



Aerojet Rocketdyne Holdings, Inc.

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Seth Seifman: Good morning, everyone, and welcome to day two of the 2022 J.P. Morgan Industrials Conference. I'm Seth Seifman, the US aerospace defense analyst, and glad to start off the second day of aerospace defense presentations with Aerojet Rocketdyne, a name that's been in the news recently.

We're very, very grateful to have them here. We have Dan Boehle, the CFO, and we have Kelly Anderson from investor relations. Dan is going to kick it off and tell everyone a little bit about the company and maybe help to re-familiarize people a little bit with the company.

Then we'll go into some Q&A. I have some questions, and we'll take some from the room. Dan, why don't you go ahead?

Dan Boehle: Thank you, Seth. Good morning and thank you for having us. We'll start with the clicker. That works. As always, to start, we have the safe harbor statement. Some of my comments today may be considered forward-looking statements. As you know, they're subject to risks and uncertainties. A variety of factors could cause results to differ materially from those expressed in my comments.

I also may refer to some non-GAAP financial measures. If you'd like to know more about the risk factors or any of our disclosed financial measures, you can review our SEC filings, which are available on our website or on the SEC's website.

At a glance, Aerojet Rocketdyne is a high-technology manufacturing company, primarily offering space and defense propulsion systems. The company had sales of \$2.2 billion in 2021, and we finished the year with \$6.8 billion of backlog. We have a very diverse portfolio of programs, some of which are pictured here on the right.

In our space programs, we range from NASA's space launch system, which will put the next US astronauts on the moon and enable deep space exploration. We also have in-space propulsion systems. In defense, we produce missile systems, missile defense, strategic, and tactical

systems, which protect our warfighters, our allies, and our nation.

Our advanced programs are focused on cutting-edge technology and the next-generation programs such as hypersonics, next-generation interceptor, and the ground-based strategic deterrent. We also have a real estate segment that's tasked with monetizing the excess real estate that our company owns.

For our core business, we have a number of core programs that have generated the strong financial performance that we've seen over the last several years and will continue to contribute many years to come. Our core business is comprised of some great legacy programs as pictured to the right.

The Standard Missile, THAAD, and Patriot are in our defense programs. They are strongly supported in the DoD budgets and have contributed steadily to top-line growth.

The excellent performance we've seen on these programs has also contributed to some of the margin improvement we've experienced in the last few years, which I'll show you later in our financials.

These programs, along with others, like the Guided Multiple Launch Rocket System, or GMLRS, Stinger, Javelin, TOW, and Tomahawk, protect our nation and our allies and help keep men and women safe that are deployed across the globe.

Also pictured here are some of our strong core programs on the space side, like the RL10 at the bottom left. This is a reliable workhorse engine. It has flown on over 300 missions using more than 500 engines. It currently provides upper-stage propulsion on ULA's Atlas and Delta launch vehicles and will provide the upper-stage propulsion on ULA's Vulcan Centaur rocket.

In addition, anywhere from one to four RL10 engines, depending on which mission, they will fly on the Artemis flights as part of the Space Launch System. Our in-space thrusters have supported all successful NASA launches, landings on Mars, including the latest landing of the Perseverance rover.

Our electric propulsion is on over 200 satellites in orbit today. It's helped enable a new satellite servicing market by supporting the first on-orbit life extension mission as part of the Mission Extension Vehicle program.

On the next slide, we turn to the next-generation programs. Our nation's defense strategy has transitioned to a near-peer great power competition with Russia and China.

This means that there is an increasing need by the Department of Defense to deploy advanced capabilities, such as hypersonic missiles, next-generation missile defense systems, and GBSD, the replacement of our land-based strategic deterrent.

Hypersonics is a US national security imperative. Aerojet Rocketdyne has a broad range of world-class capabilities supporting development and production of hypersonic platforms. We are developing and producing advanced scramjets, solid rocket motor boosters, warheads, and missile defense technologies.

Through our use of additive manufacturing, we've been able to dramatically reduce costs and development time for new hypersonic capabilities. We've made investments in advanced manufacturing processes, facilities modernization and we've expanded our hypersonic footprint at our West Palm Beach facility. When this technology moves into production, we'll have the capacity to meet our nation's demand.

We're also working on the EMD phase of the GBSD program as a key member of Northrop Grumman's national team. We're developing a large solid rocket motor and the post-boost propulsion system for this critical program, which will replace the Minuteman-III ICBMs.

