UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended: June 30, 2022

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 1-01520

Aerojet Rocketdyne Holdings, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**34-0244000**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
222 N. Pacific Coast Highway **Suite 500** **El Segundo** **California**	**90245**
(Address of principal executive offices)	**(Zip Code)**

310-252-8100

(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, $0.10 par value	AJRD	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 (§232.405 of this chapter) 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 Exchange Act.

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 Exchange Act). Yes ☐ No ☒

As of July 18, 2022, the Company had 80,437,515 outstanding common shares, including unvested common shares, $0.10 par value.

Aerojet Rocketdyne Holdings, Inc.
Quarterly Report on Form 10-Q
For the Quarterly Period Ended June 30, 2022

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Part I — FINANCIAL INFORMATION

Item 1. Financial Statements

Aerojet Rocketdyne Holdings, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	(In millions, except per share amounts)			
Net sales	$ 528.5	$ 556.9	$ 1,039.6	$ 1,053.0
Operating costs and expenses:				
Cost of sales (exclusive of items shown separately below)	469.5	446.1	895.0	864.1
Selling, general and administrative expense	9.6	13.6	17.8	22.6
Depreciation and amortization	13.8	15.7	28.2	30.9
Other expense, net				
Legal matters	—	—	16.1	—
Proxy costs and related litigation	8.9	—	12.0	—
Other	(1.5)	7.2	(0.4)	15.3
Total operating costs and expenses	500.3	482.6	968.7	932.9
Operating income	28.2	74.3	70.9	120.1
Non-operating:				
Retirement benefits expense	0.2	8.4	0.5	16.9
Loss on debt	—	0.5	—	9.6
Interest income and other	—	(0.7)	0.2	(1.3)
Interest expense	4.3	5.1	8.2	10.2
Total non-operating expense, net	4.5	13.3	8.9	35.4
Income before income taxes	23.7	61.0	62.0	84.7
Income tax provision	7.3	16.0	17.8	21.6
Net income	$ 16.4	$ 45.0	$ 44.2	$ 63.1
Earnings per share of common stock				
Basic earnings per share	$ 0.20	$ 0.56	$ 0.55	$ 0.80
Diluted				
Diluted earnings per share	$ 0.20	$ 0.54	$ 0.53	$ 0.77
Weighted average shares of common stock outstanding, basic	80.3	79.7	80.2	78.5
Weighted average shares of common stock outstanding, diluted	85.9	82.5	85.8	81.3
Cash dividends paid per share	$ —	$ —	$ —	$ 5.00

See Notes to Unaudited Condensed Consolidated Financial Statements.

Aerojet Rocketdyne Holdings, Inc.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	(In millions)			
Net income	$ 16.4	$ 45.0	$ 44.2	$ 63.1
Other comprehensive income:				
Amortization of net actuarial losses and prior service costs, net of income taxes of $1.7 million, $3.8 million, $3.5 million, and $7.6 million	5.2	11.5	10.4	23.0
Comprehensive income	$ 21.6	$ 56.5	$ 54.6	$ 86.1

See Notes to Unaudited Condensed Consolidated Financial Statements.

Aerojet Rocketdyne Holdings, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

	June 30, 2022	December 31, 2021
	(In millions, except per share amounts)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 560.3	$ 700.4
Restricted cash	3.0	3.0
Marketable securities	9.1	10.6
Accounts receivable	170.3	60.6
Contract assets	377.3	354.2
Other current assets	125.7	99.5
Total Current Assets	1,245.7	1,228.3
Noncurrent Assets		
Right-of-use assets	46.3	52.6
Property, plant and equipment, net	411.0	421.1
Recoverable environmental remediation costs	217.7	226.2
Deferred income taxes	145.5	55.6
Goodwill	161.4	161.4
Intangible assets	31.5	34.9
Other noncurrent assets	207.1	243.3
Total Noncurrent Assets	1,220.5	1,195.1
Total Assets	$ 2,466.2	$ 2,423.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current portion of long-term debt	$ 179.3	$ 166.7
Accounts payable	115.1	132.2
Reserves for environmental remediation costs	42.6	37.7
Contract liabilities	371.5	366.5
Other current liabilities	254.7	172.7
Total Current Liabilities	963.2	875.8
Noncurrent Liabilities		
Long-term debt	276.7	294.6
Reserves for environmental remediation costs	248.9	258.7
Pension benefits	230.0	255.9
Operating lease liabilities	36.1	41.3
Other noncurrent liabilities	137.2	173.8
Total Noncurrent Liabilities	928.9	1,024.3
Total Liabilities	1,892.1	1,900.1
Commitments and contingencies (Note 8)		
Stockholders' Equity		
Preferred stock, par value of $1.00; 15.0 million shares authorized; none issued or outstanding	—	—
Common stock, par value of $0.10; 150.0 million shares authorized; 80.3 million shares outstanding as of June 30, 2022; 80.1 million shares outstanding as of December 31, 2021	8.0	8.0
Other capital	574.5	578.1
Treasury stock at cost, 2.1 million shares as of June 30, 2022 and December 31, 2021	(64.4)	(64.4)
Retained earnings	146.6	102.6
Accumulated other comprehensive loss, net of income taxes	(90.6)	(101.0)
Total Stockholders' Equity	574.1	523.3
Total Liabilities and Stockholders' Equity	$ 2,466.2	$ 2,423.4

See Notes to Unaudited Condensed Consolidated Financial Statements.

Aerojet Rocketdyne Holdings, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)

	Common Stock		Other Capital	Treasury Stock	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount					
				(In millions)			
March 31, 2021	79.6	$ 8.0	$ 562.4	$ (64.4)	$ (26.0)	$ (216.1)	$ 263.9
Net income	—	—	—	—	45.0	—	45.0
Amortization of net actuarial losses and prior service costs, net of income taxes	—	—	—	—	—	11.5	11.5
Settlement of debt	0.1	—	—	—	—	—	—
Stock-based compensation and shares issued under equity plans	0.1	—	5.6	—	—	—	5.6
June 30, 2021	79.8	$ 8.0	$ 568.0	$ (64.4)	$ 19.0	$ (204.6)	$ 326.0
December 31, 2020	76.8	$ 7.7	$ 562.1	$ (64.4)	$ (57.4)	$ (227.6)	$ 220.4
Net income	—	—	—	—	63.1	—	63.1
Amortization of net actuarial losses and prior service costs, net of income taxes	—	—	—	—	—	23.0	23.0
Adjustment to dividends	—	—	—	—	13.3	—	13.3
Settlement of debt	2.7	0.3	(4.1)	—	—	—	(3.8)
Repurchase of shares for withholding taxes and option costs under equity plans	—	—	(4.0)	—	—	—	(4.0)
Stock-based compensation and shares issued under equity plans	0.3	—	14.0	—	—	—	14.0
June 30, 2021	79.8	$ 8.0	$ 568.0	$ (64.4)	$ 19.0	$ (204.6)	$ 326.0
March 31, 2022	80.3	$ 8.0	$ 572.7	$ (64.4)	$ 129.4	$ (95.8)	$ 549.9
Net income	—	—	—	—	16.4	—	16.4
Amortization of net actuarial losses and prior service costs, net of income taxes	—	—	—	—	—	5.2	5.2
Adjustment to dividends	—	—	—	—	0.8	—	0.8
Stock-based compensation and shares issued under equity plans	—	—	1.8	—	—	—	1.8
June 30, 2022	80.3	$ 8.0	$ 574.5	$ (64.4)	$ 146.6	$ (90.6)	$ 574.1
December 31, 2021	80.1	$ 8.0	$ 578.1	$ (64.4)	$ 102.6	$ (101.0)	$ 523.3
Net income	—	—	—	—	44.2	—	44.2
Amortization of net actuarial losses and prior service costs, net of income taxes	—	—	—	—	—	10.4	10.4
Adjustment to dividends	—	—	—	—	0.8	—	0.8
Cumulative effect of change in accounting guidance (see Note 1)	—		(5.6)	—	(1.0)	—	(6.6)
Repurchase of shares for withholding taxes and option costs under equity plans	(0.1)	—	(4.3)	—	—	—	(4.3)
Stock-based compensation and shares issued under equity plans	0.3	—	6.3	—	—	—	6.3
June 30, 2022	80.3	$ 8.0	$ 574.5	$ (64.4)	$ 146.6	$ (90.6)	$ 574.1

See Notes to Unaudited Condensed Consolidated Financial Statements.

Aerojet Rocketdyne Holdings, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six months ended June 30,	
	2022	2021
	(In millions)	
Operating Activities		
Net income	$ 44.2	$ 63.1
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	28.2	30.9
Amortization of debt discount and deferred financing costs	0.8	3.0
Stock-based compensation	2.0	10.1
Retirement benefits, net	(13.1)	2.8
Loss on debt	—	9.6
Other, net	1.4	(0.8)
Changes in assets and liabilities:		
Accounts receivable	(109.7)	(91.5)
Contract assets	(23.1)	(1.9)
Other current assets	(26.2)	2.3
Recoverable environmental remediation costs	8.5	7.3
Other noncurrent assets	35.7	12.3
Accounts payable	(18.8)	(0.9)
Contract liabilities	5.0	(17.4)
Other current liabilities	87.0	6.6
Deferred income taxes	(91.5)	(3.3)
Reserves for environmental remediation costs	(4.9)	(6.8)
Other noncurrent liabilities and other	(34.3)	(5.2)
Net Cash (Used in) Provided by Operating Activities	(108.8)	20.2
Investing Activities		
Purchases of marketable securities	(0.4)	(1.9)
Capital expenditures	(11.5)	(12.3)
Net Cash Used in Investing Activities	(11.9)	(14.2)
Financing Activities		
Dividend payments	(1.2)	(428.5)
Debt repayments	(14.3)	(155.8)
Repurchase of shares for withholding taxes and option costs under equity plans	(4.3)	(4.0)
Proceeds from shares issued under equity plans	0.4	4.1
Net Cash Used in Financing Activities	(19.4)	(584.2)
Net Decrease in Cash, Cash Equivalents and Restricted Cash	(140.1)	(578.2)
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	703.4	1,152.5
Cash, Cash Equivalents and Restricted Cash at End of Period	$ 563.3	$ 574.3
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 7.2	$ 7.2
Cash paid for income taxes, net of refunds	28.7	18.6

See Notes to Unaudited Condensed Consolidated Financial Statements.

Note 1. Basis of Presentation and Nature of Operations

Aerojet Rocketdyne Holdings, Inc. ("Aerojet Rocketdyne Holdings" or the "Company") has prepared the accompanying unaudited condensed consolidated financial statements, including the accounts of the Company and its 100% owned and majority owned subsidiaries, in accordance with the instructions to Form 10-Q. The December 31, 2021, condensed consolidated balance sheet was derived from audited financial statements, but does not include all of the disclosures required by accounting principles generally accepted in the United States of America ("GAAP"). These interim financial statements should be read in conjunction with the financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021. Certain reclassifications have been made to financial information for prior periods to conform to the current period's presentation.

The Company believes the accompanying unaudited condensed consolidated financial statements reflect all adjustments, including normal recurring accruals, necessary for a fair statement of its financial position, results of operations, and cash flows for the periods presented. All significant intercompany balances and transactions have been eliminated in consolidation. The preparation of the unaudited condensed consolidated financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the amounts reported in the unaudited condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates. In addition, the operating results for interim periods may not be indicative of the results of operations for a full year.

The Company's operations are organized into two segments:

Aerospace and Defense — includes the operations of the Company's wholly-owned subsidiary Aerojet Rocketdyne, Inc. ("Aerojet Rocketdyne"), a leading technology-based designer, developer and manufacturer of aerospace and defense products and systems for the United States ("U.S.") government, including the Department of Defense ("DoD"), the National Aeronautics and Space Administration ("NASA"), and major aerospace and defense prime contractors.

Real Estate — includes the activities of the Company's wholly-owned subsidiary Easton Development Company, LLC ("Easton") related to the re-zoning, entitlement, sale, and leasing of the Company's excess real estate assets.

The fiscal year of the Company's subsidiary, Aerojet Rocketdyne, ends on the last Saturday in December.

A detailed description of the Company's significant accounting policies can be found in the Company's most recent Annual Report on Form 10-K for the year ended December 31, 2021.

Revision of Previously Issued Consolidated Financial Statements

During the three months ended March 31, 2022, the Company identified an error in its accounting for income taxes associated with its 2.25% Convertible Senior Notes ("2¼% Notes"). Upon issuance of the 2¼% Notes in 2016, the Company did not record the applicable deferred tax liability associated with the conversion option that had been recorded in other capital, which resulted in an overstatement of other capital, an understatement of deferred tax liabilities and an error in income tax expense in subsequent periods. The Company evaluated the errors and concluded that the errors were not material, either individually or in aggregate, to its current or previously issued consolidated financial statements.

To correct the immaterial errors, the Company has revised its previously issued consolidated financial statements as of December 31, 2021 and 2020, and for each of the three years ended December 31, 2021, 2020, and 2019, and its unaudited condensed consolidated financial statements as of and for the quarters and year-to-date periods ended June 30, 2021, and September 30, 2021. The revision of the historical consolidated financial statements also includes the correction of an immaterial misclassification in its unaudited condensed consolidated balance sheet as of December 31, 2020.

Accordingly, the accompanying financial statements and relevant footnotes to the unaudited condensed consolidated financial statements in this Quarterly Report on Form 10-Q have been revised to correct for such immaterial errors. See Note 12 for additional information. The Company will present the revision of its previously issued consolidated financial statements as of December 31, 2021, and for the years ended December 31, 2021 and 2020, in connection with the future filing of its 2022 Annual Report on Form 10-K. Additionally, the Company will present the revision of its previously issued condensed consolidated financial statements as of and for the three and nine months ended September 30, 2021, in connection with the future filings of its Quarterly Reports on Form 10-Q.

Terminated Merger Agreement

On December 20, 2020, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Lockheed Martin Corporation ("Lockheed Martin") and Mizar Sub, Inc., a wholly-owned subsidiary of Lockheed Martin, pursuant to which each share of common stock of the Company would have been automatically converted into the right to receive cash in an amount equal to $51.00 per share, adjusted from $56.00 following the payment of a one-time cash dividend of $5.00 per share paid in March 2021 and the Company would have become a wholly-owned subsidiary of Lockheed Martin (the "Merger").

On January 25, 2022, the Federal Trade Commission ("FTC") filed a complaint against the Company and Lockheed Martin in the FTC's administrative court and a complaint in U.S. federal court seeking a preliminary injunction to stop the deal pending an administrative trial. On February 13, 2022, Lockheed Martin notified the Company that it had elected to terminate the Merger

Agreement. On February 14, 2022, pursuant to the parties' joint motion, the administrative complaint and the U.S. federal court complaint were dismissed.

Coronavirus ("COVID-19") Pandemic

During the three and six months ended June 30, 2022, the Company's financial results and operations were not materially adversely impacted by the COVID-19 pandemic. The extent to which the Company's future financial results could be impacted by the COVID-19 pandemic depends on future developments that are highly uncertain and cannot be predicted at this time. The Company is not aware of any specific event or circumstance that would require an update to its estimates or judgments or a revision of the carrying value of its assets or liabilities as of the date of issuance of this Quarterly Report on Form 10-Q. These estimates may change, as new events occur and additional information is obtained. Actual results could differ materially from these estimates under different assumptions or conditions.

Recently Issued Accounting Pronouncements

In August 2020, the *Financial Accounting Standards Board iss*ued guidance which simplifies the accounting for convertible instruments. This guidance eliminates certain models that require separate accounting for embedded conversion features, in certain cases. Additionally, among other changes, the guidance eliminates certain of the conditions for equity classification for contracts in an entity's own equity. The guidance also requires entities to use the if-converted method for all convertible instruments in the diluted earnings per share calculation and include the effect of share settlement for instruments that may be settled in cash or shares, except for certain liability-classified share-based payment awards. The Company adopted the new guidance as of January 1, 2022, using the modified retrospective approach resulting in the following adjustment (i) a decrease of $1.9 million in deferred tax liabilities, (ii) a decrease of $5.6 million in other capital, (iii) a decrease of $1.0 million in retained earnings, and (iv) an increase of $8.5 million in debt.

Note 2. Earnings Per Share ("EPS") of Common Stock

The following table reconciles the numerator and denominator used to calculate basic and diluted EPS of common stock:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	(In millions, except per share amounts)			
Numerator:				
Net income	$ 16.4	$ 45.0	$ 44.2	$ 63.1
Income allocated to participating securities	(0.1)	(0.3)	(0.2)	(0.4)
Net income for basic EPS	$ 16.3	$ 44.7	$ 44.0	$ 62.7
Interest on 2¼% Notes	0.7	—	1.4	—
Net income for diluted EPS	$ 17.0	$ 44.7	$ 45.4	$ 62.7
Denominator:				
Basic weighted average shares	80.3	79.7	80.2	78.5
Effect of:				
2¼% Notes	5.6	2.8	5.6	2.8
Diluted weighted average shares	85.9	82.5	85.8	81.3
Basic				
Basic EPS	$ 0.20	$ 0.56	$ 0.55	$ 0.80
Diluted				
Diluted EPS	$ 0.20	$ 0.54	$ 0.53	$ 0.77

Securities which would have been anti-dilutive are insignificant and are excluded from the computation of diluted earnings per share in all periods presented.

The increase in the dilutive effect of the 2¼% Notes in the three and six months ended June 30, 2022, is the result of the adoption of new accounting guidance. See Note 1.

Note 3. Revenue Recognition

In the Company's Aerospace and Defense segment, the majority of revenue is earned from long-term contracts to design, develop, and manufacture aerospace and defense products for, and provide related services to, the Company's customers, including the U.S. government and major aerospace and defense prime contractors.

