56,649	—	50,053	6,596	43,451	—	37,737	5,714	—
Reconciliation of segment profit to income before income taxes									
Depreciation and amortization	(8,685)	(506)	(7,507)	(672)	(7,798)	(514)	(6,593)	(691)	—
Interest expense and other, net	(32,453)				(30,769)				
Corporate expenses	(16,596)				(10,852)				
Share-based compensation expense	(3,952)				(890)				
Gain on sale of assets and businesses	103,883								
Loss on sale of assets and businesses					(720)				
Amortization of acquired contract liabilities	867				442				
Non-service defined benefit income	8,563				8,576				

Income before income taxes	108,276								
Debt extinguishment loss					(1,441)				
Warrant remeasurement gain, net					5,537				
Income from continuing operations before income taxes					$ 5,536				
Total capital expenditures	$ 4,123	$ —	$ 3,707	$ 416	$ 5,107	$ 81	$ 3,014	$ 567	$ 1,445

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	Six Months Ended September 30, 2023				Nine Months Ended December 31, 2023				
	Total	Corporate & Eliminations	Systems & Support	Interiors*	Total	Corporate & Eliminations	Systems & Support	Interiors	Discontinued Operations
Net sales to external customers	$ 681,206	$ —	$ 609,343	$ 71,863	$ 833,456	$ —	$ 717,514	$ 115,942	$ —
Intersegment sales (eliminated in consolidation)	—	(40)	27	13	—	(737)	724	13	—

Segment profit and reconciliation to consolidated income before income taxes:									
Adjusted EBITDAP	108,554	—	113,151	(4,597)	122,601	—	128,738	(6,137)	—
Reconciliation of segment profit to loss before income taxes									
Depreciation and amortization	(16,160)	(940)	(13,893)	(1,327)	(22,062)	(1,346)	(18,805)	(1,911)	—
Interest expense and other, net	(74,533)				(94,354)				
Corporate expenses	(28,365)				(38,528)				
Share-based compensation expense	(7,346)				(8,788)				
Loss on sale of assets and businesses	(12,208)				(12,208)				
Amortization of acquired contract liabilities	1,165				1,965				
Non-service defined benefit income	1,640				2,460				
Legal judgment loss	(1,338)				(1,338)				
Debt extinguishment gain	4,079				5,125				
Warrant remeasurement gain, net	8,545				8,545				

Loss before income taxes	(15,967)								
Loss from continuing operations before income taxes					$ (36,582)				
Total capital expenditures	$ 11,028	$ 1,937	$ 8,032	$ 1,059	$ 16,258	$ 2,089	$ 11,201	$ 1,581	$ 1,387

	Six Months Ended September 30, 2022				Nine Months Ended December 31, 2022				
	Total	Corporate & Eliminations	Systems & Support	Interiors*	Total	Corporate & Eliminations	Systems & Support	Interiors	Discontinued Operations
Net sales to external customers	$ 656,984	$ —	$ 528,841	$ 128,143	$ 805,104	$ —	$ 633,377	$ 171,727	$ —
Intersegment sales (eliminated in consolidation)	—	(20)	—	20	—	(343)	301	42	—
Segment profit and reconciliation to consolidated income before income taxes:									
Adjusted EBITDAP	113,378	—	90,202	23,176	137,171	—	108,281	28,890	—
Reconciliation of segment profit to income before income taxes									

Depreciation and amortization	(18,491)	(1,095)	(15,028)	(2,368)	(24,473)	(1,609)	(19,805)	(3,059)	—
Interest expense and other, net	(64,365)				(83,262)				
Corporate expenses	(30,545)				(41,396)				
Share-based compensation expense	(5,530)				(6,420)				
Gain on sale of assets and businesses	103,883				103,163				
Amortization of acquired contract liabilities	1,390				1,832				
Non-service defined benefit income	17,149				25,725				
Consideration payable to customer related to divestiture	(17,185)				(17,185)				
Income before income taxes	99,684								
Debt extinguishment loss					(1,441)				
Warrant remeasurement gain, net					5,537				
Income from continuing operations before income taxes					$ 99,251				

(Dollars in thousands, except per share data)

Total capital expenditures	7, 16 $ 7	10 $ 9	6,5 $ 86	47 $ 2	$ 12,274	$ 190	$ 8,386	$ 1,038	$ 2,660

During the three months ended September 30, 2023 and 2022, the Company had foreign sales of $89,901 and $73,304, respectively. During the six months ended September 30, 2023 and 2022, the Company had foreign sales of $168,814 and $143,408, respectively.

12. COMMITMENTS AND CONTINGENCIES

Environmental Matters

Certain of the Company's business current or former operations and facilities are subject to a number of federal, state, local and foreign environmental laws and regulations. In August 2023, a panel of three arbitrators made an interim decision in an ongoing arbitration between Triumph Aerostructures, LLC (“TAS”), a wholly owned subsidiary of the Company, and Northrop Grumman Systems Corporation (“Northrop”) related to ongoing responsibility for environmental remediation costs at four formerly occupied properties that had been previously operated by Northrop. Although the interim decision indicated that TAS would have certain ongoing responsibility for remediation at the properties, given the ongoing nature of the dispute and unresolved claims for damages and counterclaims, it is not possible to reasonably estimate the extent of TAS’s economic responsibility as it pertains to three of the properties. Approximately $1,300 has been accrued as a legal judgment loss and is management's best estimate of the remediation costs at the remaining fourth property. Further hearing on the matter is anticipated to occur in the second half of fiscal 2024. TAS intends to vigorously defend itself in this matter, including potentially seeking to set aside any adverse decision from the arbitration panel. While the Company currently expects that the final resolution of this matter will not have a material effect on its results from operations and cash flows, the assessment is subjective and requires the exercise of judgment, and the ultimate impact on operations could be in the range of a loss of up to $27,000, with such loss resulting in annual cash expenditures not likely to exceed $1,000 to $2,000 in a given year.

Commercial Disputes and Litigation

Throughout the course of the Company’s programs, disputes with suppliers or customers could arise regarding unique contractual requirements, quality, costs or impacts to production schedules. If the Company is unable to successfully and equitably resolve such claims and assertions, its business, financial condition, results of operations, customer relationships and related transactions could be materially adversely affected.

In the ordinary course of business, the Company is involved in disputes, claims and lawsuits with employees, suppliers and customers, as well as governmental and regulatory inquiries, that it deems to be immaterial. Some may involve claims or potential claims of substantial damages, fines, penalties or injunctive relief. While the Company cannot predict the outcome of any pending or future litigation or proceeding and no assurances can be given, the Company does not believe that any pending matter will have a material effect, individually or in the aggregate, on its financial position or results of operations.

Divestitures, Disposals, Guarantees, and Indemnifications

As disclosed in Note 3, we have engaged in a number of divestitures. In connection with divestitures and related transactions, the Company from time to time has indemnified and has been indemnified by third parties against certain liabilities that may arise in connection with, among other things, business activities prior to the completion of the respective transactions. The term of these indemnifications, which typically pertain to environmental, tax and product liabilities, is generally indefinite. As of September 30, 2023 December 31, 2023, no indemnification assets or liabilities have been recorded.

As it relates to certain divestitures, disputes have arisen or may continue to arise between the Company and the acquirer subsequent to the completion and closing of the divestiture transaction. Such disputes have included or may include amounts payable to or from the buyer for closing working capital adjustments to the purchase price as well as claims regarding alleged violations of contractual terms, representations, and warranties of the sale agreements, among other matters. The outcome of such disputes typically involve negotiations between the Company and the acquirer, but could also lead to litigation between the parties, including as disclosed further below, and the ultimate claims made by the parties against each other could be material. As of September 30, 2023 December 31, 2023, we have accrued for our estimate of probable losses associated with such disputes, but losses in excess of those currently accrued could be incurred and may be material.

The Company has received notification of claims which allege certain bases for indemnification and damages relating to certain divestitures, including a May 17, 2023, letter relating to the sale of the Stuart facility. divestitures. The relevant agreements generally contain limits on certain damages that may be payable under the relevant agreements. For example, the divestiture agreement relating to the sale of the Stuart facility contains an $18,750 general cap on breaches of representations (other than certain specified representations) and a $25,000 cap on breaches of certain specified representations related to contracts and product warranties, in each case absent certain circumstances, including fraud or breaches of fundamental or tax representations. As disclosed in Note 3, on June 16, 2023, the Company entered into a settlement agreement with the buyer of the Stuart facility resolving a working capital dispute with the buyer resulting in an amount of $2,400 payable to the Company and resolving claims by the buyer related to the accounts payable representation and warranty under the purchase agreement resulting in an amount of $9,200 payable to the buyer, with such amount applicable to the general cap referred to above. The amounts were settled on a net basis by the Company paying $6,800 to the buyer. Other claims for indemnification with the Buyer The purchaser of the Stuart facility remain outstanding. also commenced litigation against the Company on December 12, 2023, seeking additional indemnification for damages claimed to be approximately $130,000 for losses allegedly arising from the knowing breach of certain representations and warranties regarding the financial condition of TAS and the products manufactured by TAS and alleged failures to disclose known and widespread paint issues and certain supplier and production issues at the facility prior to the closing. While the Company cannot predict the outcome of any pending or future litigation, proceeding, or claim and no assurances can be given, the Company intends to vigorously defend claims brought against it and does not believe that any pending matter will have a material effect, individually or in the aggregate, on its financial position or

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results of operations. If the Company is unable to successfully and equitably resolve such claims and assertions, its business, financial condition, and results of operations could be materially adversely affected.

Additionally, in connection with certain divestitures, the Company has obtained customer consent to assign specified long-term contracts to the acquirer of the divested business by entering into consent-to-assignment agreements among the customer, the acquirer, and the Company. Pursuant to certain of these agreements, the Company remains a co-obligor under the contract pursuant to guarantee agreements with the customer that predate the divestiture transaction. The term of these obligations typically covers a period of 2 to 5 years from the date of divestiture. There is no limitation to the maximum potential future liabilities under these contracts; however, the Company is typically indemnified by acquirers against such losses that may arise from the acquirers' failure to perform under the assigned contracts. As of September 30, 2023 December 31, 2023, no related indemnification assets or liabilities or guarantee liabilities have been recorded, and the Company has not been called upon to act as co-obligor under such arrangements through that date. Also, in connection with certain divestitures, the Company has assigned lease facility agreements to the acquirers and entered into agreements to act as a co-obligor under the lease agreement in the event of non-performance under the lease by the assignee. The Company is generally indemnified by the assignee or other third party to the transaction. On May 2, 2023, the Company received a letter from a lessor associated with one such transaction to assert the lessor's rights against the Company as guarantor. The lease payment associated with the lease is approximately $130 per month over a lease term ending December 31, 2031, although the landlord has acknowledged its duty to mitigate damages by re-leasing the property. The Company expects to be fully indemnified for any amounts payable under such guarantee.