We have invested significantly in new facilities and advanced manufacturing capability to provide cutting-edge and affordable propulsion solutions for critical next-generation security programs like the GBSD.

One of our significant accomplishments in 2021 was a successful hot fire of the eSR-73, our new advanced large solid rocket motor. The eSR-73 served as a pathfinder for producing and handling large solid rocket motors at our Camden site. The successful test demonstrated Camden's readiness to support important programs like hypersonics, space launch, and missile defense.

Another program that we're pursuing is the Next Generation Interceptor, which is intended to replace the missile in the Ground-based Midcourse Defense architecture, or GMD. We've been a part of the Missile Defense Agency's GMD since its inception and we're competing for both the booster and kill vehicle propulsion and are working with both primes that have been down-selected. We feel really good about our position on NGI as well.

In addition, NASA's human space exploration architecture continues to evolve, with a goal of returning Americans to the surface of the Moon later this decade and then transitioning to Mars in the next decade.

Aerojet Rocketdyne propulsion, most notably the RS-25 in the bottom right, plays an essential role in achieving this national goal. Each Artemis mission utilizes four RS-25 engines, creating a combined 1.6 million pounds of thrust at launch.

We recently completed capital expansion of our LA site to enable increased production of this incredible engine as part of our \$1.8 billion, 18-engine buy that we received in May of 2020.

SLS is built from the ground up to carry astronauts and cargo farther and faster than any rocket in history. It provides an exploration capability that does not exist in the world today and delivers greater mass and volume to deep space destinations with greater departure energy than any existing launch vehicle. No other rocket has the performance capabilities of the SLS currently.

Moving on to the next few slides, I'll highlight our recent financial performance. In 2021, we had sales of \$2.2 billion, which was an increase of six percent from the prior year. This represents also a record in sales since the purchase of Rocketdyne in 2013.

We're a business that should be viewed from a long-term perspective. You can see a nice continued top-line growth trend over the last five years.

Similarly, on the right, our profitability metric, which we call adjusted EBITDAP, is adjusted for certain non-recurring, non-operational items. This metric has grown significantly over the five-year time period as well. We had a margin rate of 13.6 percent in 2021.

We've seen benefit over the last few years from some of the initiatives that we've taken as a company, including our competitive improvement program to reduce costs and facilities and our ARBOS, Aerojet Rocketdyne Business Operating System, both of which have driven focus and provided the tools necessary to provide the efficiency of our operations and the affordability of our products.

Turning to the next slide, cash flow has been very strong in the past several years. We continue to exceed our cash flow to net income conversion target of 100 percent. As we look forward to the next couple of years, we do have two headwinds affecting our cash.

We've signed several multi-year contracts, as I mentioned, in our core businesses, which in the aggregate will result in working capital build-up over a longer duration than the normal annual contract buys. We have to work hard to manage our overall working capital over the next couple of years. We also expect increased cash taxes due to a change in treatment of R&D expenditures which requires us to capitalize such costs and amortize them over five years. That's an item that's affecting the whole industry.

In addition, we will continue to invest in facilities expansion when necessary, to accommodate the growth that we see in our new development programs.

Turning now to backlog, as I mentioned, we're at \$6.8 billion at the year-end, which is more than three times our 2021 sales. The main drivers of backlog are the large multi-year awards that I just mentioned. They're listed on the right. These programs provide long-term visibility on revenue growth, consistent profit, and cash flow, and continue to enhance operating leverage over the years to come.

Then on the final slide, I just wanted to give some key metrics for over the last five years. The top one is our TSR. From a TSR perspective, Aerojet Rocketdyne has outpaced the overall S&P 500 by 7 percent over the last five years, and the S&P aerospace and defense index by more than 40 percent at 115 percent over that period.

Our top-line revenue grew around 4.4 percent over that period, which is consistent with our messaging, and our profit and EPS metrics have expanded considerably more than that due to the CIP program, and the ARBOS improvement programs that I mentioned, and also a diligent focus on corporate and other operating costs.

I would like to mention, since we have EPS on this slide, that our weighted average share count will increase beginning in 2022, due to new accounting guidance related to convertible debt. If the guidance had been implemented in 2021, we estimate that it would have reduced our EPS by 4 cents in 2021 as an indication of that impact.