The Company evaluates the contract value and cost estimates for performance obligations at least quarterly and more frequently when circumstances significantly change. Factors considered in estimating the work to be completed include, but are not limited to: labor productivity, the nature and technical complexity of the work to be performed, availability and cost volatility of materials, subcontractor and vendor performance, warranty costs, volume assumptions, anticipated labor agreements, inflationary trends, schedule and performance delays, availability of funding from the customer, and the recoverability of costs incurred outside the original contract included in any estimates to complete. When the Company's estimate of total costs to be incurred to satisfy a performance obligation exceeds the expected revenue, the Company recognizes the loss immediately. When the Company determines that a change in estimates has an impact on the associated profit of a performance obligation, the Company records the cumulative positive or negative adjustment to the statement of operations. Changes in estimates and assumptions related to the status of certain long-term contracts may have a material effect on the Company's operating results. The following table summarizes the impact of the changes in significant contract accounting estimates on the Company's Aerospace and Defense segment operating results:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	(In millions, except per share amounts)			
Net (unfavorable) favorable effect of the changes in contract estimates on net sales	$ (16.0)	$ 25.7	$ (16.2)	$ 23.8
Net (unfavorable) favorable effect of the changes in contract estimates on income before income taxes	(29.5)	24.0	(32.2)	21.6
Net (unfavorable) favorable effect of the changes in contract estimates on net income	(21.0)	18.0	(23.0)	16.1
Net (unfavorable) favorable effect of the changes in contract estimates on basic and diluted EPS	(0.26)	0.22	(0.29)	0.20

For the three and six months ended June 30, 2022, net unfavorable changes in contract estimates were primarily driven by cost growth from supply chain disruptions and necessary technical and manufacturing changes identified in the three months ended June 30, 2022, on a portion of the Standard Missile program. For the six months ended June 30, 2021, net favorable changes in contract estimates were primarily driven by improved performance and risk retirements on the RS-68 and Patriot Advanced Capability-3 ("PAC-3") programs partially offset by cost growth on a portion of the Standard Missile program.

In the Company's Aerospace and Defense segment, the timing of revenue recognition, customer invoicing, and collections produces accounts receivable, contract assets, and contract liabilities in the unaudited condensed consolidated balance sheets. The following table summarizes contract assets and liabilities:

	June 30, 2022	December 31, 2021
	(In millions)	
Contract assets	$ 386.4	$ 359.6
Reserve for overhead rate disallowance	(9.1)	(5.4)
Contract assets, net of reserve	377.3	354.2
Contract liabilities	371.5	366.5
Net contract assets (liabilities), net of reserve	$ 5.8	$ (12.3)

Net contract assets increased by $18.1 million from December 31, 2021, primarily due to an increase in unbilled receivables. During the six months ended June 30, 2022, the Company recognized sales of $225.2 million that were included in the Company's contract liabilities as of December 31, 2021.

As of June 30, 2022, the Company's total remaining performance obligations, also referred to as backlog, totaled $6.9 billion. The Company expects to recognize approximately 34%, or $2.3 billion, of the remaining performance obligations as sales over the next twelve months, an additional 24% the following twelve months, and 42% thereafter.

The Company's contracts are largely categorized as either "fixed-price" (largely used by the U.S. government for production-type contracts) or "cost-reimbursable" (largely used by the U.S. government for development-type contracts). Fixed-price contracts present the risk of unreimbursed cost overruns, potentially resulting in lower than expected contract profits and margins. This risk is generally lower for cost-reimbursable contracts which, as a result, generally have a lower margin. The following table summarizes the percentages of net sales by contract type:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Fixed-price	55 %	60 %	56 %	56 %
Cost-reimbursable	45	40	44	44

The principal end user customers are primarily agencies of the U.S. government as illustrated in the following table:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
U.S. government	94 %	97 %	95 %	97 %
Non U.S. government	6	3	5	3

The Company's Real Estate segment represented less than 1% of the Company's net sales for the three and six months ended June 30, 2022 and 2021.

Note 4. Stock-Based Compensation

The following table summarizes stock-based compensation by type of award:

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
	(In millions)			
Stock Appreciation Rights	$ 0.6	$ 1.4	$ (4.3)	$ (0.3)
Restricted stock and restricted stock units, service based	1.3	1.7	2.7	3.0
Restricted stock and restricted stock units, performance based	1.0	4.0	3.6	6.9
Employee stock purchase plan	—	0.2	—	0.5
Total stock-based compensation expense	$ 2.9	$ 7.3	$ 2.0	$ 10.1

Note 5. Balance Sheet Accounts

a. Fair Value of Financial Instruments

Financial instruments are classified using a three-tiered fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

		Fair value measurement as of June 30, 2022		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
	(In millions)			
Money market funds	$ 364.6	$ 364.6	$ —	$ —
Registered investment companies	0.9	0.9	—	—
Commercial paper	119.9	—	119.9	—
Equity securities	9.1	9.1	—	—
Total	$ 494.5	$ 374.6	$ 119.9	$ —

		Fair value measurement as of December 31, 2021		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
	(In millions)			
Money market funds	$ 388.6	$ 388.6	$ —	$ —
Registered investment companies	1.3	1.3	—	—
Commercial paper	35.0	—	35.0	—
Equity securities	10.6	10.6	—	—
Total	$ 435.5	$ 400.5	$ 35.0	$ —

As of June 30, 2022 and December 31, 2021, the total estimated fair value for commercial paper was classified as cash and cash equivalents as the remaining maturity at date of purchase was less than three months.

The carrying amounts of certain of the Company's financial instruments, including cash and cash equivalents, restricted cash, accounts receivable, accounts payable, accrued compensation, and other accrued liabilities, approximate fair value because of their short maturities.

The following table summarizes the estimated fair value and principal amount for outstanding debt obligations excluding finance lease obligations:

	Fair Value		Principal Amount	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
	(In millions)			
Term Loan	$ 263.3	$ 275.8	$ 269.1	$ 282.2
2¼% Notes	227.4	266.1	145.9	145.9
Total	$ 490.7	$ 541.9	$ 415.0	$ 428.1

The fair value of the 2¼% Notes was determined using broker quotes that are based on open markets for the Company's debt securities (Level 2 securities). The fair value of the Term Loan (as defined below) was estimated based on a third-party model used to derive a relative value price using comparable corporate loans within a similar industry, credit quality, and currency.

b. Accounts Receivable

	June 30, 2022	December 31, 2021
	(In millions)	
Billed receivables under long-term contracts	$ 170.1	$ 60.3
Other trade receivables	0.2	0.3
Accounts receivable	$ 170.3	$ 60.6

c. Other Current Assets

	June 30, 2022	December 31, 2021
	(In millions)	
Deferred costs recoverable from the U.S. government	$ 41.6	$ 37.4
Income tax receivable	—	13.8
Inventories	11.8	10.0
Prepaid expenses	15.9	15.3
Other	56.4	23.0
Other current assets	$ 125.7	$ 99.5

d. Property, Plant and Equipment, net

	June 30, 2022	December 31, 2021
	(In millions)	
Land	$ 71.1	$ 71.1
Buildings and improvements	504.7	503.0
Machinery and equipment, including capitalized software	506.0	499.1
Construction-in-progress	53.2	50.0
	1,135.0	1,123.2
Less: accumulated depreciation	(724.0)	(702.1)
Property, plant and equipment, net	$ 411.0	$ 421.1

e. Other Noncurrent Assets

	June 30, 2022	December 31, 2021
	(In millions)	
Real estate held for entitlement and leasing	$ 104.4	$ 103.7
Deferred costs recoverable from the U.S. government	62.1	62.1
Receivable from Northrop Grumman Corporation for environmental remediation costs	31.5	34.5
Other	9.1	43.0
Other noncurrent assets	$ 207.1	$ 243.3

f. Other Current Liabilities

	June 30, 2022	December 31, 2021
	(In millions)	
Accrued compensation and employee benefits	$ 123.6	$ 122.0
Income taxes payable	66.9	—
Other	64.2	50.7
Other current liabilities	$ 254.7	$ 172.7

As of June 30, 2022, the income tax payable balance totaled $66.9 million. The increase in the income tax payable balance compared with an income tax receivable balance of $13.8 million as of December 31, 2021, is primarily the result of the elimination of the option for the Company to deduct Research and Development ("R&D") expenditures in the current period and requires the Company to capitalize such costs and amortize the costs over five years when incurred in the U.S.

Note 6. Income Taxes

	Six months ended June 30,	
	2022	2021
	(In millions)	
Income tax provision	$ 17.8	$ 21.6

In the six months ended June 30, 2022, the income tax provision was $17.8 million for an effective tax rate of 28.7%. The Company's effective tax rate differed from the 21% statutory federal income tax rate primarily due to state income taxes and certain expenditures which are permanently not deductible for tax purposes, partially offset by the impact of R&D credits and original issue discount on convertible debt.

In the six months ended June 30, 2021, the income tax provision was $21.6 million for an effective tax rate of 25.5%. The Company's effective tax rate differed from the 21% statutory federal income tax rate primarily due to state income taxes and certain expenditures which are permanently not deductible for tax purposes, partially offset by the impact of R&D credits.

A valuation allowance is required when it is more-likely-than-not that all or a portion of deferred tax assets may not be realized. Assessing the need for a valuation allowance requires management to evaluate, on a quarterly basis, all available evidence, both positive and negative. As of June 30, 2022, the Company continues to believe that the weight of the positive evidence outweighed the negative evidence regarding the realization of its net deferred tax assets.

Note 7. Long-term Debt

	June 30, 2022	December 31, 2021
	(In millions)	
Term Loan, bearing interest at variable rates (rate of 3.42% as of June 30, 2022), maturing in September 2023	$ 269.1	$ 282.2
Unamortized deferred financing costs	(0.6)	(0.8)
Total senior debt	268.5	281.4
Convertible senior notes, bearing interest at 2.25% per annum, interest payments due in June and December, maturing in December 2023	145.9	145.9
Unamortized discount and deferred financing costs	(0.6)	(9.4)
Total convertible senior notes	145.3	136.5
Finance leases	42.2	43.4
Total other debt	42.2	43.4
Total debt, net of unamortized discount and deferred financing costs	456.0	461.3
Less: Amounts due within one year	(179.3)	(166.7)
Total long-term debt, net of unamortized discount and deferred financing costs	$ 276.7	$ 294.6

Senior Credit Facility

The senior secured senior credit facility (the "Senior Credit Facility") matures on September 20, 2023, and consists of (i) a $650.0 million revolving line of credit (the "Revolver") and (ii) a $350.0 million term loan (the "Term Loan").

As of June 30, 2022, the Company had zero borrowings under the Revolver and issued $27.8 million in letters of credit.

The Term Loan and any borrowings under the Revolver bear interest at LIBOR plus an applicable margin ranging from 175 to 250 basis points based on the Company's leverage ratio (the "Consolidated Net Leverage Ratio") measured at the end of each quarter. In addition to interest, the Company must pay certain fees including (i) letter of credit fees ranging from 175 to 250 basis points per annum on the amount of issued but undrawn letters of credit and eurocurrency rate loans and (ii) commitment fees ranging from 30 to 45 basis points per annum on the unused portion of the Revolver.

The Term Loan amortized at a rate of 7.5% per annum as of June 30, 2022, and increasing to 10.0% per annum from December 31, 2022, to be paid in equal quarterly installments with any remaining amounts, along with outstanding borrowings under the Revolver, due on the maturity date. Outstanding borrowings under the Revolver and the Term Loan may be voluntarily repaid at any time, in whole or in part, without premium or penalty.

The Senior Credit Facility is secured by a first priority security interest in the Company’s assets, subject to certain customary exceptions, as well as pledges of its equity interests in certain subsidiaries.

The Senior Credit Facility contains financial covenants requiring the Company to (i) maintain an interest coverage ratio (the "Consolidated Interest Coverage Ratio") of not less than 3.00 to 1.00 and (ii) maintain a Consolidated Net Leverage Ratio not to exceed 3.50 to 1.00 provided that the maximum leverage ratio for all periods shall be increased by 0.50 to 1.00 for two consecutive quarters after consummation of a qualified acquisition.

The Company may generally make certain investments, redeem debt subordinated to the Senior Credit Facility and make certain restricted payments (such as stock repurchases and dividends) if the Company's Consolidated Net Leverage Ratio does not exceed 3.25 to 1.00 pro forma for such transaction. The Company is otherwise subject to customary covenants including limitations on asset sales, incurrence of additional debt, and limitations on certain investments and restricted payments.

The Company was in compliance with its financial and non-financial covenants as of June 30, 2022.

2¼% Convertible Senior Notes (see Note 13)

The Company adopted the new accounting guidance for convertible instruments effective January 1, 2022, using the modified retrospective method, with the cumulative effect recognized as of January 1, 2022. The primary impact of the new guidance was removing the requirement for the Company to account for beneficial conversion features and cash conversion features in equity, separately from the 2¼% Notes and requires the Company to use the if-converted method for the 2¼% Notes in the diluted earnings per share calculation. See Notes 1 and 2 for additional information.

On December 14, 2016, the Company issued $300.0 million aggregate principal amount of 2¼% Notes in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended.

Holders may convert their 2¼% Notes at their option from July 1, 2022, through September 30, 2022, because the Company's closing stock price exceeded $33.80 for at least 20 days in the 30 day period prior to June 30, 2022.

As more fully described in the indenture governing the 2¼% Notes, the holders of the 2¼% Notes may surrender all or any portion of their 2¼% Notes for conversion at any time during any calendar quarter, (and only during such calendar quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% ($33.80) of the conversion price on each applicable trading day.

The following table summarizes information regarding the 2¼% Notes (in millions, except years, percentages, conversion rate, and conversion price):

	June 30, 2022	December 31, 2021
Remaining amortization period (years)	1.5	2.0
Effective interest rate	2.6 %	5.8 %
Conversion rate (shares of common stock per $1,000 principal amount)	38.4615	38.4615
Conversion price (per share of common stock)	$ 26.00	$ 26.00

Based on the Company's closing stock price of $40.60 on June 30, 2022, the if-converted value of the 2¼% Notes exceeded the aggregate principal amount of the 2¼% Notes by $81.9 million.

The following table presents the interest expense components for the 2¼% Notes:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	(In millions)			
Interest expense-contractual interest	$ 0.8	$ 0.8	$ 1.6	$ 1.6
Interest expense-amortization of debt discount (see discussion above)	—	1.1	—	2.2
Interest expense-amortization of deferred financing costs	0.1	0.1	0.2	0.2

Note 8. Commitments and Contingencies

a. Legal Matters

The Company and its subsidiaries are subject to legal proceedings, including litigation in U.S. federal and state courts, which arise out of, and are incidental to, the ordinary course of the Company's on-going and historical businesses. The Company is also subject from time to time to governmental investigations by federal and state agencies. The Company cannot predict the outcome of such proceedings with any degree of certainty. Loss contingency provisions are recorded for probable losses at management's best estimate of a loss. When only a range of amounts can be reasonably estimated and no amount within the range is more likely than another, the low end of the range is recorded. These estimates are often initially developed substantially earlier than when the ultimate loss is known, and are refined each quarterly reporting period as additional information becomes available.

Proxy Contest Litigation

In early 2022, disagreements relating to the election of directors to the Company's Board of Directors ("Board") at the Company's 2022 Annual Meeting of Stockholders (the "Annual Meeting") developed among the Company's directors. The Company's eight-member Board was evenly divided between former directors Warren G. Lichtenstein, James R. Henderson, Audrey A. McNiff, and Martin Turchin (the "LHMT Directors") and Thomas Corcoran, General Kevin P. Chilton USAF (Ret.), Eileen P. Drake, and General Lance W. Lord, USAF (Ret.) (the "CCDL Directors"). On January 28, 2022, SPH Group Holdings LLC ("SPH"), a company affiliated with Mr. Lichtenstein, nominated a slate of seven directors, including the LHMT Directors, for election. The directors then filed two separate lawsuits in the Court of Chancery of the State of Delaware. On February 7, 2022, the LHMT Directors filed C.A. No. 2022-0127-LWW (the "LHMT Complaint") and on February 11, 2022, the CCDL Directors filed C.A. No. 2022-0146-LWW (the "CCDL Complaint").

The LHMT Complaint

The LHMT Directors filed suit against the CCDL Directors and named the Company as a nominal party to the lawsuit. The LHMT Directors sought, among other things:

- A declaratory judgment that no CCDL Director nor Company officer, director, employee, or anyone else acting or purporting to act on the Company's behalf may speak on behalf of the Company or take any action on behalf of the Company without proper authorization from the Board or a duly authorized committee of the Board under Delaware law;
- A declaratory judgment that, so long as the Board was evenly divided regarding the election at the Annual Meeting, no officer, employee, advisor, or agent of the Company shall take action on behalf of the Company for the purpose of directly or indirectly supporting either the LHMT Directors or the CCDL Directors in connection with the election at the Annual Meeting. Instead, so long as the Board was evenly divided in connection with the election, the Company must remain neutral on the subject;
- A declaration that alleged actions purportedly taken by the CCDL Directors on behalf of the Company without proper authorization were unauthorized, invalid, and void;
- A permanent injunction prohibiting the CCDL Directors from taking any action or purporting to take any action on behalf of the Company without proper authorization; and
- A permanent injunction specifying that the Company and its officers, employees, agents, and advisors, in their capacity as such, shall remain neutral in any electoral dispute between the LHMT Directors and the CCDL Directors.

The LHMT Directors also moved for a temporary restraining order, which the CCDL Directors opposed.

The CCDL Complaint

The CCDL Directors filed suit against the LHMT Directors and SPH, and named the Company as a plaintiff and a nominal defendant in the lawsuit. The LHMT Directors disputed that the CCDL Directors were authorized to name the Company as a plaintiff.