As the Company has completed the disposal of certain facilities, it may be exposed to additional costs such as environmental remediation obligations, lease termination costs, or customer or supplier claims which may have a material effect on its financial position or results of operations when such matters arise and a reasonable estimate of the costs can be made. For example, in the year ended March 31, 2023, the Company withdrew from the IAM National Pension Fund (the "Fund), which is a multiemployer pension plan to which the Company previously contributed on behalf of certain of its represented employees. Such withdrawal occurred as part of the Company's exit of its Spokane, Washington, composites manufacturing operations. In April 2023, the Company received a letter from the Fund confirming the Company's complete withdrawal from the Fund and indicating that the Company’s portion of the unfunded vested benefits (the “Withdrawal Liability”) was estimated to be approximately $14,644, payable in quarterly installments of approximately $400 over a period of approximately thirteen years. The Withdrawal Liability is subject to further adjustment based on the finalization of the Fund’s actuarial valuation for the plan year ending December 31, 2021, (i.e., the applicable plan year preceding the date of the Company’s withdrawal). As of September 30, 2023 December 31, 2023, the Company's liability for this obligation is included on the accompanying condensed consolidated balance sheets is approximately $13,825 13,415, representing its estimate of the remaining obligation based on the letter received from the Fund. The Company is in the process of reviewing and responding to the withdrawal liability assessment, and it is possible the Withdrawal Liability could be reduced during that process.

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Management's Discussion and Analysis of
Financial Condition and Results of Operations

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto contained elsewhere herein.

OVERVIEW

Business

We are a major supplier to the aerospace industry and have two reportable segments: (i) Systems & Support, whose companies’ revenues are derived from integrated solutions, including design, development and support of proprietary components, subsystems and systems, production of complex assemblies using external designs, as well as full life cycle solutions for commercial, regional, and military aircraft; designs; and (ii) Interiors, whose companies' revenues are primarily derived from supplying commercial and regional manufacturers with thermo-acoustic insulation, composite components, ducting and primarily to customer designs and model-based definition.

Discontinued Operations

As disclosed in Note 3, in December 2023 the Company entered into a definitive agreement with AAR Corp. (“AAR”) , to sell Systems & Support's maintenance, repair, and overhaul operations located in Wellington, Kansas; Grand Prairie, Texas; San Antonio, Texas; Hot Springs, Arkansas; and Chonburi, Thailand (“Product Support”). As a result of this agreement, effective in the third quarter of fiscal 2024, the Company has classified the Product Support results of operations for all periods presented as a discontinued operations, and has classified the assets and liabilities of the disposal group as held for sale, and these operations are no longer reported as part of the Systems & Support reportable segment. As a result, and unless specifically stated, all discussions regarding results for the three and nine months ended December 31, 2023 and 2022, reflect results from our continuing operations.

Loss from discontinued operations in the three months ended December 31, 2023, was approximately $4.0 million as compared with income from discontinued operations in the three months ended December 31, 2022, of approximately $5.4 million. Income from discontinued operations in the nine months ended December 31, 2023, was approximately $4.6 million as compared with income from discontinued operations in the nine months ended December 31, 2022, of approximately $10.6 million. This decrease was primarily driven by approximately $3.7 million in divestiture-related third party consulting costs, $1.8 million in increased tax expense resulting from the expected repatriation of cash held by our Thailand subsidiary prior to the closing of the transaction, increased depreciation expense of $1.4 million as a result of adjustments due to the pending sale, and higher interest expense allocated from parent company debt, partially offset by increased earnings on higher sales due to the continued recovery of the Commercial MRO market from the COVID-19 pandemic.

Under the terms of the purchase agreement, we will continue to guarantee the performance of certain of the divested legal entities pursuant to pre-existing performance guarantee agreements covering existing contracts with specific customers that are expected to be fully satisfied within the next twelve months. There is no limitation to the maximum potential future liabilities under these guarantee agreements; however, we are fully indemnified by the buyer, AAR, against such losses that may arise from their failure to perform under the related contracts. As of December 31, 2023, no indemnification assets or liabilities or guarantee liabilities have been recognized nor are any expected to be recognized at or subsequent to the closing of this divestiture.

Other Divestitures

As Additionally and as disclosed in Note 3, in July 2022, we completed the sale of our manufacturing operations located in Stuart, Florida, and recognized a gain in the second quarter of fiscal 2023. The Stuart operations specialized in the assembly of large, complex metallic structures such as wing and fuselage assemblies. As a result of the completion of this sale, we have exited our structures business and reshaped our portfolio of companies to consist primarily of businesses providing systems and aftermarket services. The operating results associated with the Stuart operations are included within Interiors through the date of divestiture.

Summary of Significant Financial Results

Significant financial results for the second third quarter of the fiscal year ending March 31, 2024, include:

- Net sales were $354.1 million $285.0 million compared with $307.6 million $261.7 million for the prior year period.
- Operating income was $34.3 million $19.7 million compared with $132.2 million $23.6 million for the prior year period.
- Net loss Loss from continuing operations was $1.3 million $11.9 million, or ($0.02) 0.15), per diluted common share, compared with net income from continuing operations of $106.5 million, or $1.63 $5.5 million and $0.09 per diluted commo share, for the prior year period.
- Net loss, including loss from discontinued operations, was $15.9 million, or ($0.20) per diluted common share, compared with net income, including income from discontinued operations, of $11.0 million, or $0.17 per diluted common share, for tl prior year period.

- Backlog as of September 30, 2023 December 31, 2023, was $1.82 billion $1.87 billion of which, we estimate that approximately $1.14 billion $1.16 billion will be shipped by September 30, 2024 December 31, 2024.
- We used $95.9 million $68.3 million of cash in operating activities for the six nine months ended September 30, 2023 December 31, 2023, as compared with cash used in operations of $112.4 million $112.3 million in the comparable pri year period.

Aviation Manufacturing Jobs Protection Program

In November 2021, we entered into an agreement with the Department of Transportation ("DOT") under the Aviation Manufacturing Jobs Protection Program ("AMJP"). We received total proceeds under this program of $19.4 million, of which approximately $8.8 million was received in the three months ended June 30, 2022. In July 2022, we received a letter from the DOT confirming that we had satisfied the reporting requirements under the AMJP. In the six nine months ended September 30, 2022 December 31, 2022, we recognized approximately $5.3 million $4.8 million of the grant benefit as a reduction in cost of sales.

Warrants Distribution

As disclosed in Note 2, on December 19, 2022, we issued approximately 19.5 million Warrants to holders of record of common stock as of the Record Date. Each Warrant represented the right to purchase initially one share of common stock at an exercise price of $12.35 per Warrant. Payment for shares of common stock on exercise of Warrants could have been made in (i) cash or (ii) under certain circumstances, Designated Notes (as defined in Note 2). Approximately 8.1 million warrants have been exercised since the date of the Warrants initial distribution on December 19, 2022, through July 6, 2023. In the six nine months ended September 30, 2023 December 31, 2023, approximately 7.7 million warrants were exercised for total cash proceeds, net of transaction costs, of approximately $80.0 million. On July 6, 2023, the Company redeemed all of the approximately 11.4 million outstanding Warrants for a total redemption price of less than $0.1 million. In total, as a result of the Warrant exercises, from the date of issuance on December 19, 2022, through redemption on July 6, 2023, the Company increased its cash by approximately $84.1 million and reduced debt by approximately $14.4 million.

Significant Developments in Key Programs

Discussion of significant developments on key programs is included below.

Boeing 737

The Boeing 737 program represented approximately 13% 14% and 10% of revenue for the six nine months ended September 30, 2023 December 31, 2023 and 2022, respectively, inclusive of both OEM production and aftermarket sales. Of the total revenue recognized on the 737 program, OEM production revenue represented approximately 71% 89% and 67% 90% for the six nine months ended September 30, 2023 December 31, 2023 and 2022, respectively. In October 2023, January 2024 , Boeing publicly disclosed that it expects the 737 program to transition production to rate had reached 38 per month by December 31, 2023, and plans to reach 50 per month in the 2025/2026 timeframe. month.

Boeing 767

Approximately 7% 6% of our revenue in the six nine months ended September 30, 2022 December 31, 2022, was generated by 767 production from our Stuart, Florida, operations, which, as disclosed above, was sold as of July 1, 2022. The impact of 767 production on our operating income was not significant.

None of the programs noted above individually are expected to have a material impact on our consolidated results of operations.

RESULTS OF OPERATIONS

The following includes a discussion of our consolidated and business segment results of operations. Our diverse structure and customer base do not provide for precise comparisons of the impact of price and volume changes to our results. However, we have disclosed the significant variances between the respective periods.

Non-GAAP Financial Measures

We prepare and publicly release annual audited and quarterly unaudited financial statements prepared in accordance with U.S. GAAP. In accordance with Securities and Exchange Commission (the "SEC") rules, we also disclose and discuss certain non-GAAP financial measures in our public filings and earning releases. Currently, the non-GAAP financial measures that we disclose are Adjusted EBITDA, which is our net (loss) income from continuing operations before interest and gains or losses on debt modification and extinguishment, income taxes, amortization of acquired contract liabilities, costs incurred pertaining to shareholder cooperation agreements, consideration payable to customer related to divestitures, legal judgments and settlements, gains/loss on divestitures, gains/losses on warrant remeasurements and warrant-related transaction costs, share-based compensation expense, depreciation and amortization (including impairment of long-lived assets), other non-recurring impairments, and the effects of certain pension charges such as curtailments, settlements, withdrawals, and other early retirement incentives; and Adjusted EBITDAP, which is Adjusted EBITDA, before pension expense or benefit (excluding pension charges already adjusted in Adjusted EBITDA). We disclose Adjusted EBITDA on a consolidated and Adjusted EBITDAP on a consolidated and a reportable segment basis in our earnings releases, investor conference calls and filings with the SEC. The non-GAAP financial measures that we use may not be comparable to similarly titled measures reported by other companies. Also, in the future, we may disclose different non-GAAP financial measures in order to help our investors more meaningfully evaluate and compare our future results of operations with our previously reported results of operations.

We view Adjusted EBITDA and Adjusted EBITDAP as operating performance measures and, as such, we believe that the U.S. GAAP financial measure most directly comparable to such measures is net (loss) income. income from continuing operations. In calculating Adjusted EBITDA and Adjusted EBITDAP, we exclude from net (loss) income from continuing operations the financial items that we believe should be separately identified to provide additional analysis of the financial components of the day-to-day operation of our continuing business. We have outlined below the type and scope of these exclusions and the material limitations on the use of these non-GAAP financial measures as a result of these exclusions. Adjusted EBITDA and Adjusted EBITDAP are not measurements of financial performance under U.S. GAAP and should not be considered as a measure of liquidity, as an alternative to net (loss) income from continuing operations, or as an indicator of any other measure of performance derived in accordance with U.S. GAAP. Investors and potential investors in our securities should not rely on Adjusted EBITDA or Adjusted EBITDAP as a substitute for any U.S. GAAP financial measure, including net (loss) income. income from continuing operations. In addition, we urge investors and potential investors in our securities to carefully review the reconciliation of Adjusted EBITDA and Adjusted EBITDAP to net (loss) income from continuing operations set forth below, in our earnings releases, and in other filings with the SEC and to carefully review the U.S. GAAP financial information included as part of our Quarterly Reports on Form 10-Q and our Annual Reports on Form 10-K that are filed with the SEC, as well as our quarterly earnings releases, and compare the U.S. GAAP financial information with our Adjusted EBITDA and Adjusted EBITDAP.