In summary, before I hand it over to you, Seth, Aerojet Rocketdyne is in a great place. There are very strong macro fundamentals at work as the new budgets are being released. We are technically well-positioned to execute on the new work coming down the pipeline.

We have a diversified, well-balanced foundation of programs currently in our backlog, and we continue to focus on making operational improvements that make our current and future

programs more successful.

We have demonstrated our focus on revenue and profitability growth, and we'll maintain that focus to continue to enhance shareholder value. That concludes my opening remarks. I'll turn it over to you for the questions.

Seth: Great. Excellent. Thanks. Thanks Dan, for a great overview of the company. I guess thinking about the growth outlook, you've talked in the past about kind of a low to mid-single-digit CAGR for the company.

I think we saw that. You said it before, and change percent CAGR over the past five years. If we think about the near term, how does 2022 fit into that low to mid-single-digit framework? Then when we think about maybe the next three to five years, is that still the right framework to use overall?

Dan: Yeah. Sure. Thank you, Seth. Overall I do think that's the right framework over the long term. A couple years ago when I spoke to that the first time, I did mention that we had some tailwinds in the first couple of years. Last year we had about five percent growth, in 2021 we're at about six percent this year.

Those are at the higher end of that low to mid-single-digit, obviously. As we move forward, we will see continued growth over the 5- to 10-year period at that low to mid-single digits primarily coming out of those new development programs on the defense side, as well as on the space side the RS-25. In the long-term, that's still the right framework -- the low to mid.

Maybe trending more towards the mid, but yes.

Seth: 2022, I guess, can be another year that's toward the mid?

Dan: Sure. Yeah. In the 10 K, we disclosed we expect about \$2.3 billion of our backlog to convert to sales. We use that kind of as a proxy of what you think the 2022 sales will be. We do have some short-cycle business. There's maybe a little bit upside to that, but \$2.3 billion would represent about another five percent growth on this year's sales.

Seth: Then the drivers for this year are primarily the development programs that you talked about?

Dan: Yes. The drivers primarily would be the on the defense side, NGI, GBSD, hypersonics. That's going to be the main drivers of overall business growth for the next couple of years. As well as on the space side, as I mentioned, we have on the Artemis program they use four RS-25 engines, as well as one to four RL-10s. You see some growth there.

We've got 24 RS-25 engines on contract right now. They already have 16 from our space shuttle days that will provide the four engines per launch for the first four. The ones that we're building now will be Artemis five throughout onward.

Seth: For the three kind of you talked about and the legacy defense programs include PAC 3, THAAD, and standard missile. Think of those as kind of the anchor programs on the defense side of the company. For each of those, how does that fit into the multi-year outlook. What's the contribution from each of those programs?

Dan: Anchor programs is a perfect reference for those, because those have been really strong core programs over the years. In total, those three programs represent about 30 percent of the total sales as disclosed in our 10K.

You look at that and you think that's about \$600 million to \$650 million of sales a year within those programs. We'll continue to see those at about the same sales level throughout the next five years in our outlook.

As things develop across the world, as we're seeing today there may be some uptick, but we don't generally see that on the front end. We're contracted through the primes, and we do have multi-year contracts for all three of these right now. When those come up for negotiation, we'll see if there's an increased demand for them.

Seth: You referenced world events and I think that's a consideration as we think about the outlook for Aerojet now. Maybe if we touch on it in two areas, first, those anchor programs tend to be geared more towards missile defense.

To the extent that we would see increased European defense spending lead to greater demand for missile defense products, I would imagine that's the place where the company could benefit. Missile defense systems are obviously very complex.

If there's increased demand, is it more about longer duration, or is there an opportunity in the next couple of years to actually increase the level of activity in the company, or are you running at kind

of the level of activity that's kind of maxed out? If another country wants to buy a new system, that's going to just add onto the backlog.

Dan: There's a lot involved there, I guess, but yes. As I mentioned, these three are in multi-year contracts right now. We probably wouldn't see any immediate uptick until we renegotiate those programs. I think THAAD comes up for award this year. That one, if there's an uptick there, we might be able to negotiate additional units with Lockheed on that one.

PAC-3 and Standard Missile are scheduled for new awards over the next couple of years as those multi-year awards run out. If there's an immediate need or overseas contingency funding that becomes available, it would come through the primes, so yet to see how that will impact us.