The CCDL Directors sought, among other things:

- The appointment of a special committee of Gen. Chilton, Mr. Corcoran, and Gen. Lord to manage the Company's response to the alleged proxy contest launched by the LHMT Directors, or, in the alternative, appointment of a custodian pursuant to 8 Del. C. § 226(a)(2);
- A declaration that the LHMT Directors were interested with respect to the alleged proxy contest by virtue of their inclusion in SPH's nominated slate;
- A declaration that the LHMT Directors breached their fiduciary duties by allegedly engaging in unauthorized communications regarding the Lockheed Martin merger and by allegedly participating in discussions regarding, and voting on, matters in which they are self-interested;
- A declaration that the LHMT Directors breached their fiduciary duties by allegedly failing to disclose material information about Mr. Lichtenstein's alleged machinations to take control of the Company in their filing with the Securities and Exchange Commission regarding SPH's nomination of directors and a declaration that the notice on that topic had violated the Company's advance-notice bylaw for the same reason; and
- The removal of Mr. Lichtenstein as a director as a consequence for alleged breaches of his fiduciary duty of loyalty, pursuant to 8 Del. C. § 225(c).

Consolidation and Development of the LHMT and CCDL Actions

On February 23, 2022, the Court of Chancery entered a temporary restraining order that provided, among other things, that:

- No party to the action, no officer, director, employee, advisor, or agent of the Company, no person or entity purporting to have authority over the Company, and no person or entity acting in concert with any of the foregoing who had notice of the order, shall, absent prior written Board approval (i) make any public statement, issue any press release, or make any disclosure on behalf of or in the name of the Company in support of the election efforts of any candidate for election at the Company's 2022 Annual Meeting, or (ii) take action on behalf of or in the name of the Company or use or otherwise deploy Company funds or other Company resources in support of the election efforts of any candidate for election at the Annual Meeting; and
- The Company shall retain independent counsel agreed upon and authorized by at least five members of the Board in connection with the two actions filed by the directors.

On February 25, 2022, the Court of Chancery entered an order consolidating the foregoing actions into one action, captioned In Re Aerojet Rocketdyne Holdings, Inc. (Consolidated C.A. No. 2022-0127-LWW).

On March 1, 2022, the CCDL Directors issued a press release announcing that Ms. Drake had nominated a slate of directors for election to the Company's Board.

On March 7, 2022, the CCDL Directors dismissed without prejudice the claims they had asserted in the CCDL Complaint, though the claims that were purportedly asserted by the Company in the CCDL Complaint remained pending.

On March 22, 2022, the Court of Chancery held a hearing on the CCDL Directors' motion for entry of a final order and judgment and the LHMT Directors' motions for leave to supplement their complaint and to enforce the Court's temporary restraining order. The Court denied the CCDL Directors' motion and granted the LHMT Directors' motions, ordering that neutral counsel to represent the Company shall be retained, by the agreement of at least five members of the Company's Board. The Company retained neutral counsel in accordance with the Court's order.

From May 23-25, 2022, the Court of Chancery held a trial on the LHMT Directors' claims. The Court of Chancery then heard closing arguments on June 6, 2022. On June 16, 2022, the Court issued a post-trial memorandum opinion (the "Opinion") finding in favor of the LHMT Directors on their claims for declaratory judgment, finding that the LHMT Directors were entitled to an injunction enforcing the declaratory judgment through the next election of directors by the stockholders of the Company, and holding that certain corrective disclosures must issue in the form of a press release and a corresponding Form 8-K. The Court declined to find that there were any meaningful violations of the temporary restraining order; to hold any of the CCDL Directors in contempt; to invalidate any stockholder consents and proxies obtained to date; or to award the LHMT Directors any fees.

On June 21, 2022 the Court of Chancery issued an order reflecting the relief granted to the LHMT Directors in its Opinion, including approving the Company's corrective disclosures, which were issued in a press release on June 20, 2022 and filed under cover of Form 8-K on June 21, 2022. The order also extended the requirements of the temporary restraining order through a special meeting of stockholders, requiring all parties to the action, as well as officers, directors, employees, and advisors of the Company to refrain from making public statements in the name of the Company in support of the election and to refrain from deploying Company funds or resources in support of the election. The order specifically noted that this limitation would not affect the right of any person to act in their individual capacity in support of any candidate for election.

On June 30, 2022, the Company held a special meeting of stockholders, where stockholders approved the removal, without cause, of all eight members of the Company's previous Board (Gen. Chilton (Ret.), Mr. Corcoran, Ms. Drake, Mr. Henderson, Mr. Lichtenstein, Gen. Lord (Ret.), Ms. McNiff, and Mr. Turchin) and elected a new eight-member Board consisting of Gail Baker, Marion C. Blakey, Maj. Gen. Charles F. Bolden (Ret.), Gen. Chilton (Ret.), Mr. Corcoran, Ms. Drake, Deborah Lee James and Gen. Lord (Ret.).

Asbestos Litigation

The Company has been, and continues to be, named as a defendant in lawsuits alleging personal injury or death and seeking various monetary damages due to exposure to asbestos in building materials, products, or in manufacturing operations. The majority of cases are pending in Illinois state courts. There were 141 asbestos cases pending as of June 30, 2022.

Given the lack of any significant consistency to claims (i.e., as to product, operational site, or other relevant assertions) filed against the Company, the Company is generally unable to make a reasonable estimate of the future costs of pending claims or unasserted claims. The aggregate settlement costs and legal and administrative fees associated with the Company's asbestos litigation has been immaterial for the last three years. As of June 30, 2022, the Company has accrued an immaterial amount related to pending claims.

United States ex. rel. Markus vs. Aerojet Rocketdyne Holdings

In the case captioned United States ex. rel. Markus vs. Aerojet Rocketdyne Holdings, Inc. et al., Case No. 2:15-CV-02245- WBS-AC, the Department of Justice completed its review of the case and declined to intervene in June 2018. The case was originally filed under seal in the U.S. District Court, Eastern District of California in September 2017 and alleged causes of action against the Company based on false claims, retaliation, and wrongful termination of employment seeking injunctive relief, civil penalties, and compensatory and punitive damages. In February 2019, the Company filed a Motion to Dismiss the False Claims Act ("FCA") counts of the complaint and a Motion to Compel Arbitration on the employment based claims. In May 2019, the court dismissed one count of the FCA claim, denied the motion to dismiss the remaining FCA counts, and moved the employment based claims to arbitration. In September 2021, each party filed a motion for summary judgment. In February 2022, the Court denied Relator’s motion for summary judgment in full and granted the Company’s motion for summary judgment in part. Specifically, the Court rejected Relator’s false certification allegations in their entirety while also significantly diminishing the number of U.S. government contracts at issue in the litigation, which number excludes both the majority of contracts specified in Relator’s Second Amended Complaint ("SAC") as well as numerous contracts regarding which Relator purported to make claims but that were not specified in the SAC. The Court found disputed issues of material fact with regard to the remaining contracts. Trial in this matter commenced on April 26, 2022. On April 27, 2022, the Company agreed to a settlement in principle as to Relator’s remaining FCA claims in the amount of $9.0 million, as well as an attorney’s fee award of $3.0 million. The U.S. Department of Justice approved the settlement on June 30, 2022, and the Court approved the settlement on July 1, 2022.

City of Wabash, Indiana v. Aerojet Rocketdyne Holdings

On November 15, 2021, a lawsuit entitled *City of Wabash, Indiana v. Aerojet Rocketdyne Holdings, Inc., Case No. 3:21-cv-878* was filed in the United States District Court for the Northern District of Indiana against the Company alleging causes of action under the Comprehensive Environmental Response Compensation and Liability Act and the Indiana Environmental Legal Action Statute and seeking damages, reasonable attorneys’ fees and costs. The action was served on the Company on January 11, 2022. The Company will vigorously contest the complaint’s allegations and has not recorded any liability for this matter as of June 30, 2022.

b. Environmental Matters

The Company is involved in approximately 40 environmental matters under the Comprehensive Environmental Response Compensation and Liability Act, the Resource Conservation Recovery Act, and other federal, state, and local laws relating to soil and groundwater contamination, hazardous waste management activities, and other environmental matters at some of its current and former facilities. The Company is also involved in a number of remedial activities at third party sites, not owned by the Company, where it is designated a potentially responsible party ("PRP") by either the U.S. Environmental Protection Agency ("EPA") and/or a state agency. In many of these matters, the Company is involved with other PRPs. In some instances, the Company’s liability and proportionate share of costs have not been determined largely due to uncertainties as to the nature and extent of site conditions and the Company’s involvement. While government agencies frequently claim PRPs are jointly and severally liable at such sites, in the Company’s experience, interim and final allocations of liability and costs are generally made based on relative contributions of waste or contamination. Anticipated costs associated with environmental remediation that are probable and estimable are accrued. In cases where a date to complete remedial activities at a particular site cannot be determined by reference to agreements or otherwise, the Company projects costs over an appropriate time period not exceeding 15 years. In such cases, generally the Company does not have the ability to reasonably estimate environmental remediation costs that are beyond this period. Factors that could result in changes to the Company’s estimates include completion of current and future soil and groundwater investigations, new claims, future agency demands, discovery of more or less contamination than expected, discovery of new contaminants, modification of planned remedial actions, changes in estimated time required to remediate, new technologies, and changes in laws and regulations.

As of June 30, 2022, the aggregate range of these anticipated environmental costs was $291.5 million to $449.4 million and the accrued amount was $291.5 million. See Note 8(c) for a summary of the environmental reserve activity. Of these accrued liabilities, approximately 98% relates to the Company’s U.S. government contracting business, and a portion of this liability is recoverable. The significant environmental sites are discussed below. The balance of the accrued liabilities, which are not recoverable from the U.S. government, relate to other sites for which the Company’s obligations are probable and estimable.

Sacramento, California Site

In 1989, a federal district court in California approved a Partial Consent Decree ("PCD") requiring Aerojet Rocketdyne, among other things, to conduct a Remedial Investigation and Feasibility Study to determine the nature and extent of impacts due to the release of chemicals from the Sacramento, California site, monitor the American River and offsite public water supply wells, operate Groundwater Extraction and Treatment facilities that collect groundwater at the site perimeter, and pay certain government oversight costs. The primary chemicals of concern for both on-site and off-site groundwater are trichloroethylene, perchlorate, and n-nitrosodimethylamine. A 2002 PCD revision (a) separated the Sacramento site into multiple operable units to allow quicker implementation of remedies for critical areas; (b) required the Company to guarantee up to $75 million (in addition to a prior $20 million guarantee) to assure that Aerojet Rocketdyne’s Sacramento remediation activities are fully funded; and (c) removed approximately 2,600 acres of non-contaminated land from the EPA superfund designation. Obligations under the $75 million aggregate guarantee are limited to $10 million in any year. Both the $75 million aggregate guarantee and the $10 million annual limitation are subject to adjustment annually for inflation.

Aerojet Rocketdyne is involved in various stages of soil and groundwater investigation, remedy selection, design, construction, operation and maintenance associated with the operable units, all of which are conducted under the direction and oversight of the EPA, including unilateral administrative orders, and the California Department of Toxic Substances Control ("DTSC") and Regional Water Quality Control Board, Central Valley Region ("RWQCB"). On September 22, 2016, the EPA completed its first five-year remedy review of the Sacramento superfund site. The five-year review required by statute and regulation applies to all remedial actions which result in hazardous substances above levels that allow unlimited use and unrestricted exposure. The Company worked with the EPA to address and remedy the findings of the 2016 five-year remedy review. On September 15, 2021, the EPA issued its second five-year remedy review and concluded that the remedies are functioning as intended for the soil and groundwater contamination and that the vapor intrusion investigation and mitigation activities are protective against vapor intrusion risks. The Company is working with the EPA, DTSC, and RWQCB on the implementation of required onsite land use restrictions.

The entire southern portion of the site known as Rio Del Oro was under state orders issued in the 1990s from DTSC and the RWQCB to investigate and remediate soil and groundwater contamination. In 2008, the DTSC released all but approximately 400 acres of the Rio Del Oro property from DTSC's environmental orders regarding soil contamination although the property remains subject to the RWQCB's orders to investigate and remediate groundwater environmental contamination emanating offsite from the property.

As of June 30, 2022, the estimated range of anticipated costs discussed above for the Sacramento, California site was $216.2 million to $351.1 million and the accrued amount was $216.2 million included as a component of the Company's environmental reserves. Expenditures associated with this matter are partially recoverable. See Note 8(c) for further discussion on recoverability.

Baldwin Park Operable Unit ("BPOU")

As a result of its former Azusa, California operations, in 1994, Aerojet Rocketdyne was named a PRP by the EPA in the area of the San Gabriel Valley Basin superfund site known as the BPOU. In 2002, Aerojet Rocketdyne, along with seven other PRPs (the "Cooperating Respondents") signed a project agreement with the San Gabriel Basin Water Quality Authority, the Main San Gabriel Basin Watermaster, and five water companies. The 2002 project agreement terminated in 2017 and the parties executed a project agreement which became operational on May 9, 2017. The agreement has a ten-year term and requires the Cooperating Respondents to fund through an escrow account the ongoing operation, maintenance, and administrative costs of certain treatment and water distribution facilities owned and operated by the water companies. There are also provisions in the project agreement for maintaining financial assurance.

Pursuant to the 2017 agreement with the remaining Cooperating Respondents, Aerojet Rocketdyne's current share of future BPOU costs will be approximately 74%.

As part of Aerojet Rocketdyne's sale of its Electronics and Information Systems ("EIS") business to Northrop Grumman Corporation ("Northrop") in October 2001, the EPA approved a prospective purchaser agreement with Northrop to absolve it of a pre-closing liability for contamination caused by the Azusa, California operations, which liability remains with Aerojet Rocketdyne. As part of that agreement, the Company agreed to provide a $25 million guarantee of its obligations under the project agreement.

As of June 30, 2022, the estimated range of anticipated costs was $58.7 million to $70.3 million and the accrued amount was $58.7 million included as a component of the Company's environmental reserves. Expenditures associated with this matter are partially recoverable. See Note 8(c) for further discussion on recoverability.

c. Environmental Reserves and Estimated Recoveries

Environmental Reserves

The Company reviews on a quarterly basis estimated future remediation costs and has an established practice of estimating environmental remediation costs over a fifteen year period, except for those environmental remediation costs with a specific contractual term. Environmental liabilities at the BPOU site are currently estimated through the term of the project agreement, which expires in May 2027. As the period for which estimated environmental remediation costs lengthens, the reliability of such estimates decreases. These estimates consider the investigative work and analysis of engineers, outside environmental consultants, and the advice of legal staff regarding the status and anticipated results of various administrative and legal proceedings. In most cases, only a range of reasonably possible costs can be estimated. In establishing the Company's reserves, the most probable estimate is used when determinable; otherwise, the minimum amount is used when no single amount in the range is more probable. Accordingly, such estimates can change as the Company periodically evaluates and revises these estimates as new information becomes available. The Company cannot predict whether new information gained as projects progress will affect the estimated liability accrued. The timing of payment for estimated future environmental costs is influenced by a number of factors, such as the regulatory approval process and the time required designing, constructing, and implementing the remedy.

The following table summarizes the Company's environmental reserve activity:

	Aerojet Rocketdyne-Sacramento	Aerojet Rocketdyne-BPOU	Other Aerojet Rocketdyne Sites	Total Aerojet Rocketdyne	Other	Total Environmental Reserve
	(In millions)					
December 31, 2021	$ 214.7	$ 64.7	$ 11.8	$ 291.2	$ 5.2	$ 296.4
Additions/Adjustments	9.4	(1.3)	0.4	8.5	0.1	8.6
Expenditures	(7.9)	(4.7)	(0.8)	(13.4)	(0.1)	(13.5)
June 30, 2022	$ 216.2	$ 58.7	$ 11.4	$ 286.3	$ 5.2	$ 291.5

The effect of the final resolution of environmental matters and the Company's obligations for environmental remediation and compliance cannot be accurately predicted due to the uncertainty concerning both the amount and timing of future expenditures and due to regulatory or technological changes. The Company continues its efforts to mitigate past and future costs through pursuit of claims for recoveries from insurance coverage and other PRPs and continued investigation of new and more cost effective remediation alternatives and associated technologies.

Estimated Recoveries

On January 12, 1999, Aerojet Rocketdyne and the U.S. government reached a settlement agreement ("Global Settlement") covering environmental costs associated with the Company's Sacramento site and its former Azusa site. Pursuant to the Global Settlement, the Company can recover 88% of its environmental remediation costs through the establishment of prices for Aerojet Rocketdyne's products and services sold to the U.S. government. Additionally, in conjunction with the sale of the EIS business in 2001, Aerojet Rocketdyne entered into an agreement with Northrop (the "Northrop Agreement") whereby Aerojet Rocketdyne is reimbursed by Northrop for a portion of environmental expenditures eligible for recovery under the Global Settlement, subject to an annual billing limitation of $6.0 million and a cumulative limitation of $189.7 million which was reached in June 2017. The following table summarizes the Northrop Agreement activity (in millions):

Total reimbursable costs under the Northrop Agreement	$	189.7
Amount reimbursed to the Company through June 30, 2022		(152.2)
Receivable from Northrop included in the unaudited balance sheet at June 30, 2022	$	37.5

Environmental remediation costs are primarily incurred by the Company's Aerospace and Defense segment, and certain of these costs are recoverable from the Company's contracts with the U.S. government. The Company currently estimates approximately 12% of its future Aerospace and Defense segment environmental remediation costs will not likely be reimbursable and are expensed. Allowable environmental remediation costs are charged to the Company's contracts with the U.S. government as the costs are incurred. Because these costs are recovered through forward-pricing arrangements, the ability of Aerojet Rocketdyne to continue recovering these costs from the U.S. government depends on Aerojet Rocketdyne's sustained business volume from U.S. government contracts and programs.