Adjusted EBITDA and Adjusted EBITDAP are used by management to internally measure our operating and management performance and by investors as a supplemental financial measure to evaluate the performance of our business that, when viewed with our U.S. GAAP results and the accompanying reconciliation, we believe provides additional information that is useful to gain an understanding of the factors and trends affecting our business. We have spent more than 20 years expanding our product and service capabilities, partially through acquisitions of complementary businesses. Due to the expansion of our

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product and service capabilities, partially through acquisitions of complementary businesses. Due to the expansion of our operations, which included acquisitions, our net (loss) income from continuing operations has included significant charges for depreciation and amortization. Adjusted EBITDA and Adjusted EBITDAP exclude these charges and provide meaningful information about the operating performance of our business, apart from charges for depreciation and amortization. We believe the disclosure of Adjusted EBITDA and Adjusted EBITDAP helps investors meaningfully evaluate and compare our performance from quarter to quarter and from year to year. We also believe Adjusted EBITDA and Adjusted EBITDAP are measures of our ongoing operating performance because the isolation of noncash charges, such as depreciation and amortization, and nonoperating items, such as interest, income taxes, pension and other postretirement benefits, provides additional information about our cost structure and, over time, helps track our operating progress. In addition, investors, securities analysts, and others have regularly relied on Adjusted EBITDA and Adjusted EBITDAP to provide financial measures by which to compare our operating performance against that of other companies in our industry.

Set forth below are descriptions of the financial items that have been excluded from our net (loss) income from continuing operations to calculate Adjusted EBITDA and Adjusted EBITDAP and the material limitations associated with using these non-GAAP financial measures as compared with net (loss) income from continuing operations:

- Gains or losses from sale of assets and businesses may be useful for investors to consider because they reflect gains losses from sale of operating units or other assets. We do not believe these earnings necessarily reflect the current and ongoing cash earnings related to our operations.

- Warrants remeasurement gains or losses and warrant-related transaction costs may be useful for investors to consider because they reflect the mark-to-market changes in the fair value of our warrants and the costs associated with warrant issuance. We do not believe these earnings necessarily reflect the current and ongoing cash earnings related to our operations.
- Consideration payable to a customer related to a divestiture may be useful for investors to consider because it reflects consideration paid to facilitate the ultimate sale of operating units. We do not believe these charges necessarily reflect the current and ongoing cash earnings related to our operations.
- Shareholder cooperation expenses may be useful for investors to consider because they represent certain costs that may be incurred periodically when reaching cooperative agreements with shareholders. We do not believe these charges necessarily reflect the current and ongoing cash earnings related to our operations.
- Legal judgments and settlements, when applicable, may be useful for investors to consider because it reflects gains or losses from disputes with third parties. We do not believe these earnings necessarily reflect the current and ongoing cash earnings related to our operations.
- Non-service defined benefit income or expense from our pension and other postretirement benefit plans (inclusive of certain pension related transactions such as curtailments, settlements, withdrawals, and early retirement or other incentives) may be useful for investors to consider because they represent the cost of postretirement benefits to plan participants, net of the assumption of returns on the plan's assets and are not indicative of the cash paid for such benefits. We do not believe these earnings necessarily reflect the current and ongoing cash earnings related to our operations.
- Amortization of acquired contract liabilities may be useful for investors to consider because it represents the noncash earnings on the fair value of off-market contracts acquired through acquisitions. We do not believe these earnings necessarily reflect the current and ongoing cash earnings related to our operations.
- Amortization expense and nonrecurring asset impairments (including goodwill, intangible asset impairments, and nonrecurring rotable inventory impairments) may be useful for investors to consider because it represents the estimated attrition of our acquired customer base and the diminishing value of trade names, product rights, licenses, or, in the case of goodwill, other assets that are not individually identified and separately recognized under U.S. GAAP, or, in the case of nonrecurring asset impairments, the impact of unusual and nonrecurring events affecting the estimated recoverability of existing assets. We do not believe these charges necessarily reflect the current and ongoing cash charges related to our operating cost structure.
- Depreciation may be useful for investors to consider because it generally represents the wear and tear on our property and equipment used in our operations. We do not believe these charges necessarily reflect the current and ongoing cash charges related to our operating cost structure.

- Share-based compensation may be useful for investors to consider because it represents a portion of the total

compensation to management and the board of directors. We do not believe these charges necessarily reflect the curre
and ongoing cash charges related to our operating cost structure.

- The amount of interest expense and other, as well as debt modification and extinguishment gains or losses, we incur m be useful for investors to consider and may result in current cash inflows or outflows. However, we do not consider the amount of interest expense and other and debt extinguishment gains or losses to be a representative component of the day-to-day operating performance of our business.
- Income tax expense may be useful for investors to consider because it generally represents the taxes which may be payable for the period and the change in deferred income taxes during the period and may reduce the amount of funds otherwise available for use in our business. However, we do not consider the amount of income tax expense to be a representative component of the day-to-day operating performance of our business.

Management compensates for the above-described limitations of using non-GAAP measures by using a non-GAAP measure only to supplement our GAAP results and to provide additional information that is useful to gain an understanding of the factors and trends affecting our business.

The following table shows our Adjusted EBITDA and Adjusted EBITDAP reconciled to our net (loss) income from continuing operations for the indicated periods (in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,		Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022	2023	2022	2023	2022
Net (loss) income (U.S. GAAP measure)	$ (1,296)	$ 106,526	$ (19,459)	$ 96,184				
(Loss) income from continuing operations (U.S. GAAP measure)					$ (11,911)	$ 5,512	$ (39,930)	$ 96,582
Income tax expense	1,742	1,750	3,492	3,500	1,069	24	3,348	2,669
Interest expense and other	35,884	32,453	74,533	64,365	32,419	30,769	94,354	83,262
Debt modification and extinguishment gain	(688)	—	(4,079)	—				
Debt modification and extinguishment (gain) loss					(1,046)	1,441	(5,125)	1,441
Warrant remeasurement gain, net	(544)	—	(8,545)	—	—	(5,537)	(8,545)	(5,537)

Legal judgment loss	1,338	—	1,338	—	—	—	1,338	—
Consideration payable to customer related to divestiture	—	—	—	17,185	—	—	—	17,185
Shareholder cooperation expenses	—	—	1,905	—	—	—	1,905	—
(Gain) loss on sale of assets and businesses, net	(409)	(103,883)	12,208	(103,883)				
Loss (gain) on sale of assets and businesses, net					—	720	12,208	(103,163)
Share-based compensation	3,724	3,952	7,346	5,530	1,442	890	8,788	6,420
Amortization of acquired contract liabilities	(590)	(867)	(1,165)	(1,390)	(800)	(442)	(1,965)	(1,832)
Depreciation and amortization	8,042	8,685	16,160	18,491	7,383	7,798	22,062	24,473
Adjusted EBITDA (non-GAAP measure)	$ 47,203	$ 48,616	$ 83,734	$ 99,982	$ 28,556	$ 41,175	$ 88,438	$ 121,500
Non-service defined benefit income (excluding pension related charges)	(820)	(8,563)	(1,640)	(17,149)	(820)	(8,576)	(2,460)	(25,725)
Adjusted EBITDAP (non-GAAP measure)	$ 46,383	$ 40,053	$ 82,094	$ 82,833	$ 27,736	$ 32,599	$ 85,978	$ 95,775

The following tables show our Adjusted EBITDAP by reportable segment reconciled to our operating income (loss) for the indicated periods (in thousands):

	Three Months Ended September 30, 2023				Three Months Ended December 31, 2023			
	Total	Systems & Support	Interiors	Corporate/ Eliminations	Total	Systems & Support	Interiors	Corporate/ Eliminations
Operating income (loss)	$ 34,278	$ 54,639	$ (3,348)	$ (17,013)	$ 19,711	$ 33,846	$ (2,124)	$ (12,011)
Gain on sale of assets and businesses	(409)	—	—	(409)				
Legal judgment loss	1,338	—	—	1,338				

Share-based compensation	3,724	—	—	3,724	1,442	—	—	1,442
Amortization of acquired contract liabilities	(590)	(590)	—	—	(800)	(800)	—	—
Depreciation and amortization	8,042	6,953	644	445	7,383	6,393	584	406
Adjusted EBITDAP	$ 46,383	$ 61,002	$ (2,704)	$ (11,915)				
Adjusted EBITDAP from continuing operations					$ 27,736	$ 39,439	$ (1,540)	$ (10,163)

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	Three Months Ended September 30, 2022				Three Months Ended December 31, 2022			
	Total	Systems & Support	Interiors	Corporate/ Eliminations	Total	Systems & Support	Interiors	Corporate/ Eliminations
Operating income	$ 132,166	$ 43,413	$ 5,924	$ 82,829				
Gain on sale of assets and businesses	(103,883)	—	—	(103,883)				
Operating income (loss)					$ 23,633	$ 31,586	$ 5,022	$ (12,975)
Loss on sale of assets and businesses					720	—	—	720
Share-based compensation	3,952	—	—	3,952	890	—	—	890
Amortization of acquired contract liabilities	(867)	(867)	—	—	(442)	(442)	—	—

Depreciation and amortization	8,685	7,507	672	506	7,798	6,593	691	514
Adjusted EBITDAP	$ 40,053	$ 50,053	$ 6,596	$ (16,596)	$ 32,599	$ 37,737	$ 5,713	$ (10,851)

	Six Months Ended September 30, 2023				Nine Months Ended December 31, 2023			
	Total	Systems & Support	Interiors	Corporate/ Eliminations	Total	Systems & Support	Interiors	Corporate/ Eliminations
Operating income (loss)	$ 44,302	$ 100,423	$ (5,924)	$ (50,197)	$ 41,642	$ 111,898	$ (8,048)	$ (62,208)
Loss on sale of assets and businesses	12,208	—	—	12,208	12,208	—	—	12,208
Legal judgment loss	1,338	—	—	1,338	1,338	—	—	1,338
Shareholder cooperation expenses	1,905	—	—	1,905	1,905	—	—	1,905
Share-based compensation	7,346	—	—	7,346	8,788	—	—	8,788
Amortization of acquired contract liabilities	(1,165)	(1,165)	—	—	(1,965)	(1,965)	—	—
Depreciation and amortization	16,160	13,893	1,327	940	22,062	18,805	1,911	1,346
Adjusted EBITDAP	$ 82,094	$ 113,151	$ (4,597)	$ (26,460)	$ 85,978	$ 128,738	$ (6,137)	$ (36,623)

	Six Months Ended September 30, 2022				Nine Months Ended December 31, 2022			
	Total	Systems & Support	Interiors	Corporate/ Eliminations	Total	Systems & Support	Interiors	Corporate/ Eliminations
Operating income	$ 146,900	$ 76,564	$ 3,623	$ 66,713	$ 152,692	$ 90,308	$ 8,645	$ 53,739
Gain on sale of assets and businesses	(103,883)	—	—	(103,883)	(103,163)	—	—	(103,163)

Consideration payable to customer related to divestiture	17,185	—	17,185	—	17,185	—	17,185	—
Share-based compensation	5,530	—	—	5,530	6,420	—	—	6,420
Amortization of acquired contract liabilities	(1,390)	(1,390)	—	—	(1,832)	(1,832)	—	—
Depreciation and amortization	18,491	15,028	2,368	1,095	24,473	19,805	3,059	1,609
Adjusted EBITDAP	$ 82,833	$ 90,202	$ 23,176	$ (30,545)	$ 95,775	$ 108,281	$ 28,889	$ (41,395)

The fluctuations from period to period within the amounts of the components of the reconciliations above are discussed further below within Results of Operations.