As I mentioned, as we were speaking before this, with the latest conflict, we are starting to see a few orders, or at least some requests, for capacity surge if we can on Stinger and Javelin. Those other tactical missile systems as well may see some uptick.

As you mentioned, the missile defense items are probably a little bit longer duration. We do have good contracts for multiple-year deliveries on those. I think that we'll see how that plays out in the next negotiation phase.

Seth: On some of the short-cycle items, that tends to be, by definition, stuff that's on the front end in contingencies. When you think about the near-term outlook, how much incremental demand are you thinking about? How do you characterize that in the context of the whole company?

Dan: We deliver about 75,000 rockets or missile defense deliveries in our defense area, per year. If you're talking a few thousand or up to 10,000 or what have you, that's just incremental. It's not a big needle mover for us on those small, short-cycle businesses. We could probably ramp up and get them done.

Again, we would love to take new orders but haven't seen anything really, at this point, on paper, asking for those. They're not huge needle-movers. Again, a few thousand here or there would be good. It's possible.

Just to continue on that, I think what the good news here is that in these current conflicts, the products that we currently have are in demand. They're being utilized. They're working well. They're performing. We're well-positioned to continue to provide those in the current conflicts.

Then with our new next-generation development work that's going on, we feel comfortable and well-positioned for the next generation of conflicts. We continue to be relevant.

Seth: When we look at profitability, you put up the slide, and you had an adjusted EBITDAP margin. For most years, it was in the 13 to 14 percent range. Those often vary significantly by quarter based on the magnitude of your EAC changes.

When you think about the EAC opportunity set for 2022, what does that look like? The profitability margin rate for 2022, is it in that 13-to-14-percent range? Is there anything you can say about where in that range it might fall?

Dan: I would say, overall, in the long term, we have a goal to try to get to 14 percent. If you look at the last five years, we've ticked up towards that. One of the pressures we have right now is that we're growing through these new development programs. New development programs tend to be -- well, they are -- cost-type programs.

As that becomes a larger proportion of our growth, you start seeing our contract mix change from fixed-price to cost-type. We've traditionally been about 60 percent fixed-price, 40 percent cost-type. Just in this 2021 year, you saw about a 4 percent shift in that.

We're probably approaching closer to maybe a 55 fixed-price, 45 cost, and then maybe even, as these continue to grow, and they're growing a little bit more rapidly than we originally planned, you might get to about a 50/50 mix. As you get closer to that, you have more pressure downward on those margins.

I would say that probably moving forward the next couple of years, probably between the 13 and 13.5, so not up above where we're finishing this year.

As I said, our long-term goal is we continue to take these development programs into production and then continue to augment the margins on our core programs that I mentioned that we've been working on for quite a while, through our competitive improvement program results, and through our ARBOS improvement programs, we can continue to be more efficient there and pull out more margin for those.

Seth: You mentioned the company operating system during the presentation and the improvements in profitability that's allowed. Are there particular areas as you go forward where

you think there might be room for more improvement that you'd highlight?

Dan: There's continual look at this. The ARBOS program is Aerojet Rocketdyne Business Operating System. It's a way of looking at continual process improvements. You could call it lean or whatever words that have been used in industries for a while.

We're always looking at ways to improve our efficiencies, and invest capital in the right places as well to advance our manufacturing capabilities and our facilities. I would say that where these development programs are coming in -- Camden, Huntsville, our LA site for the RS-25 -- you're going to continue to see some capital expenditures there where we're utilizing our capital deployment to improve our manufacturing capabilities and bring them more cutting-edge and up-to-date as we develop these new defense programs.

Seth: I wanted to go back to something you said earlier I thought it was interesting, the development programs this year maybe even growing a little bit faster than you'd anticipated. Maybe if you could zero in a little bit on which ones. One of the reasons I ask is because hypersonics, I haven't thought of this as an Aerojet issue, but maybe you could speak to that.

Lockheed's had some challenges in testing on the ARRW, and I think the appropriators took some money from procurement of that program and moved it back into R&D. It seems like, on the hypersonic side at least, overall development is taking a little bit longer. How does hypersonics fit into that growth for this year and then going forward?

Dan: That comment I made was more targeted towards GBSD and RS-25, which we had gotten a little bit more early funding and did more work on over this year than we had originally planned. Hypersonics has been about where we expected.