While the Company continues to seek an arrangement with the U.S. government to recover environmental expenditures in excess of the reimbursement ceiling identified in the Global Settlement, there can be no assurances that such a recovery will be obtained, or if not obtained, that such unreimbursed environmental expenditures will not have a materially adverse effect on the Company's operating results, financial condition, and/or cash flows.

Environmental reserves and estimated recoveries impact to unaudited condensed consolidated statements of operations

The following table summarizes the financial information for the impact of environmental reserves and recoveries to the unaudited condensed consolidated statements of operations:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	(In millions)			
Expense to unaudited condensed consolidated statements of operations	$ 0.7	$ 0.6	$ 1.1	$ 1.1

d. Arrangements with Off-Balance Sheet Risk

As of June 30, 2022, arrangements with off-balance sheet risk consisted of:

- $27.8 million in outstanding commercial letters of credit, the majority of which may be renewed, primarily to collateralize obligations for environmental remediation and insurance coverage.
- $56.8 million in outstanding surety bonds to primarily satisfy indemnification obligations for environmental remediation coverage.
- $120.0 million aggregate in guarantees by the Company of Aerojet Rocketdyne's obligations to U.S. government agencies for environmental remediation activities.
- Guarantees, jointly and severally, by the Company's material domestic subsidiaries of their obligations under the Senior Credit Facility.

In addition to the items discussed above, the Company has and will from time to time enter into certain types of contracts that require the Company to indemnify parties against potential third-party and other claims. These contracts primarily relate to: (i) divestiture agreements, under which the Company may provide customary indemnification to purchasers of its businesses or assets including, for example, claims arising from the operation of the businesses prior to disposition, and liability to investigate and remediate environmental contamination existing prior to disposition; (ii) certain real estate leases, under which the Company may be required to indemnify property owners for claims arising from the use of the applicable premises; and (iii) certain agreements with officers and directors, under which the Company may be required to indemnify such persons for liabilities arising out of their relationship with the Company. The terms of such obligations vary. Generally, a maximum obligation is not explicitly stated.

Additionally, the Company has open purchase orders and other commitments to suppliers, subcontractors, and other outsourcing partners for equipment, materials, and supplies in the normal course of business. These amounts are based on volumes consistent with anticipated requirements to fulfill purchase orders or contracts for product deliveries received, or expected to be received, from customers. A substantial portion of these amounts are recoverable through the Company's contracts with the U.S. government.

The Company provides product warranties in conjunction with certain product sales. The majority of the Company's warranties are a one-year standard warranty for parts, workmanship, and compliance with specifications. On occasion, the

Company has made commitments beyond the standard warranty obligation. While the Company has contracts with warranty provisions, there is not a history of any significant warranty claims experience. A reserve for warranty exposure is made on a product by product basis when it is both estimable and probable. These costs are included in the program's estimate at completion and are expensed in accordance with the Company's revenue recognition methodology as allowed under GAAP for that particular contract.

Note 9. Retirement Benefits

The following table presents the components of retirement benefits expense (income):

	Pension Benefits		Postretirement Medical and Life Insurance Benefits	
	Three months ended June 30,			
	2022	2021	2022	2021
	(In millions)			
Interest cost on benefit obligation	$ 8.9	$ 8.3	$ 0.1	$ 0.2
Expected return on assets	(15.8)	(15.4)	—	—
Amortization of prior service costs	0.1	0.1	—	—
Amortization of net losses (gains)	7.6	16.0	(0.7)	(0.8)
Retirement benefits expense (income)	$ 0.8	$ 9.0	$ (0.6)	$ (0.6)

	Pension Benefits		Postretirement Medical and Life Insurance Benefits	
	Six months ended June 30,			
	2022	2021	2022	2021
	(In millions)			
Interest cost on benefit obligation	$ 17.8	$ 16.7	$ 0.2	$ 0.3
Expected return on assets	(31.5)	(30.7)	—	—
Amortization of prior service costs	0.1	0.1	—	—
Amortization of net losses (gains)	15.3	31.9	(1.4)	(1.4)
Retirement benefits expense (income)	$ 1.7	$ 18.0	$ (1.2)	$ (1.1)

Note 10. Operating Segments and Related Disclosures

The Company's operations are organized into two operating segments based on different products and customer bases: Aerospace and Defense, and Real Estate. The following table presents selected financial information for each reportable segment:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	(In millions)			
Net Sales:				
Aerospace and Defense	$ 527.9	$ 556.0	$ 1,038.4	$ 1,051.5
Real Estate	0.6	0.9	1.2	1.5
Total Net Sales	$ 528.5	$ 556.9	$ 1,039.6	$ 1,053.0
Segment Performance:				
Aerospace and Defense	$ 37.5	$ 84.9	$ 100.2	$ 137.3
Environmental remediation provision adjustments	(0.6)	(0.6)	(1.0)	(1.0)
GAAP/Cost Accounting Standards retirement benefits expense difference	9.1	2.7	18.3	5.9
Unusual items (see Note 11)	—	(2.9)	(16.3)	(4.6)
Aerospace and Defense Total	46.0	84.1	101.2	137.6
Real Estate	(0.2)	(0.3)	(0.3)	(0.6)
Total Segment Performance	$ 45.8	$ 83.8	$ 100.9	$ 137.0
Reconciliation of segment performance to income before income taxes:				
Segment performance	$ 45.8	$ 83.8	$ 100.9	$ 137.0
Interest expense	(4.3)	(5.1)	(8.2)	(10.2)
Interest income and other	—	0.7	(0.2)	1.3
Stock-based compensation	(2.9)	(7.3)	(2.0)	(10.1)
Corporate retirement benefits	0.1	(1.6)	0.1	(3.3)
Corporate and other	(6.1)	(5.8)	(14.3)	(11.4)
Unusual items (see Note 11)	(8.9)	(3.7)	(14.3)	(18.6)
Income before income taxes	$ 23.7	$ 61.0	$ 62.0	$ 84.7

The following table summarizes customers that represented more than 10% of net sales:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Lockheed Martin	33 %	31 %	34 %	29 %
Raytheon Technologies Corporation	19	18	18	17
NASA	17	19	18	22

Note 11. Unusual Items

The following table presents total unusual items in the unaudited condensed consolidated statements of operations:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	(In millions)			
Unusual items				
Legal matters (component of other expense, net)	$ —	$ —	$ 16.1	$ —
Proxy contest and related litigation costs (component of other expense, net)	8.9	—	12.0	—
Terminated merger costs (component of other expense, net)	—	6.1	2.5	13.6
Loss on debt	—	0.5	—	9.6
	$ 8.9	$ 6.6	$ 30.6	$ 23.2

In the six months ended June 30, 2022, the Company incurred $16.1 million associated with legal matters. See Note 8(a) for additional information.

In the six months ended June 30, 2022, the Company incurred $12.0 million of costs associated with the proxy contest and related litigation costs. See Note 8(a) for additional information.

In the six months ended June 30, 2022 and 2021, the Company incurred terminated merger costs of $2.5 million and $13.6 million, respectively. See Note 1 for additional information. The components of the terminated merger costs are as follows (in millions):

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	(In millions)			
Legal	$ —	$ 2.8	$ 1.8	$ 7.4
Employee compensation	—	3.2	0.3	5.3
Consulting and other professional costs	—	0.1	0.4	0.9
	$ —	$ 6.1	$ 2.5	$ 13.6

In the six months ended June 30, 2021, the Company settled $141.8 million of its 2¼% Notes as a result of receiving conversion notices from the holders of the 2¼% Notes. The principal amount of $141.8 million was settled in cash and the conversion premium was settled in 2.7 million common shares. The Company incurred a pre-tax charge of $9.6 million in the six months ended June 30, 2021, associated with the settlement of the 2¼% Notes.

Note 12. Revision of Previously Issued Financial Statements

As disclosed in Note 1, during the three months ended March 31, 2022, the Company identified an immaterial error in its accounting for income taxes associated with its 2¼% Notes. Upon issuance of the 2¼% Notes in 2016, the Company did not record the applicable deferred tax liability associated with the conversion option that had been recorded in other capital, which resulted in an overstatement of other capital, an overstatement of deferred income taxes, an overstatement of other current assets, net and an error in income tax expense in subsequent periods. The Company evaluated the errors and concluded that the errors were not material, either individually or in aggregate, to its current or previously issued consolidated financial statements.

Due to the immaterial error related to the accounting for income taxes associated with the 2¼% Notes, the opening other capital balance as of January 1, 2019, 2020, and 2021 was overstated by $20.9 million. Additionally, the opening retained earnings balance as of January 1, 2019 and 2020, was understated by $7.9 million and $8.0 million, respectively, and the opening accumulated deficit as of January 1, 2021, was overstated by $7.8 million. During 2021, income tax expense was overstated by $2.9 million resulting in a cumulative understatement of retained earnings of $10.7 million as of December 31, 2021.

There were no changes to the unaudited condensed consolidated statement of operations and condensed consolidated statement of comprehensive income for the three and six months ended June 30, 2021. The revision to the accompanying unaudited condensed consolidated balance sheet, condensed consolidated statement of stockholders' equity, and condensed consolidated statement of cash flows are as follows.

Condensed Consolidated Balance Sheet

	As of December 31, 2021		
	As Reported	Adjustments	As Revised
		(In millions)	
ASSETS			
Current Assets			
Cash and cash equivalents	$ 700.4	$ —	$ 700.4
Restricted cash	3.0	—	3.0
Marketable securities	10.6	—	10.6
Accounts receivable, net	60.6	—	60.6
Contract assets	354.2	—	354.2
Other current assets, net	107.8	(8.3)	99.5
Total Current Assets	1,236.6	(8.3)	1,228.3
Noncurrent Assets			
Right-of-use assets	52.6	—	52.6
Property, plant and equipment, net	421.1	—	421.1
Recoverable environmental remediation costs	226.2	—	226.2
Deferred income taxes	57.5	(1.9)	55.6
Goodwill	161.4	—	161.4
Intangible assets	34.9	—	34.9
Other noncurrent assets, net	243.3	—	243.3
Total Noncurrent Assets	1,197.0	(1.9)	1,195.1
Total Assets	$ 2,433.6	$ (10.2)	$ 2,423.4
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Current portion of long-term debt	$ 166.7	$ —	$ 166.7
Accounts payable	132.2	—	132.2
Reserves for environmental remediation costs	37.7	—	37.7
Contract liabilities	366.5	—	366.5
Other current liabilities	172.7	—	172.7
Total Current Liabilities	875.8	—	875.8
Noncurrent Liabilities			
Long-term debt	294.6	—	294.6
Reserves for environmental remediation costs	258.7	—	258.7
Pension benefits	255.9	—	255.9
Operating lease liabilities	41.3	—	41.3
Other noncurrent liabilities	173.8	—	173.8
Total Noncurrent Liabilities	1,024.3	—	1,024.3
Total Liabilities	1,900.1	—	1,900.1
Commitments and contingencies (Note 8)			
Stockholders' Equity			
Common stock	8.0	—	8.0
Other capital	599.0	(20.9)	578.1
Treasury stock at cost	(64.4)	—	(64.4)
Retained earnings	91.9	10.7	102.6
Accumulated other comprehensive loss, net of income taxes	(101.0)	—	(101.0)
Total Stockholders' Equity	533.5	(10.2)	523.3
Total Liabilities and Stockholders' Equity	$ 2,433.6	$ (10.2)	$ 2,423.4

Condensed Consolidated Statements of Stockholders' Equity

	Three and Six Months Ended June 30, 2021		
	As Reported	Adjustments	As Revised
		(In millions)	
Common stock	$ 8.0	$ —	$ 8.0
Other capital	588.9	(20.9)	568.0
Treasury stock	(64.4)	—	(64.4)
Retained earnings	11.2	7.8	19.0
Accumulated other comprehensive loss	(204.6)	—	(204.6)
Total stockholders' equity	$ 339.1	$ (13.1)	$ 326.0

Condensed Consolidated Statement of Cash Flows

	Six Months Ended June 30, 2021		
	As Reported	Adjustments	As Revised
		(In millions)	
Operating Activities			
Net income	$ 63.1	$ —	$ 63.1
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	30.9	—	30.9
Amortization of debt discount and deferred financing costs	3.0	—	3.0
Stock-based compensation	10.1	—	10.1
Retirement benefits, net	2.8	—	2.8
Loss on debt	9.6	—	9.6
Other, net	(0.8)	—	(0.8)
Changes in assets and liabilities:			
Accounts receivable, net	(91.5)	—	(91.5)
Contract assets	(1.9)	—	(1.9)
Other current assets, net	(1.0)	3.3	2.3
Recoverable environmental remediation costs	7.3	—	7.3
Other noncurrent assets	12.3	—	12.3
Accounts payable	(0.9)	—	(0.9)
Contract liabilities	(17.4)	—	(17.4)
Other current liabilities	6.6	—	6.6
Deferred income taxes	—	(3.3)	(3.3)
Reserves for environmental remediation costs	(6.8)	—	(6.8)
Other noncurrent liabilities and other	(5.2)		(5.2)
Net Cash Provided by Operating Activities	20.2	—	20.2
Investing Activities			
Net Cash Used in Investing Activities	(14.2)	—	(14.2)
Financing Activities			
Net Cash Used in Financing Activities	(584.2)	—	(584.2)
Net Decrease in Cash, Cash Equivalents and Restricted Cash	(578.2)	—	(578.2)
Cash, Cash Equivalents and Restricted Cash at Beginning of Year	1,152.5	—	1,152.5
Cash, Cash Equivalents and Restricted Cash at End of Year	$ 574.3	$ —	$ 574.3

Note 13. Subsequent Event

On July 15, 2022, the Company announced that it issued a notice of redemption to holders of its outstanding 2¼% Notes stating its intention to redeem all outstanding 2¼% Notes in full on September 19, 2022, in accordance with the terms of the indenture governing the 2¼% Notes. The Company is electing to settle conversions of the 2¼% Notes using Cash Settlement, as defined in the indenture for the 2¼% Notes.

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

Unless otherwise indicated or required by the context, as used in this Quarterly Report on Form 10-Q, the terms "the Company," "we," "our" and "us" refer to Aerojet Rocketdyne Holdings, Inc. and all of its subsidiaries that are consolidated in conformity with accounting principles generally accepted in the United States of America ("GAAP").

The preparation of the consolidated financial statements in conformity with GAAP requires us 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. In addition, our operating results for interim periods may not be indicative of the results of operations for a full year or future periods. This section contains a number of forward-looking statements, all of which are based on current expectations and are subject to risks and uncertainties including those described in this Quarterly Report under the heading "Forward-Looking Statements" and as further detailed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021, and Part II, Item 1A of this Quarterly Report. Actual results may differ materially. This section should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2021, and periodic reports subsequently filed with the Securities and Exchange Commission ("SEC").

Overview

Our operations are organized into two segments:

Aerospace and Defense — includes the operations of our wholly-owned subsidiary Aerojet Rocketdyne, Inc. ("Aerojet Rocketdyne"), a leading technology-based designer, developer and manufacturer of aerospace and defense products and systems for the United States ("U.S.") government, including the Department of Defense ("DoD"), the National Aeronautics and Space Administration ("NASA"), and major aerospace and defense prime contractors.

Real Estate — includes the activities of our wholly-owned subsidiary Easton Development Company, LLC ("Easton") related to the re-zoning, entitlement, sale, and leasing of our excess real estate assets.

Terminated Merger Agreement

On December 20, 2020, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Lockheed Martin Corporation ("Lockheed Martin") and Mizar Sub, Inc., a wholly-owned subsidiary of Lockheed Martin, pursuant to which each share of common stock of the Company would have been automatically converted into the right to receive cash in an amount equal to $51.00 per share, adjusted from $56.00 following the payment of a one-time cash dividend of $5.00 per share paid in March 2021 and the Company would have become a wholly-owned subsidiary of Lockheed Martin (the "Merger").

On January 25, 2022, the Federal Trade Commission ("FTC") filed a complaint against the Company and Lockheed Martin in the FTC's administrative court and a complaint in U.S. federal court seeking a preliminary injunction to stop the deal pending an administrative trial. On February 13, 2022, Lockheed Martin notified the Company that it had elected to terminate the Merger Agreement. On February 14, 2022, pursuant to the parties' joint motion, the administrative complaint and the U.S. federal court complaint were dismissed.

Financial Highlights

A summary of the significant financial highlights for the three and six months ended June 30, 2022, which management uses to evaluate our operating performance and financial condition, is presented below.

	Three months ended June 30,		Six Months ended June 30,	
	2022	2021	2022	2021
	(In millions, except percentage and per share amounts)			
Net sales	$ 528.5	$ 556.9	$ 1,039.6	$ 1,053.0
Net income	16.4	45.0	44.2	63.1
Net income as a percentage of net sales	3.1 %	8.1 %	4.3 %	6.0 %
Adjusted Net Income (Non-GAAP measure*)	16.2	49.1	53.1	78.3
Adjusted Net Income (Non-GAAP measure*) as a percentage of net sales	3.1 %	8.8 %	5.1 %	7.4 %
Earnings Per Share ("EPS") - Diluted	0.20	0.54	0.53	0.77
Adjusted EPS (Non-GAAP measure*)	0.20	0.59	0.63	0.96
Adjusted EBITDAP (Non-GAAP measure*)	41.5	86.6	110.8	145.1
Adjusted EBITDAP (Non-GAAP measure*) as a percentage of net sales	7.9 %	15.6 %	10.7 %	13.8 %
Cash (used in) provided by operating activities	(33.8)	89.6	(108.8)	20.2
Free cash flow (Non-GAAP measure*)	(43.1)	81.1	(120.3)	7.9

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* We provide Non-GAAP measures as a supplement to financial results presented in accordance with GAAP. A reconciliation of the Non-GAAP measures to the most directly comparable GAAP measures is presented later in the Management's Discussion and Analysis under the heading "Use of Non-GAAP Financial Measures."