Three months ended September 30, 2023 December 31, 2023, compared with three months ended September 30, 2022 December 31, 2022

	Three months ended September 30,		Three months ended December 31,	
(In thousands)	2023	2022	2023	2022
Commercial OEM	$ 130,980	$ 127,846	$ 142,256	$ 119,967
Military OEM	61,058	61,423	61,149	61,705
Total OEM Revenue	192,038	189,269	203,405	181,672
Commercial Aftermarket	96,443	65,078	35,089	30,922
Military Aftermarket	55,756	44,960	38,328	39,093
Total Aftermarket Revenue	152,199	110,038	73,417	70,015
Non-Aviation Revenue	9,234	7,426	7,333	9,533
Amortization of acquired contract liabilities	590	867	800	442
Total Net Sales	$ 354,061	$ 307,600	$ 284,955	$ 261,662

Excluding impacts from divestitures and exited or sunsetting programs, organic Commercial OEM sales increased $30.7 million, or 27.5%, primarily on production volumes on Boeing 737 and 787 programs.

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Excluding impacts from divestitures and exited or sunsetting programs, organic Commercial Military OEM sales increased $5.6 million, or 4.5%, primarily decreased from the prior year as decreased sales on production volumes on Boeing 787 and 737 programs, military rotorcraft were partially offset by a nonrecurring intellectual property transaction recognized in the prior year period of approximately $15.9 million.

Military OEM sales were consistent with the prior year quarter due to stable demand. increased volume on other military programs, including fixed wing platforms.

Aftermarket sales include both repair and overhaul services as well as the sales of spare parts. Commercial Aftermarket sales increased $31.4 million $4.2 million, or 48.2% 13.5%, driven by the continued improvement in overall air travel metrics, favorably impacting both repair and overhaul services and spare part sales on an equal basis. sales. The impacts from divestitures and exited or sunsetting programs on Commercial aftermarket sales was not significant.

Military aftermarket sales increased $10.8 million decreased $0.8 million, or 24.0% 2.0%, all of which was organic, driven by increased primarily on reduced repair and overhaul sales across several fixed wing platforms and increased repairs on rotorcraft platforms. the UH-60 platform.

	Three months ended September 30, 2023	Three months ended September 30, 2022	Three months ended December 31, 2023	Three months ended December 31, 2022
Segment operating income	$ 51,291	$ 49,337	$ 31,722	$ 36,608
Corporate (expense) income	(17,013)	82,829	(12,011)	(12,975)
Total operating income	34,278	132,166	19,711	23,633
Non-service defined benefit plan income	(820)	(8,563)	(820)	(8,576)
Interest expense & other	35,884	32,453	32,419	30,769
Debt modification and extinguishment gain	(688)	—		
Debt extinguishment (gain) loss			(1,046)	1,441
Warrant remeasurement gain	(544)	—	-	(5,537)
Income tax expense	1,742	1,750	1,069	24
Net (loss) income	$ (1,296)	$ 106,526		
(Loss) income from continuing operations			$ (11,911)	$ 5,512

Segment Operating Income

Segment operating income increased $2.0 million decreased $4.9 million, or 4.0% 13.3%. Excluding impacts from divestitures and exited or sunsetting programs, organic segment operating income increased $9.5 million decreased $2.5 million, or 22.7% 7.3%, driven primarily by increased volumes disclosed above as well as a $4.0 million reduction an increase of approximately $2.5 million in general and administrative human capital costs and approximately $2.3 million in costs recognized related to estimated retained environmental remediation obligations associated with divested manufacturing operations located in Nashville, Tennessee, partially offset by the impact of the nonrecurring intellectual property transaction disclosed increased sales volume described above.

Cost of OEM Sales increase primarily due to increased volumes disclosed above. Excluding impacts from divestitures and exited or sunsetting programs, organic gross profit margin percentage on OEM sales decreased to 12.9% for the three months ended September 30, 2023 from 24.8% for the three months ended September 30, 2022 due to inflationary increases in labor and material costs, including unfavorable foreign exchange effects from a strong Mexican peso, and the margin benefit of the nonrecurring intellectual property transaction disclosed above that was recognized in the prior year period.

Cost of Aftermarket sales increased primarily due to the increased Commercial Aftermarket sales noted above. Gross profit margin on Aftermarket sales increased to 38.8% for the three months ended September 30, 2023 from 31.1% for the three months ended September 30, 2022. This increase was driven by increased volumes and related efficiencies, as well as increases in prices for repair and overhaul services. The impacts from divestitures and exited or sunsetting programs on aftermarket cost of sales and profit margin was not significant.

Consolidated gross profit margin decreased to 26.2% 24.6% for the three months ended September 30, 2023 December 31, 2023, from 32.4% 27.4% for the three months ended September 30, 2022 December 31, 2022. This decrease was primarily due to inflationary increases in labor and material costs, the margin benefit of the nonrecurring intellectual property transaction disclosed above that was recognized primarily in the prior year period, and Interiors reportable segment, including unfavorable foreign exchange effects from a strong Mexican peso; certain favorable adjustments associated with sunsetting programs partially offset by recognized in the increased prior year quarter; and a change in sales mix with higher spares sales in Aftermarket sales as a percentage of total sales. the prior year quarter. Excluding the impact from divestitures and exited or sunsetting programs, organic gross margin for the three months ended September 30, 2023 December 31, 2023, was 26.2% 24.6% compared with 29.5% 26.7% for the three months ended September 30, 2022 December 31, 2022.

Corporate Expense

Corporate income expense decreased to expense by $99.8 million approximately $1.0 million, or 120.5% 7.4%, primarily due to the prior period gain on sale of $103.9 million, primarily from the Stuart divestiture, partially offset by a reduction in general as increased legal and administrative human capital costs were offset by gains recognized on receipt of $4.6 million. proceeds that represent reimbursement of environmental remediation costs for which we are indemnified by the previous owner of the related operations.

Interest Expense and Other

Interest expense and other increased due to higher interest rates compared to the prior year period.

Non-service Defined Benefit Income

Non-service defined benefit income decreased by $7.7 million $7.8 million primarily due to changes in discount rates and experience.

Income Taxes

The effective tax rate for the three months ended September 30, 2023 December 31, 2023 was 390.6% (9.9)%, compared with 1.6% 0.4% for the three months ended September 30, 2022 December 31, 2022. The effective tax rate in both periods reflected a limitation on the recognition of tax benefits due to the full valuation allowance and tax expense primarily related to foreign operations.

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Business Segment Performance — Three months ended September 30, 2023 December 31, 2023, compared with three months ended September 30, 2022 December 31, 2022

We report our financial performance based on the following two reportable segments: Systems & Support and Interiors. Our Chief Operating Decision Maker ("CODM") utilizes Adjusted EBITDAP as a primary measure of profitability to evaluate performance of its segments and allocate resources.

The results of operations among our reportable segments vary due to differences in competitors, customers, extent of proprietary deliverables and performance. For example, Systems & Support, which generally includes proprietary products and/or arrangements where we become the primary source or one of a few primary sources to our customers, our unique engineering and manufacturing capabilities command a higher margin.

Refer to Note 1 for further details regarding the operations and capabilities of each of our reportable segments.

We currently generate a majority of our revenue from sales to OEMs and aftermarket MRO services in the commercial airline and military and defense markets. Our growth and financial results are largely dependent on continued demand for our products and services within these markets. If any of the related industries experiences a downturn, our clients in these sectors may conduct less business with us. The loss of one or more of our major customers or an economic downturn in the commercial airline or the military and defense markets could have a material adverse effect on our business.

	Three Months Ended September 30,		% Change	% of Total Sales		Three Months Ended December 31,		% Change	% of Total Sales	
	2023	2022		2023	2022	2023	2022		2023	2022
	(in thousands)					(in thousands)				
NET SALES										
Systems & Support	$ 318,795	$ 274,198	16.3 %	90.0 %	89.1 %	$ 241,109	$ 218,196	10.5 %	84.6 %	83.4 %
Interiors (formerly Aerospace Structures)	35,293	33,410	5.6 %	10.0 %	10.9 %	44,080	43,606	1.1 %	15.5 %	16.7 %
Elimination of inter-segment sales	(27)	(8)	(237.5)%	(0.0)%	—	(234)	(140)	(67.1)%	(0.1)%	(0.1)%
Total net sales	$ 354,061	$ 307,600	15.1 %	100.0 %	100.0 %	$ 284,955	$ 261,662	8.9 %	100.0 %	100.0 %

	Three Months Ended September 30,		% Change	% of Segment Sales		Three Months Ended December 31,		% Change	% of Segment Sales	
	2023	2022		2023	2022	2023	2022		2023	2022
	(in thousands)					(in thousands)				
SEGMENT OPERATING INCOME (LOSS)										
Systems & Support	$ 54,639	$ 43,413	25.9 %	17.1 %	15.8 %	$ 33,846	$ 31,586	7.2 %	14.0 %	14.5 %
Interiors (formerly Aerospace Structures)	(3,348)	5,924	(156.5)%	(9.5)%	17.7 %	(2,124)	5,022	(142.3)%	(4.8)%	11.5 %

Corporate	(17,013)	82,829	(120.5)%	n/a	n/a	(12,011)	(12,975)	7.4%	n/a	n/a
Total segment operating income	$ 34,278	$ 132,166	(74.1)%	9.7%	43.0%	$ 19,711	$ 23,633	(16.6)%	6.9%	9.0%

	Three Months Ended September 30,		% Change	% of Segment Sales	
	2023	2022		2023	2022
	(in thousands)				
Adjusted EBITDAP					
Systems & Support	$ 61,002	$ 50,053	21.9%	19.2%	18.3%
Interiors (formerly Aerospace Structures)	(2,704)	6,596	(141.0)%	(7.7)%	19.7%
Corporate	(11,915)	(16,596)	28.2%	n/a	n/a
	$ 46,383	$ 40,053	15.8%	13.1%	13.1%

	Three Months Ended December 31,		% Change	% of Segment Sales	
	2023	2022		2023	2022
	(in thousands)				
Adjusted EBITDAP					
Systems & Support	$ 39,439	$ 37,737	4.5%	16.4%	17.3%
Interiors (formerly Aerospace Structures)	(1,540)	5,713	(127.0)%	(3.5)%	13.1%
Corporate	(10,163)	(10,851)	6.3%	n/a	n/a
	$ 27,736	$ 32,599	(14.9)%	9.8%	12.5%

Systems & Support:

Net Sales

Net sales adjusted for intersegment sales increased by $44.6 million $22.9 million, or 16.3% 10.5%, all of which was organic. Net sales increased primarily as a result of the continued market recovery driving volumes for both commercial OEM and aftermarket sales, partially offset by decreased military sales related to the V-22 program.