To your point, there are some pressures or some push-out on some programs, but we are on a wide variety of hypersonics -- development programs, tests studies, and things like that -- and we're across multiple primes. We don't see that probably as slowing down too much for us. We'll keep up with the funding.

Seth: The production outlook for those programs, is that around middle of the decade when you'd expect production?

Dan: I would say middle to late decade where you start seeing production. To your point, that could be slipping later into the decade.

Seth: Then RS-25, it sounds like there's a lot of activity there. It may be another situation where Aerojet is performing well. We see some of the congressional hearings, and you hear about some of the risks to the schedule for the overall Artemis program, for the space launch system. How do the developments on the overall program affect your activity and what you guys are doing?

Dan: The overall program and some of the conversations around that right now are in terms of how that program is going to be managed, whether handing it from NASA to more of an industry-led systems integration team. Those conversations are going on right now, with the ultimate goal of bringing costs down on those launches.

As I said, we're on contract already for 24 engines, which brings us through the end of the decade. That won't slow us down. What we're on contract for we'll continue to work through. Later, second half of the decade, we're hoping to get another 18-engine buy or we're expecting to. That may be affected by any slowdown or any change in the program.

Right now, what we're on contract for is moving well. We're performing well, and we're seeing good results for those. Through the middle of the decade towards the end of the decade, on what we've currently got on contract, no impact to it.

We generally have those engines delivered before the need date as well. Like I said, they've got 16 already for the first four launches. What we're working on now is not needed for years to come. We'll continue to work on those.

Seth: It sounds like that effort is still ramping up for Aerojet. When do you reach the run rate there?

Dan: Good question. Let's see. We probably hit that run rate for the middle of this decade. I'd say, over the next two to three years, we're ramping up a little bit. Then the middle of the decade, we hit about the run rate that you're going to see for the remainder of the decade, also expecting that we get another 18-engine buy.

Seth: You talked a little bit about cash flow and headwinds that the company faces this year. Let's put aside the R&D tax issue. That's an industry-wide issue, and we'll see how it plays out.

When we think about working capital and we think about incremental CapEx, what kind of cash conversion should we be thinking about both for 2022 and then maybe if there's a framework to

think about for the period until the middle of the decade?

Dan: Overall, we're going to continue to set our goal at 100 percent of net income conversion. We're going to continue to try to reach that. We had several strong years over the past five years or so. We've had very good numbers. In 2020 we had a record \$309 million of free cash flow for the year.

We'll continue to work that. As I mentioned, we have some working capital challenges with regards to the multi-year contracts that we've signed. Those are good. In many of those cases, you can work the capital upfront, but then, at the end, you've got some liquidation money coming on liquidation of delivery.

Got to get through those, and since you have multi-year programs, your deliveries are stretched out over a longer duration. Those aren't being replenished year after year, so that affects your working capital. As mentioned, we have to work that as closely as we can.

Then the change to R&D, which requires us to capitalize our R&D expenditures and amortize over five years for tax purposes is something that the whole industry, and even outside our industry, folks are trying to push back a little bit on that and see if we can get the government to defer that or altogether get rid of it. It doesn't necessarily make economic sense, but it's the way that the governments fund their budgets.

They've got to find it somewhere when they give some cuts of up front. We're hoping to see that change, but that currently is forecasted to have some drag on us and, depending on how it gets interpreted and how it gets employed, could have additional impact on us this year.

Over the long run, I would say that our goal is to continue to reach 100 percent conversion of net income for our cash flow. You'll see pressure on that over the next couple years. It's going to be tough to make that over the next couple of years.

The good thing is that the ARPA did push out the pension amortization. That gave us some relief on the pension front. That helped us quite a bit this year in 2021, and it will help us going forward over the next three to four years as well.

Seth: That's helpful. For CapEx, last year was a little bit lighter but probably not surprising. Prior years, probably \$50-ish million range, \$40 to \$50 million type of range that we've seen. Given the growth that's ahead and the backlog that you have, is there an incremental CapEx level

associated with supporting that growth?

Dan: They're in the budget already at our current level. We generally tend to spend about 2 to 2.5 percent of our sales on capital expenditures, that's pretty much the guideline we use. As you mentioned, it was probably a little light last year with the pending Lockheed merger. We had some limitations on what we could spend.

Coming out of that, maybe you'd see our spend will be a little bit higher towards the 2.5 percent to get to where we need to be. The items that are program- or contract-dependent for the large development programs that I mentioned are budgeted, and they go out over time.