Our business outlook is affected by both increasing complexity in the global security environment and continuing worldwide economic pressures, including those resulting from the military conflict between Russia and Ukraine, and continuing uncertainties related to the Coronavirus ("COVID-19") pandemic. A significant component of our strategy in this environment is to focus on protecting our employees' health and safety, delivering excellent performance to our customers, driving improvements and efficiencies across our operations, and creating value through the enhancement and expansion of our business.

While we continue to focus on maintaining a healthy and robust workforce, COVID19 and other global economic factors have also impacted the labor market causing more competition among employers, including us, and making it more difficult to find and retain quality employees. We are also periodically subject to our competitors seeking to entice our employees to leave the Company. Internal governance matters and other recent developments, including the termination of the Merger Agreement with Lockheed Martin, have also impacted our ability to retain qualified employees at various levels within the Company.

Some of the significant challenges we face are as follows: uncertainty associated with our dependence upon U.S. government programs and contracts, future reductions or changes in U.S. government spending in our markets, environmental matters, capital structure, underfunded pension plan, cyber security and other security threats, and the COVID-19 pandemic and the actions taken by governments.

Major Customers

The principal end user customers of our products and technology are primarily agencies of the U.S. government. Since a majority of our sales are, directly or indirectly, to the U.S. government, funding for the purchase of our products and services generally follows trends in U.S. aerospace and defense spending. However, individual U.S. government agencies, which include the military services, NASA, the Missile Defense Agency, and the prime contractors that serve these agencies, exercise independent purchasing power within "budget top-line" limits. Therefore, sales to the U.S. government are not regarded as sales to one customer, but rather each contracting agency is viewed as a separate customer.

The following table summarizes end user net sales to the U.S. government and its agencies, including net sales to significant customers disclosed below:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
U.S. government	94 %	97 %	95 %	97 %
Non U.S. government	6	3	5	3

The following table summarizes the percentages of net sales for significant programs, all of which are included in the U.S. government sales and are comprised of multiple contracts:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
RS-25	13 %	16 %	14 %	19 %
Standard Missile	11	14	11	13
Patriot Advanced Capability-3 ("PAC-3")	11	10	12	8
Terminal High Altitude Area Defense ("THAAD")	8	8	8	8

The following table summarizes customers that represented more than 10% of net sales, each of which involves sales of several product lines and programs:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Lockheed Martin	33 %	31 %	34 %	29 %
Raytheon Technologies Corporation	19	18	18	17
NASA	17	19	18	22

Industry Update

Our primary aerospace and defense customers include DoD, NASA, and the prime contractors that supply products to these customers. We rely on U.S. government funding for aerospace and defense and our backlog depends, in large part, on the continued funding by the U.S. government for these programs. With enactment of the 2022 Consolidated Appropriations Act ("Public Law 117-103") on March 15, 2022, DoD and NASA are now funded for the remainder of government fiscal year 2022. In light of the Russian invasion of Ukraine, Public Law 117-103 also included supplemental funding to provide aid to Ukraine. Additionally, Congress passed and the President signed into law on May 21, 2022, the Additional Ukraine Supplemental Appropriations Act ("Public Law 117-128") to provide emergency supplemental appropriations for activities to respond to Russia’s invasion of Ukraine. Disruptions to our customer’s facilities or delays in our supply chain as a result of COVID-19 could delay or decrease expenditures by U.S. government agencies. Such a decrease in DoD and/or NASA expenditures, the elimination or curtailment of a program in which we are or hope to be involved, or changes in payment patterns of our customers as a result of changes in U.S. government outlays, could have a material adverse effect on our operating results, financial condition, and/or cash flows.

Environmental Matters

Our current and former business operations are subject to, and affected by, federal, state, and local environmental laws and regulations relating to the discharge, treatment, storage, disposal, investigation, and remediation of certain materials, substances, and wastes. Our policy is to conduct our business with due regard for the preservation and protection of the environment. We periodically assess compliance with these regulations and we believe our current operations are materially in compliance with applicable environmental laws and regulations as of June 30, 2022.

The following table summarizes our recoverable amounts, environmental reserves, and range of liability, as of June 30, 2022:

	Recoverable Amounts (1)	Environmental Reserves	Estimated Range of Liability
		(In millions)	
Sacramento	$ 190.2	$ 216.2	$216.2 - $351.1
Baldwin Park Operable Unit	51.6	58.7	58.7 - 70.3
Other Aerojet Rocketdyne sites	11.5	11.4	11.4 - 21.5
Other sites	0.7	5.2	5.2 - 6.5
Total	$ 254.0	$ 291.5	$291.5 - $449.4

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(1) Excludes the receivable from Northrop Grumman Corporation ("Northrop") of $37.5 million as of June 30, 2022, related to environmental costs already paid (and therefore not reserved) by us in prior years and reimbursable under our agreement with Northrop.

Environmental remediation costs are primarily incurred by our Aerospace and Defense segment, and certain of these costs are recoverable from our contracts with the U.S. government. We currently estimate approximately 12% of our future Aerospace and Defense segment environmental remediation costs will not likely be reimbursable and are expensed.

Capital Structure

We have a substantial amount of debt for which we are required to make interest and principal payments. Interest on long-term financing is not a recoverable cost under our U.S. government contracts. As of June 30, 2022, we had $456.0 million of debt outstanding.

Retirement Benefits

The American Rescue Plan Act of 2021 ("ARPA") that was signed into law on March 11, 2021, provided funding relief to sponsors of defined benefit pension plans. In line with provisions of ARPA, we expect to make cash contributions of approximately $15 million to our tax-qualified defined benefit pension plan in 2022. We generally are able to recover contributions related to our tax-qualified defined benefit pension plan as allowable costs on our U.S. government contracts, but there are differences between when we contribute to our tax-qualified defined benefit pension plan under pension funding rules and when it is recoverable under Cost Accounting Standards ("CAS").

Recent global disruptions, including disruptions caused by the COVID-19 pandemic as well as Russia's invasion of Ukraine and the global response, have continued to cause significant economic uncertainty and volatility in financial markets which could adversely impact the funded status of our tax-qualified defined benefit pension plan. The funded status of our pension plan is impacted by the investment experience of the plan assets, by any changes in U.S. law, and by changes in the statutory interest rates used by the tax-qualified pension plan in the U.S. to calculate funding requirements. Accordingly, if the performance of our plan assets does not meet our assumptions, if there are changes to the Internal Revenue Service regulations or other applicable law or if other actuarial assumptions are modified, our future contributions to our underfunded pension plan could be higher than we expect.

Cyber Security and Other Security Threats

We routinely defend against various cyber and other security threats against our defenses to protect the confidentiality, integrity and availability of our information technology infrastructure, supply chain, business or customer information and other threats. We are also subject to similar security threats at customer sites that we operate and manage as a contractual requirement.

The threats we face range from attacks common to most industries to more advanced and persistent, highly organized adversaries, insider threats and other threat vectors targeting us and other defense and aerospace companies; because we protect national security information. In addition, cyber threats are evolving, growing in their frequency and include, but are not limited to, malicious software, destructive malware, attempts to gain unauthorized access to data, disruption or denial of service attacks, and other electronic security breaches that could lead to disruptions in mission critical systems, unauthorized release of confidential, personal or otherwise protected information (ours or that of our employees, customers or partners), and corruption of data, networks or systems. We also could be impacted by cyber threats or other disruptions or vulnerabilities found in products we use or in our partners' or customers' systems that are used in connection with our business.

Russia's invasion of Ukraine and the global response to the invasion has exacerbated these cyber and other security threats we face. We continue to assess our information technology systems and are engaged in cooperative efforts with our customers, suppliers, and subcontractors to seek to minimize the impact of cyber threats, other security threats or business disruptions.

COVID-19

During the three and six months ended June 30, 2022, our financial results and operations were not materially adversely impacted by the COVID-19 pandemic. The extent to which the Company's future financial results could be impacted by the COVID-19 pandemic depends on future developments that are highly uncertain and cannot be predicted at this time. We are not aware of any specific event or circumstance that would require an update to its estimates or judgments or a revision of the carrying value of its assets or liabilities as of the date of issuance of this Quarterly Report on Form 10-Q. These estimates may change, as new events occur and additional information is obtained. Actual results could differ materially from these estimates under different assumptions or conditions.

The CARES Act was enacted on March 27, 2020, in response to the COVID-19 pandemic and the negative impacts that it has had on the global economy and U.S. companies. The CARES Act includes various financial measures to assist companies, including temporary changes to income and non-income-based tax laws. Through these provisions, as of June 30, 2022, we have delayed $10.7 million of payroll tax payments that otherwise would have been paid. Additionally, in accordance with the provisions of the CARES Act, we accelerated depreciation on qualified improvement property placed in service after December 31, 2017 for income tax purposes.

Proxy Contest

As disclosed in Note 8(a) in the Notes to Unaudited Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report, the proxy contest has concluded. See Note 11 of the Notes to Unaudited Condensed Consolidated Financial Statements for information on the costs associated with the proxy contest.

Results of Operations

Net Sales

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	Change*	2022	2021	Change**
			(In millions)			
Net sales	$ 528.5	$ 556.9	$ (28.4)	$ 1,039.6	$ 1,053.0	$ (13.4)

* *Primary reason for change.* The decrease in net sales was primarily driven by a decline on the Standard Missile, RS-25, and RS-68 programs partially offset by an increase on the Next Generation Interceptor ("NGI") program.

** *Primary reason for change.* The decrease in net sales was primarily driven by a decline on the RS-25, RS-68, and Standard Missile programs partially offset by an increase on the NGI and PAC-3 programs.

Cost of Sales (exclusive of items shown separately below)

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	Change*	2022	2021	Change*
			(In millions, except percentage amounts)			
Cost of sales (exclusive of items shown separately below)	$ 469.5	$ 446.1	$ 23.4	$ 895.0	$ 864.1	$ 30.9
Percentage of net sales	88.8 %	80.1 %		86.1 %	82.1 %	

* *Primary reason for change.* The increase in cost of sales as a percentage of net sales was primarily driven by cost growth from supply chain disruptions and necessary technical and manufacturing changes on a portion of the Standard Missile program and favorable contract performance on the RS-68 program in the prior year comparative periods.

Selling, General and Administrative Expense ("SG&A")

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	Change*	2022	2021	Change*
			(In millions, except percentage amounts)			
Components of SG&A:						
SG&A excluding stock-based compensation	$ 6.7	$ 6.3	$ 0.4	$ 15.8	$ 12.5	$ 3.3
Stock-based compensation	2.9	7.3	(4.4)	2.0	10.1	(8.1)
SG&A	$ 9.6	$ 13.6	$ (4.0)	$ 17.8	$ 22.6	$ (4.8)
Percentage of net sales	1.8 %	2.4 %		1.7 %	2.1 %	
Percentage of net sales excluding stock-based compensation	1.3 %	1.1 %		1.5 %	1.2 %	

* *Primary reason for change.* The decrease in SG&A expense was primarily driven by lower stock-based compensation partially offset by higher legal costs. See Note 4 of the Notes to Unaudited Condensed Consolidated Financial Statements for additional information on stock-based compensation.

Depreciation and Amortization

	Three months ended June 30, 2022	Three months ended June 30, 2021	Change*	Six months ended June 30, 2022	Six months ended June 30, 2021	Change*
			(In millions)			
Components of depreciation and amortization:						
Depreciation	$ 11.5	$ 11.7	$ (0.2)	$ 23.5	$ 22.9	$ 0.6
Amortization	1.7	3.3	(1.6)	3.4	6.6	(3.2)
Accretion	0.6	0.7	(0.1)	1.3	1.4	(0.1)
Depreciation and amortization	$ 13.8	$ 15.7	$ (1.9)	$ 28.2	$ 30.9	$ (2.7)

* *Primary reason for change.* The decrease in depreciation and amortization expense was primarily due to the completion of amortization expense in the third quarter of 2021 for a significant portion of the customer related intangible assets associated with the acquisition of the Rocketdyne Business from United Technologies Corporation in 2013.

Other Expense, net

	Three months ended June 30, 2022	Three months ended June 30, 2021	Change	Six months ended June 30, 2022	Six months ended June 30, 2021	Change*
			(In millions)			
Other expense, net	$ 7.4	$ 7.2	$ 0.2	$ 27.7	$ 15.3	$ 12.4

* *Primary reason for change.* The increase in other expense, net was primarily due to $16.1 million of costs associated with legal matters and $12.0 million of costs associated with the proxy contest and associated litigation matter. These costs were partially offset by lower Merger costs as a result of the termination of the Merger in the current period. See Note 11 of the Notes to Unaudited Condensed Consolidated Financial Statements for additional information.

Retirement Benefits Expense

	Three months ended June 30, 2022	Three months ended June 30, 2021	Change*	Six months ended June 30, 2022	Six months ended June 30, 2021	Change*
			(In millions)			
Components of retirement benefits expense:						
Interest cost on benefit obligation	$ 9.0	$ 8.5	$ 0.5	$ 18.0	$ 17.0	$ 1.0
Expected return on assets	(15.8)	(15.4)	(0.4)	(31.5)	(30.7)	(0.8)
Amortization of prior service costs	0.1	0.1	—	0.1	0.1	—
Amortization of net losses	6.9	15.2	(8.3)	13.9	30.5	(16.6)
Retirement benefits expense	$ 0.2	$ 8.4	$ (8.2)	$ 0.5	$ 16.9	$ (16.4)

* *Primary reason for change.* The decrease in retirement benefits expense was primarily due to lower amortization of net actuarial losses as a result of an increase in the discount rate used to calculate benefits obligation at December 31, 2021.

Loss on debt

	Three months ended June 30, 2022	Three months ended June 30, 2021	Change*	Six months ended June 30, 2022	Six months ended June 30, 2021	Change*
			(In millions)			
Loss on debt	$ —	$ 0.5	$ (0.5)	$ —	$ 9.6	$ (9.6)

* *Primary reason for change.* In the six months ended June 30, 2021, we settled $141.8 million of our 2¼% Notes as a result of receiving conversion notices from the holders of the 2¼% Notes. The principal amount of $141.8 million was settled in cash and the conversion premium was settled in 2.7 million common shares resulting in a pre-tax charge of $9.6 million.

Interest Income and Other

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	Change*	2022	2021	Change*
			(In millions)			
Interest income and other	$ —	$ 0.7	$ (0.7)	$ (0.2)	$ 1.3	$ (1.5)

* *Primary reason for change.* The decrease in interest income and other was primarily due to unrealized losses on marketable securities during the three and six months ended June 30, 2022, and lower average cash balances.

Interest Expense

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	Change*	2022	2021	Change*
			(In millions)			
Components of interest expense:						
Contractual interest and other	$ 3.9	$ 3.6	$ 0.3	$ 7.4	$ 7.2	$ 0.2
Amortization of debt discount and deferred financing costs	0.4	1.5	(1.1)	0.8	3.0	(2.2)
Interest expense	$ 4.3	$ 5.1	$ (0.8)	$ 8.2	$ 10.2	$ (2.0)

**Primary reason for change.* The decrease in interest expense was primarily due to the adoption of the new accounting standard that eliminated the amortization of the debt discount effective January 1, 2022 (see Note 1 of the Notes to Unaudited Condensed Consolidated Financial Statements).

Income Taxes

The income tax provision was as follows:

	Six months ended June 30,	
	2022	2021
	(In millions)	
Income tax provision	$ 17.8	$ 21.6

In the six months ended June 30, 2022, the income tax provision was $17.8 million for an effective tax rate of 28.7%. Our effective tax rate differed from the 21% statutory federal income tax rate primarily due to state income taxes and certain expenditures which are permanently not deductible for tax purposes, partially offset by the impact of Research and Development ("R&D") credits and original issue discount on convertible debt.

In the six months ended June 30, 2021, the income tax provision was $21.6 million for an effective tax rate of 25.5%. Our effective tax rate differed from the 21% statutory federal income tax rate primarily due to state income taxes and certain expenditures which are permanently not deductible for tax purposes, partially offset by the impact of R&D credits.

Beginning in 2022, the Tax Cuts and Jobs Act of 2017, changed the deductibility rules of R&D expenditures. Accordingly, as of June 30, 2022, the income tax payable balance totaled $66.9 million resulting in a significant increase in the income tax payable balance compared with an income tax receivable position as of December 31, 2021. While it is possible that Congress may modify, defer or repeal this provision before it takes effect, we have no assurance that the provision will be modified, deferred or repealed. If this provision is not modified, deferred or repealed, it may have an adverse effect on our operating results, financial condition, and/or cash flows.

Operating Segment Information

We evaluate our operating segments based on several factors, of which the primary financial measure is segment performance. Segment performance represents net sales less applicable costs, expenses and provisions for unusual items relating to the segment. Excluded from segment performance are: corporate income and expenses, interest expense, interest income, income taxes, and unusual items not related to the segment. We believe that segment performance provides information useful to investors in understanding our operational performance.

Aerospace and Defense Segment

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	Change*	2022	2021	Change**
	(In millions, except percentage amounts)					
Net sales	$ 527.9	$ 556.0	$ (28.1)	$ 1,038.4	$ 1,051.5	$ (13.1)
Segment performance	46.0	84.1	(38.1)	101.2	137.6	(36.4)
Segment margin	8.7 %	15.1 %		9.7 %	13.1 %	

* *Primary reason for change.* The decrease in net sales was primarily driven by a decline on the Standard Missile, RS-25, and RS-68 programs partially offset by an increase on the NGI program.

The decrease in segment margin was primarily driven by cost growth from supply chain disruptions and necessary technical and manufacturing changes on a portion of the Standard Missile program and favorable contract performance on the RS-68 program in the prior year partially offset by lower retirement benefits expense and costs associated with the terminated merger.

** *Primary reason for change.* The decrease in net sales was primarily driven by a decline on the RS-25, RS-68, and Standard Missile programs partially offset by an increase on the NGI and PAC-3 programs.