Operating Income and Adjusted EBITDAP

Operating income increased by $2.3 million, or 7.2%, all of which was organic. Operating income increased primarily due to the gross profit on increased sales described above partially offset by increased administrative human capital costs of approximately $2.0 million. The increase in Adjusted EBITDAP year over year is due to the same factors that increased operating income.

Operating Margin and Adjusted EBITDAP Margin

Operating income as a percentage of sales and Adjusted EBITDAP as a percentage of segment sales both decreased primarily due to a change in sales mix, with commercial OEM as the primary driver of sales growth.

Interiors:

Net Sales

Excluding impacts from divestitures and exited or sunsetting programs, organic net sales increased by $9.0 million, or 25.6%, primarily due to increased 737 OEM volume.

Operating Income and Adjusted EBITDAP

Excluding impacts from divestitures and exited or sunsetting programs, organic operating loss was $2.1 million, a decrease of $4.7 million from operating income of $2.6 million in the prior year period. This decrease was primarily the result of $2.3 million in costs recognized related to estimated retained environmental remediation obligations associated with divested manufacturing operations located in Nashville, Tennessee, and inflationary increases in labor and material costs, including unfavorable foreign exchange effects from a strong Mexican peso, partially offset by increased sales volume. Organic Adjusted EBITDAP decreased by $4.7 million as a result of the same factors affecting organic operating loss.

Operating Margin and Adjusted EBITDAP Margin

Excluding impacts from divestitures and exited or sunsetting programs, operating loss as a percentage of segment sales was (4.8)% in the nine months ended December 31, 2023, as compared with 7.4% in the prior year period. This decrease in operating margin was the result of increases in labor and material costs, as well as the environmental remediation obligation costs disclosed above. Organic Adjusted EBITDAP margin was (3.5)% in the three months ended December 31, 2023, as compared with 9.2% in the prior year period, with decreasing margins resulting from the same factors affecting operating margin.

Nine months ended December 31, 2023, compared with nine months ended December 31, 2022

	Nine Months Ended December 31,	
(In thousands)	**2023**	**2022**

Commercial OEM	$ 390,624	$ 397,196
Military OEM	190,758	180,901
Total OEM Revenue	581,382	578,097
Commercial Aftermarket	107,642	87,718
Military Aftermarket	117,835	111,729
Total Aftermarket Revenue	225,477	199,447
Non-Aviation Revenue	24,632	25,728
Amortization of acquired contract liabilities	1,965	1,832
Total Net Sales	$ 833,456	$ 805,104

Commercial OEM sales decreased $6.6 million, or 1.7% due to divestitures and exited or sunsetting programs, which represented approximately $70.9 million in net changes. Excluding impacts from divestitures and exited or sunsetting programs, organic Commercial OEM sales increased $64.3 million, or 19.8% due to increased production volumes on Boeing 737 and 787 programs, partially offset by lower sales volume on commercial rotorcraft and a nonrecurring intellectual property transaction recognized in the prior year period of approximately $15.9 million.

Military OEM sales increased $9.9 million, or 5.4%, all of which were organic, primarily due to increased sales related to the CH-53K and F35 partially offset by decreased sales on other military rotorcraft platforms, including the V-22.

Commercial Aftermarket sales increased $19.9 million, or 22.7%. Excluding impacts from divestitures, organic Commercial Aftermarket sales increased $21.8 million, or 25.6%, driven by the continued improvement in overall air travel metrics, favorably impacting both repair and overhaul services and spare part sales.

Military aftermarket sales increased $6.1 million, or 5.5%, all of which was organic, driven by increased sales across several rotorcraft platforms partially offset by decreased sales on fixed wing platforms.

	Nine Months Ended December 31,	
	2023	**2022**
Segment operating income	$ 103,850	$ 98,953
Corporate (expense) income	(62,208)	53,739
Total operating income	41,642	152,692

Non-service defined benefit plan income	(2,460)	(25,725)
Interest expense & other	94,354	83,262
Debt modification and extinguishment (gain) loss	(5,125)	1,441
Warrant remeasurement gain	(8,545)	(5,537)
Income tax expense	3,348	2,669
(Loss) income from continuing operations	$ (39,930)	$ 96,582

Segment Operating Income

Segment operating income increased $4.9 million, or 4.9%. Excluding impacts from divestitures and exited or sunsetting programs, organic segment operating income increased $19.9 million, or 22.9%, driven by the increased volumes disclosed above and reduced general and administrative human capital costs $2.6 million, partially offset by the impact of the nonrecurring intellectual property transaction disclosed above, the prior period AMJP grant benefit of $4.8 million, and $3.3 million in current period costs recognized related to estimated retained environmental remediation obligations associated with divested manufacturing operations located in Nashville, Tennessee.

Consolidated gross profit margin decreased to 25.8% for the nine months ended December 31, 2023, from 27.0% for the nine months ended December 31, 2022. This decrease was primarily due to inflationary increases in labor and material costs, including unfavorable foreign exchange effects from a strong Mexican peso; the margin benefit of the nonrecurring intellectual property transaction and AMJP grant benefits disclosed above that were recognized in the prior year period; and certain favorable adjustments associated with sunsetting programs, partially offset by the increased mix in Aftermarket sales as a percentage of total sales. Excluding impacts from divestitures and exited or sunsetting programs, organic gross margin for the nine months ended December 31, 2023 was 25.9% compared with 27.4% for the nine months ended December 31, 2022.

Corporate Expense

Corporate income decreased to expense primarily from the net effect of current period losses and prior period gains on sale of assets and businesses which drove a decrease of $115.4 million, primarily due to the divestiture of our Stuart manufacturing operations in the nine months ended December 31, 2022.

Interest Expense and Other

Interest expense and other increased due to higher interest rates compared to the prior year period.

Non-service Defined Benefit Income

Non-service defined benefit income decreased by $23.3 million primarily due to changes in discount rates and experience.

Income Taxes

The effective tax rate for the nine months ended December 31, 2023 was (9.2)%, compared with 2.7% for the nine months ended December 31, 2022. The effective tax rate in both periods reflected a limitation on the recognition of tax benefits due to the full valuation allowance and tax expense primarily related to foreign operations.

Business Segment Performance - Nine months ended December 31, 2023, compared with nine months ended December 31, 2022

Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

	Nine Months Ended December 31,		% Change	% of Total Sales	
	2023	2022		2023	2022
	(in thousands)				
NET SALES					
Systems & Support	$718,238	$633,678	13.3%	86.2%	78.7%
Interiors	115,955	171,769	(32.5)%	13.9%	21.3%
Elimination of inter-segment sales	(737)	(343)	(114.9)%	(0.1)%	(0.0)%
Total net sales	$833,456	$805,104	3.5%	100.0%	100.0%

	Nine Months Ended December 31,		% Change	% of Segment Sales	
	2023	2022		2023	2022
	(in thousands)				
SEGMENT OPERATING INCOME (LOSS)					
Systems & Support	$111,898	$90,308	23.9%	15.6%	14.3%
Interiors	(8,048)	8,645	(193.1)%	(6.9)%	5.0%
Corporate	(62,208)	53,739	(215.8)%	n/a	n/a
Total segment operating income	$41,642	$152,692	(72.7)%	5.0%	19.0%

	Nine Months Ended December 31,		% Change	% of Segment Sales	
	2023	2022		2023	2022
	(in thousands)				
Adjusted EBITDAP					
Systems & Support	$128,738	$108,281	18.9%	18.0%	17.1%
Interiors	(6,137)	28,889	(121.2)%	(5.3)%	15.3%
Corporate	(36,623)	(41,395)	11.5%	n/a	n/a
	$85,978	$95,775	(10.2)%	10.3%	11.7%

Systems & Support:

Net Sales

Net sales adjusted for intersegment sales increased by $84.6 million, or 13.3%, all of which was organic, and included growth across all end markets. Net sales increased primarily as a result of the continued market recovery driving volumes for both commercial OEM and aftermarket sales, partially offset by a nonrecurring intellectual property transaction recognized in the prior year period of approximately $15.9 million.

Operating Income and Adjusted EBITDAP

Operating income increased by $11.2 million $21.6 million , or 25.9% 23.9%, all of which was organic. Operating income increased primarily due to the gross profit on increased sales described above as well as a $4.5 million reduction in general and administrative human capital costs, partially offset by the impact of the nonrecurring intellectual property transaction disclosed above. The increase in Adjusted EBITDAP year over year is due to the same factors that increased operating income.

Operating Margin and Adjusted EBITDAP Margin

Operating income as a percentage of sales and Adjusted EBITDAP as a percentage of segment sales both increased due to the factors described above.

Interiors:

Net Sales

Excluding impacts from divestitures and exited or sunsetting programs, organic net sales increased by $4.7 million, or 15.4%, primarily due to increased 737 OEM volume.

Operating Income and Adjusted EBITDAP

Excluding impacts from divestitures and exited or sunsetting programs, organic operating loss increased by $1.7 million as inflationary increases in labor and material costs, including unfavorable foreign exchange effects from a strong Mexican peso, outpaced net sales growth. Organic Adjusted EBITDAP decreased by $1.7 million as a result of the same factors affecting organic operating loss.

Operating Margin and Adjusted EBITDAP Margin

Excluding impacts from divestitures and exited or sunsetting programs, operating loss as a percentage of segment sales was (9.5)% in the three months ended September 30, 2023, as compared with (5.3)% in the prior year period. This decrease in operating margin was the result of increases in labor and material costs. Organic Adjusted EBITDAP margin was (7.6)% in the three months ended September 30, 2023, as compared with (3.3)% in the prior year period, with decreasing margins resulting from the same factors affecting operating margin.

Six months ended September 30, 2023, compared with six months ended September 30, 2022

	Six Months Ended September 30,	
(In thousands)	2023	2022
Commercial OEM	$ 248,194	$ 296,385
Military OEM	126,853	118,387
Total OEM Revenue	375,047	414,772
Commercial Aftermarket	184,086	128,261
Military Aftermarket	103,358	95,906
Total Aftermarket Revenue	287,444	224,167

Non-Aviation Revenue	17,550	16,655
Amortization of acquired contract liabilities	1,165	1,390
Total Net Sales	$ 681,206	$ 656,984

Commercial OEM sales decreased $48.2 million, or 16.3% due to divestitures and exited or sunsetting programs, which represented approximately $62.5 million in net changes. Excluding impacts from divestitures and exited or sunsetting programs, organic Commercial OEM sales increased $14.3 million, or 6.1% due to increased production volumes on Boeing 787 and 737

programs, partially offset by a nonrecurring intellectual property transaction recognized in the prior year period of approximately $15.9 million.

Military OEM sales increased $8.5 million, or 7.2%, all of which were organic, primarily due to increased sales related to the CH-53K, V-22 and F35 programs.

Aftermarket sales include both repair and overhaul services as well as the sales of spare parts. Commercial Aftermarket sales increased $55.8 million, or 43.5%. Excluding impacts from divestitures, organic Commercial Aftermarket sales increased $57.6 million, or 45.8%, driven by the continued improvement in overall air travel metrics, favorably impacting both repair and overhaul services and spare part sales on an equal basis.

Military aftermarket sales increased $7.5 million, or 7.8%, all of which was organic, driven by increased sales across several fixed wing platforms and repairs on rotorcraft platforms.

	Six Months Ended September 30,	
	2023	**2022**
Segment operating income	$ 94,499	$ 80,187
Corporate expense	(50,197)	66,713
Total operating income	44,302	146,900
Non-service defined benefit plan income	(1,640)	(17,149)
Interest expense & other	74,533	64,365
Debt modification and extinguishment gain	(4,079)	-
Warrant remeasurement gain	(8,545)	-
Income tax expense	3,492	3,500
Net (loss) income	$ (19,459)	$ 96,184

Segment Operating Income

Segment operating income increased $14.3 million, or 17.8%. Excluding impacts from divestitures and exited or sunsetting programs, organic segment operating income increased $26.9 million, or 38.1%, driven by the increased volumes disclosed above along with reduced general and administrative human capital costs $4.7 million, partially offset by the impact of the nonrecurring intellectual property transaction disclosed above, and the prior period AMJP grant benefit of $5.3 million.

Cost of OEM Sales decreased primarily due to divestitures and exited or sunsetting programs, which represented approximately $47.8 million in net changes. Organic gross profit margin percentage on OEM sales decreased to 13.1% for the six months ended September 30, 2023 from 19.6% for the six months ended September 30, 2022 due to inflationary increases in labor and material costs, including unfavorable foreign exchange effects from a strong Mexican peso, the margin benefit of the nonrecurring intellectual property transaction disclosed above, and the prior period AMJP grant benefit.

Cost of Aftermarket sales increased primarily due to the increased Commercial Aftermarket sales noted above. Organic gross profit margin on Aftermarket sales increased to 39.7% for the six months ended September 30, 2023 from 33.5% for the six months ended September 30, 2022. This increase was driven by increased volumes and related efficiencies, as well as increases in prices for repair and overhaul services.

Consolidated gross profit margin decreased to 26.3% for the six months ended September 30, 2023, from 26.9% for the six months ended September 30, 2022. This decrease was primarily due to inflationary increases in labor and material costs, the margin benefit of the nonrecurring intellectual property transaction and AMJP grant benefit disclosed above that were recognized in the prior year period, and certain favorable adjustments associated with sunsetting programs, partially offset by the increased mix in Aftermarket sales as a percentage of total sales. Excluding impacts from divestitures and exited or sunsetting programs, organic gross margin for the six months ended September 30, 2023 was 26.5% compared with 27.6% for the six months ended September 30, 2022.

Corporate Expense

Corporate income decreased to expense primarily from the $103.9 million gain on sale of assets and businesses, primarily due to the divestiture of our Stuart manufacturing operations in the six months ended September 30, 2022.

Interest Expense and Other

Interest expense and other increased due to higher interest rates compared to the prior year period.

Non-service Defined Benefit Income

Non-service defined benefit income decreased by $15.5 million primarily due to changes in discount rates and experience.

Income Taxes

The effective tax rate for the six months ended September 30, 2023 was (21.9)%, compared with 3.5% for the six months ended September 30, 2022. The effective tax rate in both periods reflected a limitation on the recognition of tax benefits due to the full valuation allowance and tax expense primarily related to foreign operations.

Business Segment Performance - Six months ended September 30, 2023, compared with six months ended September 30, 2022

	Six Months Ended	% Change	% of Total Sales

	September 30,				
	2023	2022		2023	2022
	(in thousands)				
NET SALES					
Systems & Support	$ 609,370	$ 528,841	15.2 %	89.4 %	80.5 %
Interiors	71,876	128,163	(43.9)%	10.6 %	19.5 %
Elimination of inter-segment sales	(40)	(20)	(100.0)%	—	—
Total net sales	$ 681,206	$ 656,984	3.7 %	100.0 %	100.0 %

	Six Months Ended September 30,		% Change	% of Segment Sales	
	2023	2022		2023	2022
	(in thousands)				
SEGMENT OPERATING INCOME (LOSS)					
Systems & Support	$ 100,423	$ 76,564	31.2 %	16.5 %	14.5 %
Interiors	(5,924)	3,623	(263.5)%	(8.2)%	2.8 %
Corporate	(50,197)	66,713	(175.2)%	n/a	n/a
Total segment operating income	$ 44,302	$ 146,900	(69.8)%	6.5 %	22.4 %

	Six Months Ended September 30,		% Change	% of Segment Sales	
	2023	2022		2023	2022
	(in thousands)				
Adjusted EBITDAP					
Systems & Support	$ 113,151	$ 90,202	25.4 %	18.6 %	17.1 %
Interiors	(4,597)	23,176	(119.8)%	(6.4)%	15.9 %
Corporate	(26,460)	(30,545)	13.4 %	n/a	n/a
	$ 82,094	$ 82,833	(0.9)%	12.1 %	12.3 %

Systems & Support:

Net Sales

Net sales adjusted for intersegment sales increased by $80.5 million, or 15.2%, all of which was organic, and included growth across all end markets. Net sales increased primarily as a result of the continued market recovery driving volumes for both commercial OEM and aftermarket sales, partially offset by a nonrecurring intellectual property transaction recognized in the prior year period of approximately $15.9 million.

Operating Income and Adjusted EBITDAP

Operating income increased by $23.9 million , or 31.2%, all of which was organic. Operating income increased primarily due to the gross profit on increased sales described above as well as a $4.8 million $3.2 million reduction in general and administrative human capital costs, partially offset by the impact of the nonrecurring intellectual property transaction disclosed above and the prior

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period AMJP grant benefit of $5.3 million $4.8 million. The increase in Adjusted EBITDAP year over year is due to the same factors that increased operating income.

Operating Margin and Adjusted EBITDAP Margin

Operating income as a percentage of sales and Adjusted EBITDAP as a percentage of segment sales both increased due to the factors described above.

Interiors:

Net Sales

Organic net sales increased by $8.0 million $17.0 million, or 12.9% 17.5%, excluding the sales decreases from divestitures and exited or sunsetting programs of $64.3 million $72.7 million. Organic net sales increased primarily due to increased OEM volume on the 787 737 and 737 787 programs.

Operating Income and Adjusted EBITDAP

Excluding impacts from divestitures and exited or sunsetting programs, organic operating income loss increased by $3.1 million $1.7 million, primarily due to the increased volumes disclosed above, partially offset by inflationary increases in labor and material costs, including unfavorable foreign exchange effects from a strong Mexican peso. The increased organic operating income was peso, and $3.3 million in current period costs recognized related to estimated retained environmental remediation obligations associated with divested manufacturing operations located in Nashville, Tennessee, partially offset by decreased operating income the increased volumes disclosed above. Operating loss increased from divestitures and exited or sunsetting programs by approximately $12.6 million $15.0 million. The decrease in Adjusted EBITDAP year over year is primarily driven by the decreased Adjusted EBITDAP from divestitures and

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exited or sunsetting programs of approximately $30.4 million $32.9 million. Adjusted EBITDAP increased decreased organically in line with the increase in organic operating income. loss.

Operating Margin and Adjusted EBITDAP Margin

Excluding impacts from divestitures and exited or sunsetting programs, operating loss as a percentage of segment sales was (4.1) (4.4)% as compared with (9.6) (3.4)% in the prior year period. This increase decrease in organic operating margin was the result of the increased volumes disclosed above, partially offset by the increases in labor and material costs. Organic Adjusted EBITDAP margin was (2.3) (2.8)% as compared with (6.8) (1.0)% in the prior year period with increasing decreasing margins as a result of the same factors affecting organic operating margin.

Liquidity and Capital Resources

Discontinued Operations

The accompanying condensed consolidated statements of cash flows do not present the cash flows from discontinued operations separately from cash flow from continuing operations. Product Support generated approximately $18.6 million and $14.6 million in cash from operations in the nine months ended December 31, 2023 and 2022, respectively. Cash used in the investing activities of Product Support totaled $3.0 and $2.7 million in the nine months ended December 31, 2023 and 2022, respectively. Cash used in financing activities was not significant.

On February 6, 2024, we provided holders of the 2028 First Lien Notes with a conditional notice of redemption to redeem approximately $120 million of the 2028 First Lien Notes at a redemption price equal to 103% of the aggregate principal amount plus accrued and unpaid interest. We also provided holders of the 2025 Notes with a conditional notice of redemption to redeem up to all of the outstanding 2025 Notes at 100% of the aggregate principal amount plus accrued and unpaid interest. Both redemptions are conditioned on the closing of the sale of Product Support, and the unsecured redemption will only occur after we conduct an asset sale offer whereby we will first offer the proceeds allocated to redeem the 2025 Notes to repurchase the 2028 First Lien Notes at 100% of the aggregate principal amount plus accrued and unpaid interest. In the event that we redeem more than $140 million of the 2028 First Lien Notes pursuant to the asset sale offer, the redemption of the 2025 Notes will be reduced dollar-for-dollar by the amount of the 2028 First Lien Notes that are redeemed above $140 million. If we repurchase more than $575.6 million of 2028 First Lien Notes pursuant to the asset sale offer, the redemption of the 2025 Notes will not occur. We expect these actions will result in reduced interest expense of approximately $56 million in fiscal 2025. The exact amount of reduced interest expense will depend on the results of any offer by us to repurchase the 2028 First Lien Notes. The following discussion of our liquidity and capital resources includes cash flows from discontinued operations.