The decrease in segment margin was primarily driven by cost growth from supply chain disruptions and necessary technical and manufacturing changes on a portion of the Standard Missile program and favorable contract performance on the RS-68 program in the prior year partially offset by lower retirement benefits expense and costs associated with the terminated merger.

Our contracts are largely categorized as either "fixed-price" (largely used by the U.S. government for production-type contracts) or "cost-reimbursable" (largely used by the U.S. government for development-type contracts). Fixed-price contracts present the risk of unreimbursed cost overruns, potentially resulting in lower than expected contract profits and margins. This risk is generally lower for cost-reimbursable contracts which, as a result, generally have a lower margin. The following table summarizes the percentages of net sales by contract type:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Fixed-price	55 %	60 %	56 %	56 %
Cost-reimbursable	45	40	44	44

During the three months ended June 30, 2022, we had $29.5 million of net unfavorable changes in contract estimates on operating results before income taxes compared with net favorable changes of $24.0 million during the three months ended June 30, 2021.

During the six months ended June 30, 2022, we had $32.2 million of net unfavorable changes in contract estimates on operating results before income taxes compared with net favorable changes of $21.6 million during the six months ended June 30, 2021.

Real Estate Segment

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	Change	2022	2021	Change*
	(In millions)					
Net sales	$ 0.6	$ 0.9	$ (0.3)	$ 1.2	$ 1.5	$ (0.3)
Segment performance	(0.2)	(0.3)	0.1	(0.3)	(0.6)	0.3

Net sales and segment performance consist primarily of rental property operations.

Backlog

As of June 30, 2022, our total remaining performance obligations, also referred to as backlog, totaled $6.9 billion. We expect to recognize approximately 34%, or $2.3 billion, of the remaining performance obligations as sales over the next twelve months, an additional 24% the following twelve months, and 42% thereafter. A summary of our backlog is as follows:

	June 30, 2022	December 31, 2021
	(In billions)	
Funded backlog	$ 3.2	$ 3.1
Unfunded backlog	3.7	3.7
Total backlog	$ 6.9	$ 6.8

Total backlog includes both funded backlog (unfilled orders for which funding is authorized, appropriated and contractually obligated by the customer) and unfunded backlog (firm orders for which funding has not been appropriated). Indefinite delivery and quantity contracts and unexercised options are not reported in total backlog. Backlog is subject to funding delays or program restructurings/cancellations which are beyond our control.

Use of Non-GAAP Financial Measures

Adjusted EBITDAP, Adjusted Net Income, and Adjusted EPS

We provide the Non-GAAP financial measures of our performance called Adjusted EBITDAP, Adjusted Net Income, and Adjusted EPS. We use these metrics to measure our operating and total Company performance. We believe that for management and investors to effectively compare core performance from period to period, the metrics should exclude items that are not indicative of, or are unrelated to, results from our ongoing business operations such as retirement benefits (pension and postretirement benefits), significant non-cash expenses, the impacts of financing decisions on earnings, and items incurred outside the ordinary, ongoing and customary course of our business. Accordingly, we define Adjusted EBITDAP as GAAP net income adjusted to exclude interest expense, interest income, income taxes, depreciation and amortization, retirement benefits net of amounts that are recoverable under our U.S. government contracts, and unusual items (see Note 11 in the unaudited condensed consolidated financial statements for additional information). Adjusted Net Income and Adjusted EPS exclude retirement benefits net of amounts that are recoverable under our U.S. government contracts and unusual items which we do not believe are reflective of such ordinary, ongoing and customary activities. Adjusted Net Income and Adjusted EPS do not represent, and should not be considered an alternative to, net income or diluted EPS as determined in accordance with GAAP.

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	(In millions, except per share and percentage amounts)			
Net income	$ 16.4	$ 45.0	$ 44.2	$ 63.1
Interest expense	4.3	5.1	8.2	10.2
Interest income and other	—	(0.7)	0.2	(1.3)
Income tax provision	7.3	16.0	17.8	21.6
Depreciation and amortization	13.8	15.7	28.2	30.9
GAAP retirement benefits expense	0.2	8.4	0.5	16.9
CAS recoverable retirement benefits expense	(9.4)	(9.5)	(18.9)	(19.5)
Unusual items	8.9	6.6	30.6	23.2
Adjusted EBITDAP	$ 41.5	$ 86.6	$ 110.8	$ 145.1
Net income as a percentage of net sales	3.1 %	8.1 %	4.3 %	6.0 %
Adjusted EBITDAP as a percentage of net sales	7.9 %	15.6 %	10.7 %	13.8 %
Net income	$ 16.4	$ 45.0	$ 44.2	$ 63.1
GAAP retirement benefits expense	0.2	8.4	0.5	16.9
CAS recoverable retirement benefits expense	(9.4)	(9.5)	(18.9)	(19.5)
Unusual items	8.9	6.6	30.6	23.2
Income tax impact of adjustments (1)	0.1	(1.4)	(3.3)	(5.4)
Adjusted Net Income	$ 16.2	$ 49.1	$ 53.1	$ 78.3
Diluted EPS	$ 0.20	$ 0.54	$ 0.53	$ 0.77
Adjustments	—	0.05	0.10	0.19
Adjusted EPS	$ 0.20	$ 0.59	$ 0.63	$ 0.96
Diluted weighted average shares, as reported and adjusted	85.9	82.5	85.8	81.3

(1) The income tax impact is calculated using the federal and state statutory rates in the corresponding period.

Free Cash Flow

We also provide the Non-GAAP financial measure of Free Cash Flow. Free Cash Flow is defined as cash flow from operating activities less capital expenditures. Free Cash Flow should not be considered in isolation as a measure of residual cash flow available for discretionary purposes or as an alternative to cash flows from operations presented in accordance with GAAP. We use Free Cash Flow, both in presenting our results to stakeholders and the investment community, and in our internal evaluation and management of the business. Management believes that this financial measure is useful to investors because it provides supplemental information to assist them in viewing the business using the same tools that management uses to evaluate progress in achieving our goals. The following table summarizes Free Cash Flow:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	(In millions)			
Net cash (used in) provided by operating activities	$ (33.8)	$ 89.6	$ (108.8)	$ 20.2
Capital expenditures	(9.3)	(8.5)	(11.5)	(12.3)
Free Cash Flow	$ (43.1)	$ 81.1	$ (120.3)	$ 7.9

Because our method for calculating these Non-GAAP measures may differ from other companies' methods, the Non-GAAP measures presented above may not be comparable to similarly titled measures reported by other companies. These measures are not recognized in accordance with GAAP, and we do not intend for this information to be considered in isolation or as a substitute for GAAP measures.

Liquidity and Capital Resources

We believe that our existing cash and cash equivalents and availability under the Senior Credit Facility coupled with cash generated from our future operations will provide sufficient funds to meet our operating plan for the next twelve months and the foreseeable future. As of June 30, 2022, we had $560.3 million of cash and cash equivalents as well as $622.2 million of available borrowings under our Senior Credit Facility. However, there are a number of factors that could positively or negatively impact our liquidity position, including:

- effects of the termination of the proposed merger with Lockheed Martin;
- the proxy contest and associated litigation;
- reductions, delays or changes in U.S. government spending;
- cost overruns on the Company's contracts that require the Company to absorb excess costs;
- issuance or repurchase of debt or equity securities;
- potential funding of pension liabilities either voluntarily or as required by law or regulation;
- compliance with covenants and other terms and conditions related to our financing arrangements;
- environmental claims related to the Company's current and former businesses and operations;
- reductions in the amount recoverable from environmental claims;
- changes or clarifications to current tax law; and
- risks and uncertainties detailed in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021, as updated in Part II, Item 1A of this Quarterly Report.

Cash and Cash Equivalents and Short Term Investments

Our cash and cash equivalents and marketable securities consist of cash, time deposits, money market funds, and investment grade corporate debt securities. Our investment policy and strategy are focused on preservation of capital and supporting our liquidity requirements. Changes in U.S. interest rates affect the interest earned on our cash and cash equivalents and marketable securities, and the market value of those securities. Our strategy is focused on the preservation of capital and supporting our liquidity requirements that meet high credit quality standards, as specified in our investment policy approved by the Audit Committee of our Board of Directors ("Board").

We continually evaluate opportunities to sell additional equity or debt securities, obtain credit facilities, obtain finance and operating lease arrangements, enter into financing obligations, repurchase common stock, pay dividends, or repurchase, refinance, or otherwise restructure our debt for strategic reasons or to further strengthen our financial position.

On July 15, 2022, we announced that we issued a notice of redemption to holders of our outstanding 2¼% Notes stating our intention to redeem all outstanding 2¼% Notes in full on September 19, 2022, in accordance with the terms of the indenture governing the 2¼% Notes.

As a result of the proxy contest and related litigation, costs in excess of $16 million were incurred by certain participants in these activities. These costs have been submitted to us for reimbursement, subject to the approval of the Board at their upcoming meeting. Should such approval be obtained, the resulting cash outflow would be expected to occur in the second half of 2022.

As of June 30, 2022, our combined balance of cash and cash equivalents and restricted cash decreased by $140.1 million to $563.3 million from a balance of $703.4 million as of December 31, 2021.

The cash used in operating activities in the six months ended June 30,2022, of $108.8 million was primarily due to an increase in accounts receivable due to the timing of sales and billing during the quarter.

The cash used in investing activities in the six months ended June 30,2022, of $11.9 million was primarily related to capital expenditures.

Cash used in financing activities in the six months ended June 30,2022, was $19.4 million primarily resulting from (i) debt cash payments of $14.3 million (see table below) and (ii) $5.1 million of net cash used by our equity plans and dividend payments.

The following table summarizes our debt principal activity:

	December 31, 2021	Cash Payments	June 30, 2022
		(In millions)	
Term loan	$ 282.2	$ (13.1)	$ 269.1
2 1/4% Notes	145.9	—	145.9
Finance leases	43.4	(1.2)	42.2
Total debt activity	$ 471.5	$ (14.3)	$ 457.2

Senior Credit Facility

The Senior Credit Facility matures on September 20, 2023, and consists of (i) a $650.0 million revolving line of credit (the "Revolver") and (ii) a $350.0 million Term Loan. The Term Loan and any borrowings under the Revolver bear interest at LIBOR plus an applicable margin ranging from 175 to 250 basis points based on our leverage ratio (the "Consolidated Net Leverage Ratio") measured at the end of each quarter. In addition to interest, we must pay certain fees including (i) letter of credit fees ranging from 175 to 250 basis points per annum on the amount of issued but undrawn letters of credit and eurocurrency rate loans and (ii) commitment fees ranging from 30 to 45 basis points per annum on the unused portion of the Revolver. The Term Loan amortized at a rate of 7.5% per annum as of June 30, 2022, and increasing to 10.0% per annum from December 31, 2022, to be paid in equal quarterly installments with any remaining amounts, along with outstanding borrowings under the Revolver, due on the maturity date. The Company was in compliance with its financial and non-financial covenants as of June 30, 2022.

Other Information

There have been no material changes to our known contractual obligations and other obligations as previously reported in our Annual Report on Form 10-K for the year ended December 31, 2021.

As part of our ongoing business, we have not participated in transactions that generate material relationships with unconsolidated entities or financial partnerships, as is defined in rules promulgated by the SEC, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. See Note 8(d) in the Notes to Unaudited Condensed Consolidated Financial Statements for information relating to our off-balance sheet risk.

Critical Accounting Policies and Estimates

Our financial statements have been prepared with GAAP, which require management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, net revenue and expenses, and the disclosure of contingent assets and liabilities. Our estimates are based on historical experience and assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. We believe that the accounting estimates employed and the resulting balances are reasonable; however, actual results may differ from these estimates and such differences may be material. We believe the following critical accounting policies are most affected by our accounting policies and estimates: revenue recognition, retirement benefit plans, environmental remediation costs and recoveries, and income taxes. Except for income taxes, which are not allocated to our operating segments, these areas affect the financial results of our business segments.

A detailed description of our significant accounting policies can be found in our most recent Annual Report on Form 10-K for the year ended December 31, 2021.There have been no material changes to these critical accounting policies.

Recently Adopted and Issued Accounting Pronouncements

See Note 1 of the Notes to Unaudited Condensed Consolidated Financial Statements for information relating to our discussion of the effects of recent adopted and issued accounting pronouncements.

Forward-Looking Statements

Certain information contained in this report should be considered "forward-looking statements" as defined by Section 21E of the Private Securities Litigation Reform Act of 1995. All statements in this report other than historical information may be deemed forward-looking statements. These statements present (without limitation) the expectations, beliefs, plans and objectives of management and future financial performance and assumptions underlying, or judgments concerning, the matters discussed in the statements. The words "believe," "estimate," "anticipate," "project" and "expect," and similar expressions, are generally intended to identify forward-looking statements. Forward-looking statements involve certain risks, estimates, assumptions and uncertainties, including with respect to future sales and activity levels, cash flows, contract performance, the outcome of litigation and contingencies, environmental remediation and anticipated costs of capital. A variety of factors could cause actual results or outcomes to differ materially from those expected and expressed in our forward-looking statements. We caution you that any forward-looking statements made in this report are not guarantees of future performance, events or results, and you should not place undue reliance on these forward-looking statements, which speak only as of the date of this report. We do not intend, and we undertake no obligation, to update any forward-looking information to reflect new information, future events or otherwise, except as required by law. Important risk factors that could cause actual results or outcomes to differ from those expressed in the forward-looking statements are described in the section "Risk Factors" in Item 1A of our Annual Report to the SEC on Form 10-K for the year ended December 31, 2021, as supplemented by the section "Risk Factors" in Part II, Item 1A of this Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, and include, but are not limited to, the following:

- effects of the termination of the proposed merger with Lockheed Martin;
- effects of the proxy contest and associated litigation;
- effects of the recent changes to the Company's Board and their strategic oversight;

- reductions, delays or changes in U.S. government spending;
- cancellation or material modification of one or more significant contracts;
- failure of the Company's subcontractors or suppliers to perform their contractual obligations;
- loss of key qualified suppliers of technologies, components, and materials;
- the release, unplanned ignition, explosion, or improper handling of dangerous materials used in the Company's businesses;
- risks inherent to the real estate market;
- the COVID-19 pandemic and its impact on economic and other conditions world-wide, including global spending, sourcing and the business operations of the Company and its customers and suppliers, among others;
- actions taken by governments, businesses and individuals in response to the COVID-19 pandemic, including mandated vaccinations;
- cost overruns on the Company's contracts that require the Company to absorb excess costs;
- failure of the Company's information technology infrastructure, including a successful cyber-attack, accident, unsuccessful outsourcing of certain information technology and cyber security functions, or security breach that could result in disruptions to the Company's operations;
- changes in economic and other conditions in the Sacramento, California metropolitan area real estate market or changes in interest rates affecting real estate values in that market;
- the loss of key employees and shortage of available skilled employees to achieve anticipated growth;
- a strike or other work stoppage or the Company's inability to renew collective bargaining agreements on favorable terms;
- changes in estimates related to contract accounting;
- the funded status of the Company's defined benefit pension plan and the Company's obligation to make cash contributions in excess of the amount that the Company can recover in its current period overhead rates;
- the substantial amount of debt that places significant demands on the Company's cash resources and could limit the Company's ability to borrow additional funds or expand its operations;
- the Company's ability to comply with the financial and other covenants contained in the Company's debt agreements;
- changes in LIBOR reporting practices or the method by which LIBOR is determined;
- failure to secure contracts;
- costs and time commitment related to potential and/or actual acquisition activities may exceed expectations;
- failure to comply with regulations applicable to contracts with the U.S. government;
- failure of the Company's information technology infrastructure or failure to perform by the Company's third party service providers;
- product failures, schedule delays or other problems with existing or new products and systems;
- the possibility that environmental and other government regulations that impact the Company become more stringent or subject the Company to material liability in excess of its established reserves;
- environmental claims related to the Company's current and former businesses and operations including the inability to protect or enforce previously executed environmental agreements;
- reductions in the amount recoverable from environmental claims;
- significant risk exposures and potential liabilities that are inadequately covered by insurance;
- limitations associated with our stockholders' ability to obtain a favorable judicial forum for certain disputes due to the Delaware exclusive forum provision in our Certificate of Incorporation;
- business disruptions to the extent not covered by insurance;
- changes or clarifications to current tax law or procedural guidance could adversely impact the Company’s tax liabilities and effective tax rate;
- exposures and uncertainties related to claims and litigation;
- effects of changes in discount rates and actuarial estimates, actual returns on plan assets, and government regulations on defined benefit pension plans;
- inability to protect the Company's patents and proprietary rights; and
- those risks detailed in the Company's reports filed with the SEC.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to our disclosures related to certain market risks as reported under Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," in our Annual Report to the SEC on Form 10-K for the year ended December 31, 2021.

Interest Rate Risk

We are exposed to market risk principally due to changes in interest rates related to our borrowings, cash and cash equivalents, marketable securities, and pension assets and liabilities.

Borrowings

As of June 30, 2022, our debt principal excluding finance lease obligations totaled $415.0 million: $145.9 million, or 35%, was at a fixed rate of 2.25%; and $269.1 million, or 65%, was at a variable rate of 3.42%.

The following table summarizes the estimated fair value and principal amount for outstanding debt obligations excluding finance lease obligations:

	Fair Value		Principal Amount	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
	(In millions)			
Term Loan	$ 263.3	$ 275.8	$ 269.1	$ 282.2
$2^1/_4$% Notes	227.4	266.1	145.9	145.9
Total	$ 490.7	$ 541.9	$ 415.0	$ 428.1

The fair value of the 2¼% Notes was determined using broker quotes that are based on open markets for our debt securities (Level 2 securities). The fair value of the Term Loan was estimated based on a third-party model used to derive a relative value price using comparable corporate loans within a similar industry, credit quality, and currency.