Operating Cash Flows

Our working capital needs are generally funded through our current cash and cash equivalents, cash flows from operations, and the availability of proceeds from the Securitization Facility. During the six nine months ended September 30, 2023 December 31, 2023, we had a net cash outflow of $95.9 million $68.3 million from operating activities compared with a net cash outflow of $112.4 million $112.3 million for the six nine months ended September 30, 2022 December 31, 2022, an improvement of $16.5 million $44.0 million. Cash flows were primarily driven by timing of payables as well as increases in inventory as a result of anticipated increasing demand and certain supply chain constraints that we expect will largely recover in the latter half fourth quarter of the fiscal year. Cash flows from operations are consistent with seasonal working capital needs, and we expect continued improvement in the remainder of fiscal 2024. Interest payments were approximately $74.2 million $75.1 million for the six nine months ended September 30, 2023 December 31, 2023, as compared with $62.7 million $89.2 million for the six nine months ended September 30, 2022 December 31, 2022. The increase decrease in interest payments is primarily the result of timing as interest payments under our Senior Notes are paid in our second and fourth fiscal quartershigher interest rates compared to the prior year period. .

In November 2021 the Company entered into an agreement with the DOT under the AMJP. We received total proceeds under this program of $19.4 million, of which approximately $8.8 million was received in the six months ended September 30, 2022. These cash receipts are classified within cash from operations.

Investing Cash Flows

Cash flows used in investing activities for the six nine months ended September 30, 2023 December 31, 2023, increased $6.0 million $6.3 million from the six nine months ended September 30, 2022 December 31, 2022. Cash flows used in investing activities for the six nine months ended September 30, 2023 December 31, 2023, included payments related to the sales of assets and businesses of $6.8 million as a result of the resolution of claims by the buyer related to the accounts payable representation and warranty under the purchase agreement and the finalization of certain purchase price adjustments related to the transferred working capital of the divested operations, as described in Note 3 and Note 12. We also used approximately $11.0 million $16.3 million for capital expenditures and $1.5 million $1.7 million related to capital contributions to a joint venture. Cash flows used in investing activities for the six nine months ended September 30, 2022 December 31, 2022, included payments on the sale of assets and businesses of $6.2 million with additional investing outflows from capital expenditures of $7.2 million $12.3 million. We currently expect full year capital expenditures in fiscal 2024 to be in the range of $25.0 million $20.0 million to $24.0 million. The majority of our fiscal 2024 capital expenditures are expected to be capital investments designed to improve our manufacturing efficiency and expand our capabilities. At As disclosed above, we currently expect to receive approximately $700 million, net of transaction costs, in the fourth quarter of fiscal 2024 related to the divestiture of Product Support and use such proceeds to redeem approximately $676 million in Senior Notes. Additionally, at any given time we may be evaluating or pursuing one or more transactions to further optimize our asset base, deleverage, extend debt maturities, reduce interest expense or otherwise enhance our liquidity position. There can be no assurance if or when any such transactions will be completed, or the terms thereof.

Financing Cash Flows

Cash flows provided by financing activities for the six nine months ended September 30, 2023 December 31, 2023, were $59.2 million $28.4 million, compared with cash flows used in financing activities for the six nine months ended September 30, 2022 December 31, 2022, of $5.3 million. Current period financing cash flows pertain primarily to approximately $80.0 million in proceeds, net of related transaction costs, from approximately 6.8 million in Warrant exercises in the six months ended September 30, 2023, first half of fiscal 2024, which resulted in the issuance of approximately 6.8 million shares, partially offset by the redemption of approximately $19.1 million $50.0 million in principal amount of 2025 Notes under the 10b5-1 repurchase plan agreement disclosed in Note 6, payments pertaining to costs incurred in conjunction with our March 2023 refinancing, borrowings and payments under finance leases, and the repurchase of common stock to satisfy employee tax withholding obligations resulting from equity compensation. Subsequent to September 30, 2023, the Company has also redeemed approximately $30.7 million in principal amount of the 2025 Notes under the 10b5-1 agreement, with approximately $0.2 million in potential additional future redemptions under this plan. As of September 30, 2023 December 31, 2023, we had $169.9 million $162.9 million of cash on hand and $59.1 million $55.4 million was available under our Securitization Facility after giving effect to approximately $19.6 million in outstanding letters of credit, all of which were accruing interest at 0.125% per annum, and the current outstanding balance.

As disclosed in Note 9, we contributed 3.2 million shares of common stock to the trust of our U.S. defined benefit plan. As a result of the contribution, we expect the approximately $14.7 million required cash contribution to our U.S. defined benefit pension plans for the fiscal year ending March 31, 2024, to be reduced to zero, and the excess contribution value will reduce future required cash contributions.

As disclosed in Note 2, on July 6, 2023, the Company redeemed all of the approximately 11.4 million remaining outstanding Warrants for a total redemption price of less than $0.1 million pursuant to its June 16, 2023 notice of redemption. In total, as a result of the Warrant exercises, from the date of issuance on December 19, 2022, through redemption on July 6, 2023, the Company increased its cash by approximately $84.1 million and reduced debt by approximately $14.0 million through the warrant program.

Refer to Note 12 for disclosures related to certain indemnifications, consent-to-assignment agreements, and guarantee agreements associated with our divestiture activities.

The Senior Notes are our senior obligations and rank equally in right of payment with all of our other existing and future senior indebtedness and senior in right of payment to all of our existing and future subordinated indebtedness.
The 2028 First Lien Notes are (a) effectively senior to all existing and future second lien obligations (including the 2025 Notes) and all existing and future unsecured indebtedness of the Company and the Guarantor Subsidiaries, but only to the extent of the value of the Collateral, and after giving effect to any permitted additional first lien secured obligations and other permitted liens of senior or equal priority; (b) secured by the Collateral on a pari passu basis with any future permitted additional first lien secured obligations, subject to a Collateral Trust Agreement; (c) effectively subordinated to any existing and future obligations of the Company and the Guarantor Subsidiaries that are secured by assets that do not constitute the Collateral, in each case, to the extent of the value of the assets securing such obligations; and (d) structurally subordinated to all existing and future indebtedness and other liabilities of the Company’s existing and future subsidiaries that do not guarantee the 2028 First Lien Notes, including the Securitization Facility.

The 2025 Notes are effectively subordinated to all obligations of the Company and the Guarantor Subsidiaries that are (a) secured by a lien on the Collateral (including the 2028 First Lien Notes) and certain cash management and hedging obligations, or (b) secured by assets that do not constitute the Collateral, in each case to the extent of the value of the assets securing such obligations.

The Senior Notes are guaranteed on a full, senior, joint and several basis certain of the Company’s domestic restricted subsidiaries (the “Guarantor Subsidiaries”). Currently, our only consolidated subsidiaries that are not guarantors of the Senior Notes (the "Non-Guarantor Subsidiaries") are: (i) the receivables securitization special purpose entity, and (ii) the foreign

operating subsidiaries. The 2028 First Lien Notes and the related guarantees are secured by first-priority liens on substantially all of our assets and our subsidiary guarantors, whether now owned or hereafter acquired (the “Collateral”).

Pursuant to the documentation governing the Senior Notes, we may redeem some or all of the Senior Notes prior to their stated maturities, subject to certain limitations set forth in the indenture governing the applicable Senior Notes and, in certain cases, subject to significant prepayment premiums. We are obligated to offer to repurchase the Senior Notes at specified prices as a result of certain change-of-control events and a sale of all or substantially all of our assets. These restrictions and prohibitions are subject to certain qualifications and exceptions.

The indentures governing the Senior Notes, as well as Securitization Facility, contain covenants and restrictions that, among other things, limit our ability and the ability of any of the Guarantor Subsidiaries to (i) grant liens on our assets; (ii) make dividend payments, other distributions or other restricted payments; (iii) incur restrictions on the ability of the Guarantor Subsidiaries to pay dividends or make other payments or investments; (iv) enter into sale and leaseback transactions; (v) merge, consolidate, transfer or dispose of substantially all of their assets; (vi) incur additional indebtedness; (vii) use the proceeds from sales of assets, including capital stock of restricted subsidiaries (in the case of the Senior Notes); and (viii) enter into transactions with affiliates. We are currently in compliance with all covenants under our debt documents and expect to remain in compliance for the foreseeable future.

For further information on our long-term debt, see Note 6.

The following tables present summarized financial information of the Company and the Guarantor Subsidiaries on a combined basis. basis, including Guarantor Subsidiaries reported in discontinued operations in the accompanying condensed financial statements. The combined summarized financial information eliminates intercompany balances and transactions among the Company and the Guarantor Subsidiaries and equity in earnings and investments in any Guarantor Subsidiaries or Non-Guarantor Subsidiaries. The summarized financial information is provided in accordance with the reporting requirements of Rule 13-01 under SEC Regulation S-X for the issuer and Guarantor Subsidiaries.

Parent and Guarantor Summarized Financial Information Summarized Balance Sheet	September 30, 2023	March 31, 2023	December 31, 2023	March 31, 2023

	in thousands		in thousands	
Assets				
Due from non-guarantor subsidiaries	$ 8,333	$ 1,048	$ 11,754	$ 1,048
Current assets	620,489	659,991	642,229	659,991
Noncurrent assets	642,098	648,608	613,122	648,608
Noncurrent receivable from non-guarantor subsidiaries	93,190	104,956	98,992	104,956
Liabilities				
Due to non-guarantor subsidiaries	31,645	26,793	35,659	26,793
Current liabilities	266,831	352,270	303,432	352,270
Noncurrent liabilities	2,019,452	2,107,535	1,989,908	2,107,535

Summarized Statement of Operations	**Six Months Ended September 30, 2023**	**Nine Months Ended December 31, 2023**
	in thousands	**in thousands**
Net sales to non-guarantor subsidiaries	$ 1,136	$ 1,988
Net sales to unrelated parties	615,630	929,939
Gross profit	156,367	228,050
Loss from continuing operations before income taxes	(26,419)	(52,192)
Net loss	(26,753)	(46,159)

Critical Accounting Policies

Our critical accounting policies are discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations and notes accompanying the consolidated financial statements that appear in the Annual Report on Form 10-K for the fiscal year ended March 31, 2023. Except as otherwise disclosed in the condensed consolidated financial statements and accompanying notes included in this report, there were no material changes subsequent to the filing of the Annual Report on Form 10-K for the fiscal year ended March 31, 2023, in our critical accounting policies or in the assumptions or estimates used to prepare the financial information appearing in this report.

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Forward-Looking Statements

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 relating to our future operations and prospects, including statements that are based on current projections and expectations about the markets in which we operate, and our beliefs concerning future performance and capital requirements based upon current available information. Such statements are based on our beliefs as well as assumptions made by and information currently available to us. When used in this document, words like “may,” “might,” “will,” “expect,” “anticipate,” “believe,” “potential,” "plan," "estimate," and similar expressions are intended to identify forward-looking statements. Actual results could differ materially from our current expectations. For example, there can be no assurance that additional capital will not be required or that additional capital, if required, will be available on reasonable terms, if at all, at such times and in such amounts as may be needed by us. In addition to these factors, among other factors that could cause actual results to differ materially are uncertainties relating to our ability to execute on our restructuring plans, the integration of acquired businesses, divestitures of our business, efforts to optimize our asset base, general economic conditions affecting our business, dependence of certain of our businesses on certain key customers as well as competitive factors relating to the aviation industry. For a more detailed discussion of these and other factors affecting us, see the risk factors described in our Annual Report on Form 10-K for the fiscal year ended March 31, 2023, filed with the SEC on May 24, 2023, and in our quarterly reports on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

For information regarding our exposure to certain market risks, see “Item 7A. Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K for the fiscal year ended March 31, 2023. There has been no material change in this information during the period covered by this report.

Item 4. Controls and Procedures.

(a) Evaluation of disclosure controls and procedures.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports pursuant to the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of September 30, 2023 December 31, 2023, we completed an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2023 December 31, 2023.

(b) Changes in internal control over financial reporting.

There were no changes that occurred during the fiscal quarter covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings.

Not applicable. On December 12, 2023, a complaint was filed in the Supreme Court of the State of New York by the buyer of the Stuart facility against TAS and the Company, alleging claims for breach of contract and fraudulent inducement of contract arising out of the sale of the Stuart facility. The Complaint alleges that TAS failed to disclose known and widespread paint issues, as well as certain supplier and production issues at the facility, which rendered certain representations and warranties about the financial condition of TAS and the products manufactured by TAS false. The Complaint seeks damages of approximately $130,000 consisting of (a) approximately $60,000 Daher agreed to pay Boeing for alleged non-conformities in products Daher manufactured and/or sold to Boeing after the closing; (b) approximately $30,000 for future opportunities Daher claims to have lost; and (c) approximately $40,000 for internal costs Daher claims to have incurred in fixing alleged non-conformities in products. The divestiture agreement relating to the sale of the Stuart facility contains an $18,750 general cap on breaches of representations (other than certain specified representations) and a $25,000 cap on breaches of certain specified representations related to contracts and product warranties, in each case absent certain circumstances, including fraud or breaches of fundamental or tax representations. Previously, on June 16, 2023, the Company entered into a settlement agreement with the buyer of the Stuart facility resolving a working capital dispute with the buyer resulting in an amount of $2,400 payable to the Company and resolving claims by the buyer related to the accounts payable representation and warranty under the purchase agreement resulting in an amount of $9,200 payable to the buyer, with such amount applicable to the general cap referred to above. The amounts were settled on a net basis by the Company paying $6,800 to the buyer.

TAS and the Company dispute that they engaged in any fraudulent conduct, dispute that they breached the representations and warranties in the divestiture agreement, dispute the damages claimed (and that Daher could, in any event, recover any damages in excess of the liability caps set forth in the divestiture agreement) and intend to vigorously defend this matter. The amount of potential loss, if any, cannot be reasonably estimated at this time.

Item 1A. Risk Factors.

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended March 31, 2023.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities.

Not applicable.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

Exhibit 3.1 2.1	Certificate Securities and Asset Purchase Agreement, dated as of Amendment to the Amended December 21, 2023, by and Restated Certificate of Incorporation of among Triumph Group, Inc. dated July 21, 2023 , Triumph Aftermarket Services Group, LLC, Triumph Group Acquisition Corp., Triumph Group Acquisition Holdings, Inc., The Triumph Group Operations, Inc. and AAR CORP (incorporated by reference to Exhibit 10.1 2.1 to the Company's Current Report on Form 8-K filed on July 21, 2023) December 22, 2023)*
EX-22.1 Exhibit 4.1	Fourth Amendment to Amended and Restated Receivables Purchase Agreement, dated as of December 22, 2023, among Triumph Receivables, LLC, as seller, Triumph Group, Inc., as servicer, the various purchasers, LC participants and purchaser agents from time to time party thereto, and PNC Bank, National Association, as administrator and as LC bank (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on December 29, 2023).

Exhibit 4.2	Second Amendment to Amended and Restated Purchase and Sale Agreement, dated as of December 22, 2023, among the various entities listed therein, as the originators, Triumph Group, Inc., individually and as servicer, and Triumph Receivables, LLC (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on December 29, 2023).
Exhibit 22.1	List of Subsidiary Guarantors and Issuers of Guaranteed Securities
Exhibit 31.1	Certification by the Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a)
Exhibit 31.2	Certification by the Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a)
Exhibit 32.1	Certification of Chief Executive Officer and Chief Financial Officer Furnished Pursuant to 18 U.S.C. Section 1350 Adopted Pursuant to Section 906 Sarbanes-Oxley Act of 2002
Exhibit 101 101.INS	The following financial information from Triumph Group, Inc.'s Quarterly Report on Form 10-Q for Inline XBRL Instance Document - the quarter ended September 30, 2023, formatted instance document dost not appear in iXBRL: (i) Condensed Consolidated Balance Sheets as of September 30, 2023 and March 31, 2023; (ii) Condensed Consolidated Statements of Operations for the three and six months ended September 30, 2023 and 2022; (iii) Condensed Consolidated Statements of Comprehensive (Loss) Income for Interactive Data File because XBRL tags are embedded within the three and six months ended September 30, 2023 and 2022; (iv) Condensed Consolidated Statements of Stockholders' Deficit for the three and six months ended September 30, 2023 and 2022; (v) Condensed Consolidated Statements of Cash Flows for the six months ended September 30, 2023 and 2022; and (vi) Notes to Condensed Consolidated Financial Statements. inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents
Exhibit 104	Cover Page Interactive Data File formatted as (embedded within the Inline XBRL and contained in Exhibit 101. document)

*Schedules (as similar attachments) have been omitted from this filing pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule will be furnished to the Securities and Exchange Commission upon request.

TRIUMPH GROUP, INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Triumph Group, Inc.

(Registrant)

/s/ Daniel J. Crowley Daniel J. Crowley	President and Chief Executive Officer (Principal Executive Officer)	November February 7, 2023 2024
/s/ James F. McCabe, Jr. James F. McCabe, Jr.	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	November February 7, 2023 2024
/s/ Kai W. Kasiguran Kai W. Kasiguran	Vice President, Controller (Principal Accounting Officer)	November February 7, 2023 2024

Exhibit 22.1

The following subsidiaries of Triumph Group, Inc. are Subsidiary Guarantors with respect to the Senior Notes:

Guarantor	**Jurisdiction**
HT PARTS, L.L.C.	Delaware
NU-TECH BRANDS, INC.	Delaware
THE TRIUMPH GROUP OPERATIONS, INC.	Delaware
TRIUMPH ACCESSORY SERVICES - GRAND PRAIRIE, INC.	Delaware
TRIUMPH ACTUATION SYSTEMS - CONNECTICUT, LLC	Delaware
TRIUMPH ACTUATION SYSTEMS - VALENCIA, INC.	Delaware
TRIUMPH ACTUATION SYSTEMS - YAKIMA, LLC	Delaware
TRIUMPH ACTUATION SYSTEMS, LLC	Delaware

TRIUMPH AEROSPACE SYSTEMS GROUP, LLC	Delaware
TRIUMPH AEROSTRUCTURES - TULSA, LLC	Delaware
TRIUMPH AEROSTRUCTURES HOLDINGS, LLC	Delaware
TRIUMPH AEROSTRUCTURES, LLC	Delaware
TRIUMPH AFTERMARKET SERVICES GROUP, LLC	Delaware
TRIUMPH AIRBORNE STRUCTURES, LLC	Arkansas
TRIUMPH AVIATIONS INC.	Arkansas
TRIUMPH BRANDS, INC.	Delaware
TRIUMPH COMPOSITE SYSTEMS, INC.	Delaware
TRIUMPH CONTROLS, LLC	Delaware
TRIUMPH ENGINE CONTROL HOLDINGS, INC.	Delaware
TRIUMPH ENGINE CONTROL SYSTEMS, LLC	Delaware
TRIUMPH ENGINEERED SOLUTIONS, INC.	Delaware
TRIUMPH ENGINEERING SERVICES, INC.	Delaware
TRIUMPH FABRICATIONS - ORANGEBURG, INC.	Illinois
TRIUMPH GEAR SYSTEMS - MACOMB, INC.	Michigan
TRIUMPH GEAR SYSTEMS, INC.	Delaware
TRIUMPH GROUP ACQUISITION CORP.	Delaware
TRIUMPH GROUP ACQUISITION HOLDINGS, INC.	Delaware
TRIUMPH INSTRUMENTS – BURBANK, INC.	Delaware
TRIUMPH INSULATION SYSTEMS, LLC	Nevada
TRIUMPH INTEGRATED AIRCRAFT INTERIORS, INC.	Delaware
TRIUMPH INVESTMENT HOLDINGS, INC.	Nevada
TRIUMPH STRUCTURES - KANSAS CITY, INC.	Missouri
TRIUMPH STRUCTURES - WICHITA, INC.	Delaware
TRIUMPH THERMAL SYSTEMS - MARYLAND, INC.	Delaware
TRIUMPH THERMAL SYSTEMS, LLC	Delaware
TRIUMPH TURBINE SERVICES, INC.	Delaware
VAC INDUSTRIES, INC.	Delaware

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934

I, Daniel J. Crowley, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Triumph Group, Inc. (this "Report");
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fa necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in a material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in wh this Report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to b designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting an the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Report ou conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this Report based on such evaluation; and
   d) disclosed in this Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in th registrant's internal control over financial reporting.

Dated: November 7, 2023 February 7, 2024

/s/ Daniel J. Crowley

Daniel J. Crowley
Chairman, President and Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934

I, James F. McCabe, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Triumph Group, Inc. (this "Report");
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fa necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in a material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in wh this Report is being prepared;
    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to b designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting an the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Report ou conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered

by this Report based on such evaluation; and

d) disclosed in this Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in th registrant's internal control over financial reporting.

Dated: November 7, 2023 February 7, 2024

/s/ James F. McCabe, Jr.

James F. McCabe, Jr.
Senior Vice President, Chief Financial Officer (Principal Financial Officer)

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Triumph Group, Inc. (the "Company") for the quarter ended September 30, 2023 December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel J. Crowley, Chairman, President and Chief Executive Officer of the Company, and I, James F. McCabe, Jr., Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of our knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Daniel J. Crowley	By: /s/ James F. McCabe, Jr.
Daniel J. Crowley	James F. McCabe, Jr.
Chairman, President and Chief Executive Officer	*Senior Vice President, Chief Financial Officer (Principal Financial Officer)*
(Principal Executive Officer)	
November February 7, 2023 2024	November February 7, 2023 2024

A signed original of this written statement required by Section 906 has been provided to Triumph Group, Inc. and will be retained by Triumph Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

DISCLAIMER

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