Cash and Marketable Securities

We also have exposure to changes in interest rates related to interest earned and market value on our cash and cash equivalents and marketable securities. Our cash and cash equivalents and marketable securities consist of cash, time deposits, money market funds, and investment grade corporate debt securities. Our investment policy and strategy are focused on preservation of capital and supporting our liquidity requirements. Changes in U.S. interest rates affect the interest earned on our cash and cash equivalents and marketable securities, and the market value of those securities.

Pension Assets and Liabilities

Our tax-qualified pension assets and liabilities are subject to interest rate risk. Information concerning our interest rate risk related to our tax-qualified pension assets and liabilities can be found in Part 7, Item 1, Management's Discussion and Analysis of Financial Condition and Results of Operations under the caption "Critical Accounting Policies and Estimates" in our Annual Report on Form 10-K for the year ended December 31, 2021.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

Based on our management's evaluation (with the participation of our principal executive officer and principal financial officer), as of the end of the period covered by this report, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting

There were no changes in internal control over financial reporting that occurred during the most recent quarter that have materially affected, or are reasonably likely to materially affect, the effectiveness of our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

See Note 8 of the Notes to Unaudited Condensed Consolidated Financial Statements in Part I, Item 1 of this Report for information related to our legal proceedings.

Item 1A. Risk Factors

Other than as noted below, there have been no material changes from our risk factors as previously reported in our Annual Report on Form 10-K for the year ended December 31, 2021.

The military conflict between Russia and Ukraine, and the global response to it could exacerbate certain risks we face, and could adversely impact our business, financial condition and results of operations.

On February 24, 2022, the Russian Federation commenced a military invasion of Ukraine. Russia's invasion of Ukraine and the global response, including the imposition of sanctions by the United States and other countries, has exacerbated, and could continue to exacerbate risks facing our business. Due to the nature of our business and because we protect national security information, we face heightened risk of attack by highly organized adversaries, including nation states and hostile foreign governments such as Russia and its allies. The threats we face range from attacks common to most industries to more advanced and persistent, highly organized adversaries, insider threats and other threat vectors targeting us and other defense and aerospace companies, and may include cyber-attacks, security attacks and other targeted maneuvers affecting our properties and operations, including our mission critical systems. Such attacks may also be targeted at our employees, customers or partners. In the event of one or more of these attacks on us, our business, financial condition and results of operations could be materially adversely affected. We may be required to expend significant additional resources to investigate and fortify our security systems even if an attack is not successful. These and other risks are described more fully in our Annual Report on Form 10-K for the year ended December 31, 2021.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

		Incorporated herein by reference				
Table Item No.	Exhibit Description	Form	File Number	Exhibit	Filing Date	Filed or Furnished herewith
3.1	Aerojet Rocketdyne Holdings, Inc. Second Amended and Restated Bylaws (as amended June 30, 2022)					X
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.					X
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.					X
32.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 as amended, and 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (included as Exhibit 101) -- the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document					X

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.

Aerojet Rocketdyne Holdings, Inc.

Date:	August 1, 2022	By:	/s/ Eileen P. Drake
			Eileen P. Drake Chief Executive Officer and President (Principal Executive Officer)
Date:	August 1, 2022	By:	/s/ Daniel L. Boehle
			Daniel L. Boehle Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

Exhibit 3.1

AEROJET ROCKETDYNE HOLDINGS, INC.
SECOND AMENDED AND RESTATED Bylaws

AEROJET ROCKETDYNE HOLDINGS, INC.

SECOND AMENDED AND RESTATED Bylaws

Effective April 5, 2016

Article 1. Offices

Section 1.1. <u>Registered Office.</u> The address of the registered office of the Corporation in Delaware shall be 1209 Orange Street, Wilmington, New Castle County, Delaware, 19801. The registered agent at such address in charge thereof shall be The Corporation Trust Company, Corporation Trust Center, all of which shall be subject to change from time to time as permitted by law.

Section 1.2. <u>Other Offices.</u> The Corporation may also have an office or offices or place or places of business within or without the State of Delaware as the Board may from time to time designate.

Article 2. Stockholders' Meetings

Section 2.1. <u>Annual Meeting.</u> The annual meeting of the Stockholders shall be held at the principal place of business of the Corporation or at such other place (or may not be held at any place, but may instead be held solely by means of remote communication) as shall be designated in the notice of such meeting on such date and at such hour as may be designated from time to time by the Board, for the purpose of electing Directors and for transacting other proper business.

Section 2.2. <u>Special Meetings.</u> Special meetings of the Stockholders for any purpose or purposes may be called at any time by the Board and shall be called upon written request by Stockholders holding shares of Stock entitling such Stockholders to cast at least twenty-five percent (25%) of the votes that would be cast if all issued and outstanding shares of Stock entitled to vote at such meeting were present and voted. Such written request shall be delivered to the President or Secretary, and upon delivery thereof, it shall be the duty of the President or Secretary to give notice of such meeting in the manner hereinafter provided. If such written request be refused, the Stockholders making such request may call such meeting by giving notice thereof in the manner hereinafter provided.

Section 2.3. <u>Notice of Stockholder Business and Nominations.</u>

(a) <u>Annual Meetings of Stockholders.</u>

(1) Nominations of persons for election to the Board of the Corporation and the proposal of other business to be considered by the Stockholders may be made at an annual meeting of Stockholders only (<u>A</u>) pursuant to the Corporation's notice of meeting (or any supplement thereto), (<u>B</u>) by or at the direction of the Board or any committee thereof, or (<u>C</u>) by any Stockholder who was a Stockholder at the time the notice provided for in this Section 2.3 is delivered to the Secretary of the Corporation, who is entitled to vote at the meeting, and who complies with the notice procedures set forth in this Section 2.3.

(2) For any nominations or other business to be properly brought before an annual meeting by a Stockholder pursuant to clause (C) of paragraph (a)(1) of this Section 2.3, the Stockholder must have given timely notice thereof in writing to the Secretary of the Corporation, and any such proposed business (other than the nominations of persons for election to the Board) must constitute a proper matter for Stockholder action. To be timely, a Stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the ninetieth (90th) day, nor earlier than the close of business on the one hundred twentieth (120th) day, prior to the first anniversary of the preceding year's annual meeting (<u>provided, however, that</u> in the event that the date of the annual meeting is more than thirty (30) days before or more than seventy (70) days after such anniversary date, notice by the Stockholder must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the

Corporation). In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a Stockholder's notice as described above. Such Stockholder's notice shall set forth (A) as to each person whom the Stockholder proposes to nominate for election as a Director (i) all information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors in an election contest, or is otherwise required, in each case pursuant to and in accordance with Section 14(a) of the Exchange Act and the rules and regulations promulgated thereunder, and (ii) such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected; (B) as to any other business that the Stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and, in the event that such business includes a proposal to amend the Bylaws, the language of the proposed amendment), the reasons for conducting such business at the meeting, and any material interest in such business of such Stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (C) as to the Stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such Stockholder, as they appear on the Corporation's books, and of such beneficial owner, (ii) the class or series and number of shares of Stock that are owned beneficially and of record by such Stockholder and such beneficial owner, (iii) a description of any agreement, arrangement, or understanding with respect to the nomination or proposal between or among such Stockholder and/or such beneficial owner, any of their respective affiliates or associates, and any others acting in concert with any of the foregoing, including, in the case of a nomination, the nominee, (iv) a description of any agreement, arrangement, or understanding (including any derivative or short positions, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the Stockholder's notice by, or on behalf of, such Stockholder and such beneficial owners, whether or not such instrument or right shall be subject to settlement in underlying shares of Stock, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such Stockholder or such beneficial owner, with respect to securities of the Corporation, (v) a representation that the Stockholder is a holder of record of Stock entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination, (vi) a representation whether the Stockholder or the beneficial owner, if any, intends or is part of a group that intends (I) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the outstanding Stock required to approve or adopt the proposal or elect the nominee and/or (II) otherwise to solicit proxies or votes from Stockholders in support of such proposal or nomination, and (vii) any other information relating to such Stockholder and beneficial owner, if any, required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of Directors in an election contest pursuant to and in accordance with Section 14(a) of the Exchange Act and the rules and regulations promulgated thereunder. The foregoing notice requirements of this Section 2.3 shall be deemed satisfied by a Stockholder with respect to business other than a nomination if the Stockholder has notified the Corporation of his, her, or its intention to present a proposal at an annual meeting in compliance with applicable rules and regulations promulgated under the Exchange Act and such Stockholder's proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting. The Corporation may require any proposed nominee to furnish such other information as the Corporation may reasonably require to determine the eligibility of such proposed nominee to serve as a Director.

(3) Notwithstanding anything in the second sentence of paragraph (a)(2) of this Section 2.3 to the contrary, in the event that the number of Directors to be elected to the Board of the Corporation at the annual meeting is increased effective after the time period for which nominations would otherwise be due under paragraph (a)(2) of this Section 2.3, and there is no public announcement by the Corporation naming the nominees for the additional directorships at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a Stockholder's notice required by this

Section 2.3 shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the Corporation.

(b) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of Stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board may be made at a special meeting of Stockholders at which Directors are to be elected pursuant to the Corporation's notice of meeting (1) by or at the direction of the Board or any committee thereof or Stockholders pursuant to Section 2.2 hereof, or (2) provided that the Board or Stockholders pursuant to Section 2.2 hereof has determined that Directors shall be elected at such meeting, by any Stockholder of the Corporation who is a Stockholder at the time the notice provided for in this Section 2.3 is delivered to the Secretary of the Corporation, who is entitled to vote at the meeting and upon such election and who complies with the notice procedures set forth in this Section 2.3. In the event the Corporation calls a special meeting of Stockholders for the purpose of electing one or more Directors, any such Stockholder entitled to vote in such election of Directors may nominate a person or persons (as the case may be) for election to such position(s) as specified in the Corporation's notice of meeting, if the Stockholder's notice required by paragraph (a)(2) of this Section 2.3 shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the one hundred twentieth (120th) day prior to such special meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such special meeting or the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a Stockholder's notice as described above.

(c) General.

(1) Except as otherwise expressly provided in any applicable rule or regulation promulgated under the Exchange Act, only such persons who are nominated in accordance with the procedures set forth in this Section 2.3 shall be eligible to be elected at an annual or special meeting of Stockholders to serve as Directors, and only such business shall be conducted at a meeting of Stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 2.3. Except as otherwise provided by law, the chairman of the meeting shall have the power and duty (A) to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 2.3 (including whether the Stockholder or beneficial owner, if any, on whose behalf the nomination or proposal is made solicited (or is part of a group that solicited) or did not so solicit, as the case may be, proxies or votes in support of such Stockholder's nominee or proposal in compliance with such Stockholder's representation as required by clause (a)(2)(C)(vi) of this Section 2.3), and (B) if any proposed nomination or business was not made or proposed in compliance with this Section 2.3, to declare that such nomination shall be disregarded or that such proposed business shall not be transacted. Notwithstanding the foregoing provisions of this Section 2.3, unless otherwise required by law, if the Stockholder (or a qualified representative of the Stockholder) does not appear at the annual or special meeting of Stockholders to present a nomination or proposed business, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Section 2.3, to be considered a qualified representative of the Stockholder, a person must be a duly authorized officer, manager or partner of such Stockholder or must be authorized by a writing executed by such Stockholder or an electronic transmission delivered by such Stockholder to act for such Stockholder as proxy at the meeting of Stockholders, and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of Stockholders.

(2) For purposes of this Section 2.3, "public announcement" shall include disclosure in a press release reported by the Dow Jones News Service, Associated Press, or other national news service, or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14, or 15(d) of the Exchange Act and the rules and regulations promulgated thereunder.

(3) Notwithstanding the foregoing provisions of this Section 2.3, a Stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder with respect to the matters set forth in this Section 2.3; provided, however, that any references in these Bylaws to the Exchange Act or the rules and regulations promulgated thereunder are not intended to and shall not limit any requirements applicable to nominations or proposals as to any other business to be considered pursuant to this Section 2.3 (including paragraphs (a)(1)(C) and (b) hereof), and compliance with paragraphs (a)(1)(C) and (b) of this Section 2.3 shall be the exclusive means for a Stockholder to make nominations or submit other business (other than, as provided in the penultimate sentence of (a)(2), business other than nominations brought properly under and in compliance with Rule 14a-8 of the Exchange Act, as may be amended from time to time). Nothing in this Section 2.3 shall be deemed to affect any rights (A) of Stockholders to request inclusion of proposals or nominations in the Corporation's proxy statement pursuant to applicable rules and regulations promulgated under the Exchange Act, or (B) of the holders of any series of Preferred Stock to elect Directors pursuant to any applicable provisions of the certificate of incorporation.

Section 2.4. Time and Place of Special Meetings. Special meetings of the Stockholders shall be held at such times and at such places (or may not be held at any place, but may instead be held solely by means of remote communication) as shall be designated in the notices of such meetings.

Section 2.5. Notice of Meetings. Notice of all Stockholders' meetings shall be given in writing (a) by the President or Secretary or another officer of the Corporation authorized to give such notice, or (b) in case of a special meeting duly requested by Stockholders pursuant to Section 2.2 and for which the President or Secretary has refused to give notice, by the Stockholders entitled to call such meeting. Notice of any Stockholders' meeting shall state the date and hour when and the place where it is to be held, if any (or, the means of remote communication, if any, by which Stockholders may be deemed to be present in person and vote at such meeting), the record date for determining the Stockholders entitled to vote at such meeting if such date is different from the record date for determining the Stockholders entitled to notice of such meeting, and, in the case of a special meeting, the purpose or purposes for which such meeting is called. Subject to Section 6.3, and unless otherwise required by law, not more than sixty (60) nor less than ten (10) days prior to any such meeting, such notice shall be given to each Stockholder entitled to vote at such meeting as of the record date for determining the Stockholders entitled to notice of the meeting, directed by United States mail, postage prepaid, to such Stockholder's address as it appears upon the records of the Corporation.

Section 2.6. Record Date. The Board may fix a date, which date shall not precede the date upon which the resolution fixing such date is adopted by the Board and shall not be more than sixty (60) nor less than ten (10) days preceding any meeting of Stockholders, as the record date for the determination of the Stockholders entitled to notice of such meeting. If the Board so fixes a date, such date shall also be the record date for determining the Stockholders entitled to vote at such meeting unless the Board determines, at the time it fixes such record date, that a later date on or before the date of such meeting shall be the date for making such determination. If no record date is fixed by the Board, the record date for determining Stockholders entitled to notice of and to vote at a meeting of Stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which such meeting is held.

Section 2.7. List of Stockholders. The officer who has charge of the Stock ledger of the Corporation shall prepare and make, at least ten (10) days before every meeting of Stockholders, a complete list of the Stockholders entitled to vote at the meeting; provided, however, that if the record date for determining the Stockholders entitled to vote is less than ten (10) days before the meeting date, the list shall reflect the Stockholders entitled to vote as of the tenth (10th) day before the meeting date, arranged in alphabetical order, and showing the address of each Stockholder and the number of shares of Stock registered in the name of each Stockholder. Such list shall be open to the examination of any Stockholder for any purpose germane to the meeting for a period of at least ten (10) days prior to the meeting, during ordinary business hours, at the principal place of business of the Corporation. A list of Stockholders entitled to vote at the meeting shall be produced and kept at the time and place, if any, of the meeting during the whole time thereof and may be examined by any Stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any Stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. The stock ledger shall be the only evidence as to who are the Stockholders entitled to vote in person or by proxy at any meeting of Stockholders.

Section 2.8. Voting. Except as may be otherwise required by law, the Certificate of Incorporation, or these Bylaws, (a) every Stockholder shall be entitled to one (1) vote for each share of Stock held of record by such Stockholder on the record date for determining the Stockholders entitled to vote or act by written consent; (b) in all matters other than the election of Directors, the affirmative vote of the majority of shares of Stock present in person or represented by proxy at a Stockholders' meeting having a quorum and entitled to vote on the subject matter shall be the act of the Stockholders; and (c) Directors shall be elected by a plurality of the votes of the shares of Stock present in person or represented by proxy at a Stockholders' meeting having a quorum and entitled to vote on the election of Directors.

Section 2.9. Proxies. At any meeting of the Stockholders, any Stockholder entitled to vote thereat may be represented and may vote by duly authorized proxy or proxies. In the event that a Stockholder shall authorize three (3) or more persons to act as proxies, a majority of such persons present at the meeting, or if only one (1) such person shall be present, then that one (1), shall have and may exercise all of the powers conferred by such authorization upon all of the persons so authorized unless the authorization shall otherwise provide.

Section 2.10. Quorum. Except as may be otherwise required by law or the Certificate of Incorporation, at any meeting of the Stockholders, the presence in person or by proxy of the holders of record of shares of Stock that would constitute a majority of the votes if all outstanding shares of Stock entitled to vote at such meeting were present and voted shall be necessary to constitute a quorum; provided, however, that, where a separate vote by a class or series of Stock is required, a quorum shall consist of the presence in person or by proxy of the holders of record of shares of Stock that would constitute a majority of the votes of such class or series if all outstanding shares of Stock of such class or series entitled to vote at such meeting were present and voted. In the absence of a quorum and until a quorum is secured, either the chairman of the meeting or a majority of the votes cast at the meeting by Stockholders who are present in person or by proxy may adjourn the meeting, from time to time, without further notice if the time and place of the adjourned meeting are announced at the meeting at which the adjournment is taken. No business shall be transacted at any such adjourned meeting except such as might have been lawfully transacted at the original meeting.

Section 2.11. Adjournment. Any meeting of Stockholders may be adjourned at the meeting from time to time, either by the chairman of the meeting, for an announced proper purpose, or by the Stockholders, for any purpose, to reconvene at a later time and at the same or some other place, if any, and by the same or other means of remote communication, if any, and, unless otherwise required by law, notice need not be given of any such adjourned meeting if the time and place, if any, or the means of remote communication, if any, thereof are announced at the meeting at which the adjournment is taken. No business shall be transacted at any such adjourned meeting except such as might have been lawfully transacted at the original meeting.

Section 2.12. Organization of Meetings. Meetings of Stockholders shall be presided over by the chairman of the meeting, who shall be one of the following, here listed in the order of preference: (a) the Chairman; or (b) in the Chairman's absence, the President; or (c) in the President's absence, a Vice President; or (d) in the absence of the foregoing officers, a chairman chosen by the Stockholders at the meeting, provided that, notwithstanding the foregoing, with respect to the Company's special meeting of Stockholders scheduled for June 30, 2022 (and at any adjournments or postponements thereof) a representative of Debevoise & Plimpton LLP, the Company's independent counsel, shall preside over such meeting as the chairman of such meeting. The Secretary shall act as secretary of the meeting, but in such officer's absence, the chairman of the meeting shall appoint a secretary of the meeting.

Section 2.13. Conduct of Meetings. Subject to and to the extent permitted by law, the Board may adopt by resolution such rules and regulations for the conduct of meetings of Stockholders as it shall deem appropriate. Except to the extent inconsistent with law or such rules and regulations as adopted by the Board, the chairman of any meeting of Stockholders shall have the right and authority to prescribe such rules, regulations, and procedures, and to do all such acts, as in the judgment of such chairman are appropriate for the proper conduct of the meeting. Such rules, regulations, or procedures, whether adopted by the Board or prescribed by the chairman of the meeting, may include, without limitation, the following: (a) the establishment of an agenda or order of business for the meeting and announcement of the date and time of the opening and closing of the polls for each matter upon which the Stockholders will vote at the meeting; (b) rules and procedures for maintaining order at the meeting and the safety of those present; (c) limitations on attendance at or participation in the meeting to Stockholders, their duly authorized proxies, or such other persons as the chairman of the meeting shall determine; (d) restrictions on entry to the meeting after the time fixed for the commencement thereof; (e) limitations on the time allotted to questions or comments by participants; and (f) appointment of inspectors of election and other voting procedures, including those procedures set out in Section 231 of the DGCL. Unless and to the extent determined otherwise by the Board or the chairman of the meeting, meetings of Stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

Article 3. Board of Directors

Section 3.1. Number. Except as may be otherwise provided in the Certificate of Incorporation with respect to the rights of holders of any class or series of Stock having a preference over the Common Stock, the entire Board shall consist of one (1) or more Directors, the total number thereof to be authorized first by the incorporator of the Corporation and thereafter from time to time by resolution of the Board. This Section 3.1 shall not be amended except pursuant to (a) the affirmative vote of a majority of the total number of Directors, or (b) the affirmative vote of the holders of record of shares of Stock entitled to at least eighty percent (80%) of the total voting power of the issued and outstanding shares of Stock.

Section 3.2. Term and Qualification. Directors shall hold office until the next annual election and until their successors are elected and qualified, or until their earlier death, resignation, or removal. Directors need not be Stockholders.

Section 3.3. Vacancies. If there be a vacancy on the Board by reason of death, resignation, or otherwise, or if there be any newly created directorships resulting from an increase in the authorized number of Directors, such vacancy or directorship shall be filled by the affirmative vote of a majority of the Directors then in office, although less than a quorum. Any Director chosen by reason of such vacancy or such newly created directorship shall hold office until the next annual meeting and until such Director's successor is elected and qualified, or until such Director's earlier death, resignation, or removal. This Section 3.3 shall not be amended except pursuant to (a) the affirmative vote of a majority of the total number of Directors, or (b) the affirmative vote of the holders of record of shares of Stock entitled to at least eighty percent (80%) of the total voting power of the issued and outstanding shares of Stock.

Section 3.4. Meetings. The Board may by resolution provide for regular meetings to be held at such times and places as it may determine, and such meetings may be held without further notice. Special meetings of the Board may be called by the Chairman or by the President, or by not less than one-third (1/3) of the Directors then in office. Subject to Section 6.3, notice of the time and place of such meeting shall be given by or at the direction of the person or persons calling the meeting, and shall be delivered personally or telephoned to each Director at least twenty-four (24) hours prior to the time of the meeting, or sent by First Class United States mail, postage prepaid, to each Director at such Director's address as shown on the records of the Corporation, in which case such notice shall be deposited in the United States mail no later than the fourth (4th) business day preceding the day of the meeting. Unless otherwise specified in the notice of a special meeting, any and all business may be transacted at such meeting.

Section 3.5. Action Without a Meeting. Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting if all the Directors or all members of the committee, as the case may be, consent thereto in writing or by electronic transmission, and such writings or electronic transmissions are filed with the minutes of proceedings of the Board or committee, as the case may be.

Section 3.6. Quorum. At any meeting of the Board, the presence of (a) a majority of the Directors then in office or (b) one-third (1/3) of the total number of Directors, whichever is greater, shall be necessary to constitute a quorum for the transaction of business. Notwithstanding the foregoing, if at any meeting of the Board there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time without further notice if the time and place of the adjourned meeting are announced at the meeting at which the adjournment is taken.

Section 3.7. Vote Necessary to Act and Participation by Conference Telephone. The vote of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board, except as may otherwise be provided by law, the Certificate of Incorporation, or these Bylaws. Participation in a meeting by conference telephone or similar means by which all participating Directors can hear each other shall constitute presence in person at such meeting.

Section 3.8. Executive and Other Committees.

(a) The Board may by resolution designate an Executive Committee and/or one or more other committees, each committee to consist of two (2) or more Directors, except that the Executive Committee, if any, shall consist of not less than (3) Directors. Any such committee, to the extent provided in such resolution or in these Bylaws, shall have and may exercise the powers and authority of the Board in the management of the business and affairs of the Corporation, except in reference to powers or authority expressly forbidden such committee by law, and may authorize the seal of the corporation to be fixed to all papers that may require it.

(b) During the intervals between meetings of the Board, the Executive Committee, unless restricted by resolution of the Board, shall possess and may exercise, under the control and direction of the Board, all of the powers of the Board in the management and control of the business of the Corporation to the fullest extent permitted by law. All action taken by the Executive Committee shall be reported to the Board at its first meeting thereafter and shall be subject to revision or rescission by the Board; provided, however, that rights of third parties shall not be affected by any such action by the Board.

(c) If any member of any such committee other than the Executive Committee is absent or disqualified, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another Director to act at the meeting in the place of any such absent or disqualified member.

(d) Any such committee shall meet at stated times or on notice to all of its own number. It shall fix its own rules of procedure. A majority shall constitute a quorum, but the affirmative vote of a majority of the whole committee shall be necessary to act in every case.

Section 3.9. Indemnification.

(a) Each person who was or is made a party to, or is threatened to be made a party to, or is involved in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a Director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee, or agent of another corporation or of a partnership, joint venture, trust, or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as such director, officer, employee, or agent, or in any other capacity while serving as such director, officer, employee, or agent, shall be indemnified and held harmless by the Corporation to the fullest extent permitted by the DGCL, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than the DGCL permitted the Corporation to provide prior to such amendment), against all expense, liability, and loss (including attorneys' fees, judgments, fines, other expenses and losses, amounts paid or to be paid in settlement, and excise taxes or penalties arising under the Employee Retirement Income Security Act of 1974) reasonably incurred or suffered by such person in connection therewith, and such indemnification shall continue as to a person who has ceased to be a Director, officer, employee, or agent, and shall inure to the benefit of his or her heirs, executors, and administrators; provided, however, that, except as provided in paragraph (b) hereof, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board. The right to indemnification conferred in this Section 3.9 shall be a contract right and shall include the right of a Director or officer to be paid by the Corporation the expenses (including attorneys' fees) incurred in defending any such proceeding in advance of its final disposition; provided, however, that the payment of such expenses incurred by a Director or officer in his or her capacity as a Director or officer (and not in any other capacity in which service was or is rendered by such person while a Director or officer including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding shall be made only upon delivery to the Corporation of an undertaking, which undertaking shall itself be sufficient without the need for further evaluation of any credit aspects of the undertaking or with respect to such advancement, by or on behalf of such Director or officer, to repay all amounts so advanced if it shall ultimately be determined by a final, non-appealable order of a court of competent jurisdiction that such Director or officer is not entitled to be indemnified under this Section 3.9 or otherwise.

(b) If a claim under Section 3.9(a) is not paid in full by the Corporation within sixty (60) days after a written claim, together with reasonable evidence as to the amount of such claim, has been received by the Corporation, except in the case of a claim for advancement of expenses (including attorneys' fees), in which case the applicable period shall be twenty (20) days, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim, and, if successful in whole or in part, the claimant shall also be entitled to be paid the expense, including attorneys' fees, of prosecuting such suit. It shall be a defense to any such suit, other than a suit brought to enforce a claim for expenses (including attorneys' fees) incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation, that the claimant has not met the standards of conduct that make it permissible under the DGCL for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including the Board or a committee thereof, independent legal counsel, or the Stockholders) to have made a determination prior to the commencement of such suit that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Corporation (including the Board or a committee thereof, independent legal counsel, or the Stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the suit or create a presumption that the claimant has not met the applicable standard of conduct. In any suit brought by an indemnitee to enforce a right to indemnification or to advancement of expenses hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to such indemnification, or to such advancement of expenses, under this Section 3.9 or otherwise shall be on the Corporation.

(c) The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Section 3.9 shall not be exclusive of any other right that any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaw, agreement, or vote of Stockholders or disinterested Directors, or otherwise.

(d) The Corporation may maintain insurance, at its expense, to protect itself and any Director, officer, employee, or agent of the Corporation or another corporation, partnership, joint venture, trust, or other enterprise against any such expense, liability, or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability, or loss under the DGCL.

(e) In the case of a claim for indemnification or advancement of expenses against the Corporation under this Section 3.9 arising out of acts, events, or circumstances for which the claimant, who was at the relevant time serving as a director, officer, employee, or agent of any other entity at the request of the Corporation, may be entitled to indemnification or advancement of expenses pursuant to such other entity's certificate of incorporation, bylaws, or other governing document, or a contractual agreement between the claimant and such entity, the claimant seeking indemnification or advancement of expenses hereunder shall first seek indemnification or advancement of expenses pursuant to any such governing document or agreement. To the extent that amounts to be paid in indemnification or advancement to a claimant hereunder are paid by such other entity, the claimant's right to indemnification and advancement of expenses hereunder shall be reduced**.**

Section 3.10. Removal. Except as may be otherwise provided in the Certificate of Incorporation with respect to the rights of holders of any class or series of Stock having a preference over the Common Stock, Directors may be removed from office at any time, with or without cause, by the affirmative vote of the holders of record of shares of Stock that would constitute a majority of the votes if all outstanding shares entitled to vote thereon were voted.

Section 3.11. Chairman. The Board shall elect a Chairman from among the Directors. The Chairman shall preside at all meetings of the Board and shall perform such other duties as may be directed by resolution of the Board or as otherwise set forth in these Bylaws.

Article 4. Officers

Section 4.1. Officers. The Corporation shall have a President, a Secretary, and a Treasurer, all of whom shall be chosen by the Board. The Corporation may also have one or more Vice Presidents, Assistant Secretaries, Assistant Treasurers, and other officers as the Board may deem advisable, all of whom shall be chosen by the Board. Any two (2) or more offices may be held by the same person. All officers shall hold office for one (1) year and until their successors are selected and qualified, unless otherwise specified by the Board; provided, however, that any officer shall be subject to removal at any time by the affirmative vote of a majority of the total number of Directors. The officers shall have such powers and shall perform such duties, executive or otherwise, as from time to time may be assigned to them by the Board and, to the extent not so assigned, as generally pertain to their respective offices, subject to the control of the Board.

Section 4.2. President. The President shall be the chief executive officer of the Corporation and shall have such other powers and shall perform such other duties as may be assigned by the Board.

Section 4.3. Vice President. The Vice President, or, if there be more than one (1), the Vice Presidents, in order of their seniority by designation (or if not designated, in order of their seniority of election), shall perform the duties of the President during the President's absence or disability to act. The Vice Presidents shall have such other powers and shall perform such other duties as may be assigned by the Board or the Executive Committee.

Section 4.4. Secretary. The Secretary shall issue notices of all meetings for which notice is required to be given, shall keep the minutes thereof, shall have charge of the corporate seal and corporate record books, shall cause to be prepared for each meeting of Stockholders the list of Stockholders referred to in Section 2.7, and shall have such other powers and shall perform such other duties as may be assigned by the Board or the Executive Committee.

Section 4.5. Treasurer. The Treasurer shall have the custody of all moneys and securities of the Corporation, and shall keep adequate and correct accounts of the Corporation's business transactions, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, statutory capital, and shares. The funds of the Corporation shall be deposited in the name of the Corporation by the Treasurer in such depositories as the Board may from time to time designate. The Treasurer shall have such other powers and shall perform such other duties as may be assigned by the Board or the Executive Committee.

Section 4.6. Assistant Secretary. The Assistant Secretary shall perform all the duties of the Secretary in case of the absence or disability of the Secretary, and shall have such other powers and shall perform such other duties as may be assigned by the Board or the Executive Committee.

Section 4.7. Assistant Treasurer. The Assistant Treasurer shall perform all the duties of the Treasurer in case of the absence or disability of the Treasurer, and shall have such other powers and shall perform such other duties as may be assigned by the Board or the Executive Committee.

Section 4.8. Other Officers. Other officers of the Corporation shall have such powers and shall perform such duties as may be assigned by the Board or the Executive Committee.

Section 4.9. Authority to Sign. Except as otherwise specifically provided by the Board or the Executive Committee, checks, notes, drafts, contracts, and other instruments authorized by the Board or the Executive Committee may be executed and delivered in the name and on behalf of the Corporation by the Chairman, the President, a Vice President, the Secretary, an Assistant Secretary, the Treasurer, or an Assistant Treasurer.

Article 5. Stock

Section 5.1. Certificates. Shares of Stock shall be represented by certificates, provided that the Board may provide by resolution that some or all of any or all classes or series of Stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Every holder of record of Stock represented by certificates shall be entitled to have a certificate signed by or in the name of the Corporation by the Chairman or the President or a Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary, certifying the number of shares of Stock owned by such holder. Any of or all the signatures on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent, or registrar at the date of issue.

Section 5.2. Lost, Stolen, or Destroyed Stock Certificates; Issuance of New Certificates. The Corporation may issue a new certificate of Stock in the place of any certificate theretofore issued by it and alleged to have been lost, stolen, or destroyed, and the Corporation may require the owner of the lost, stolen, or destroyed certificate, or such owner's legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft, or destruction of any such certificate or the issuance of such new certificate.

Article 6. Miscellaneous

Section 6.1. Seal. The corporate seal shall have the name of the Corporation inscribed thereon and shall be in such form as may be approved from time to time by the Board.

Section 6.2. <u>Fiscal Year.</u> The fiscal year of the Corporation shall be determined by resolution of the Board.

Section 6.3. <u>Waiver of Notice of Meetings of Stockholders, Directors, and Committees.</u> Any waiver of notice given by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, and does object, at the beginning of such meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at nor the purpose of any regular or special meeting of the Stockholders, Directors, or members of a committee of the Board need be specified in a waiver of notice.

Article 7. Construction and Defined Terms

Section 7.1. <u>Construction.</u> As appropriate in context, whenever the singular number is used in these Bylaws, the same includes the plural, and whenever the plural number is used in these Bylaws, the same includes the singular. As used in these Bylaws, each of the neuter, masculine, and feminine genders includes the other two genders. As used in these Bylaws, "include," "includes," and "including" shall be deemed to be followed by "without limitation".

Section 7.2. <u>Defined Terms.</u> As used in these Bylaws,

"<u>Board</u>" means the board of directors of the Corporation.

"<u>Bylaws</u>" means these bylaws of the Corporation, as the same may be amended from time to time.

"<u>Certificate of Incorporation</u>" means the Certificate of Incorporation of the Corporation, as the same may be amended from time to time.

"<u>Common Stock</u>" means the common stock of the Corporation, par value Ten Cents ($0.10) per share.

"<u>Corporation</u>" means Aerojet Rocketdyne Holdings, Inc.

"**<u>Exchange Act</u>**" means the Securities Exchange Act of 1934, as amended.

"<u>DGCL</u>" means the General Corporation Law of the State of Delaware, as the same may be amended from time to time.

"<u>Director</u>" means a member of the Board.

"<u>Stock</u>" means the authorized capital stock of the Corporation.

"<u>Stockholder</u>" means a holder of record of shares of Stock. For the avoidance of doubt, the existence of treasury shares of Stock shall not cause the Corporation to be a Stockholder.

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Eileen P. Drake, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Aerojet Rocketdyne Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact 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 all 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 which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and 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 our 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 the registrant’s internal control over financial reporting.

Date: August 1, 2022

/s/ Eileen P. Drake

Eileen P. Drake
Chief Executive Officer and President
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Daniel L. Boehle, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Aerojet Rocketdyne Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact 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 all 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 which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and 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 our 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 the registrant's internal control over financial reporting.

Date: August 1, 2022

/s/ Daniel L. Boehle

Daniel L. Boehle

Vice President and Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

CERTIFICATIONS
PURSUANT TO 18 UNITED STATES CODE §1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned hereby certifies that to her knowledge the quarterly report on Form 10-Q of Aerojet Rocketdyne Holdings, Inc. for the period ended June 30, 2022 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company, as of the dates and the periods expressed in the Report.

/s/ Eileen P. Drake
Eileen P. Drake

Chief Executive Officer and President
(Principal Executive Officer)

Date: August 1, 2022

The undersigned hereby certifies that to his knowledge the quarterly report on Form 10-Q of Aerojet Rocketdyne Holdings, Inc. for the period ended June 30, 2022 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company, as of the dates and the periods expressed in the Report.

/s/ Daniel L. Boehle
Daniel L. Boehle
Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Date: August 1, 2022