As GBSD matures through the EMD and the production, what have you, the capacity is needed later. It's not all needed up front. It makes sense to spend the money when the capacity is needed. You'll see those expenditures out over the next five to six, seven years. The EMD program is an eight-year program, and then we'll get into production.

Then RS-25, as I said, they already have the first 16. We're ramping up on the next...We had a six-engine buy and now an 18-engine buy. We've completed the facilities, so we've got capacity there to build those.

Seth: Let me pause for a moment and see if there's any questions in the room. We have one right over here.

Audience Member: Dove-tailing off of the cash flow question, if you can talk a little bit about managing the balance sheet, the appropriate leverage. Given the official dilution of the share count later on, what's your take on share buy-backs?

Dan: We do have a very strong cash balance sheet. We ended the year with about \$700 million in cash and only about \$470 million of debt. We're in a net cash position. We feel we are in a good position whether we want to decide how to deploy that cash. We're looking at all strategic alternatives, whether that be through M&A, through shared buy-backs.

I will say that may depend a little bit on resolving some of the things going on at the board level right now before we decide how to deploy that cash. We are looking at all the alternatives. We had a share buy-back program that we were halfway through when the Lockheed Martin deal was signed. We had to stop that. That has since expired. It would make sense to go back and look at continuing that, but need board approval for that.

Seth: On that question, and I recognize that this might be a very short answer, and there's not very much that you can say, but I would feel delinquent if I didn't ask you for a comment on the board situation and the proxy battle. It is an unusual situation. If there's anything you can share with regard to what the implications are for the company, for strategy, and in terms of the different visions that may be put forth here.

Dan: You asked a long question knowing that you're going to get a very short answer. The company is currently under a temporary restraining order issued by the Delaware courts. As an officer and a representative of the company, I have to remain neutral and can't recommend or can't discuss any of my opinions of the differences between the two factions here.

We'll let that play out. My only desire is let's get to a shareholder vote and let that play out so that I can see who my board leadership is, but nothing more I can say on that.

Seth: Just a last one on stuff that's related to that. Would you expect, at some point, for Aerojet to have, let's say, quarterly conference calls and a higher profile with investors?

Dan: My intention is to try to have a higher profile. I can't commit to doing quarterly earnings calls at this point, but I can commit to doing these investor conferences when you invite me.

Seth: That will always be the case.

Dan: Also, we are looking at potentially doing an investor day at our LA site, which we did...I think we've done that once with my predecessor, Paul. We'd like to do that again. That site shows well. We've just expanded it.

We'd like to get some folks out to take a look at that, probably in the near term. Again, no commitments there as far as dates and timing, but that is an intention of mine and Kelly's.

Seth: Very good. Realizing that the decisions on this question will fall to the future and future board to determine, when you think about M&A, what's the potential for M&A at Aerojet? What are the types of companies that you would look at? Does M&A make sense for Aerojet, given the backlog that you have?

We know that space is a dynamic area right now, with a lot of new entrants and new capital coming in. How do you think about how that landscape is evolving and what that might mean strategically?

Dan: My short answer is I can't really talk too much details about what we may potentially do from an M&A perspective. I would just tell you that we're still very active in looking at the strategic alternatives. Our BD team is always looking at this.

We're always working with our advisers and our bankers as well to take a look at what are the opportunity sets that's out there, as an acquirer and acquiree, and also, as mentioned before, what other cash deployment strategies to return value to our shareholders.

We did do the special dividend in the past as well, following the Lockheed merger agreement. There are other opportunities that we're always looking at. We're open to anything that's going to return value to our shareholders.

Seth: In terms of potential targets that you look at, is it mostly bolt-on acquisitions that would give you certain technologies in areas like hypersonics, for example, or are there bigger things out there that might make sense for Aerojet?

Dan: Probably really can't answer that question. I think we'd be looking at either and all. [laughs]

Seth: Very good. Maybe last question is Aerojet's had a real estate portfolio for some time. You had it on the first slide. What's the thought process about that over the long term? It's something that's been with the company for a while.

Does it make sense to continue to have that with Aerojet or at some point to turn that over to someone who's more focused on the real estate area to realize some value and let them run with it?

Dan: One of the important items there is that we have significant environmental remediation going on in those sites. That doesn't mean we can't sell it. It just means that we're always going to have a presence there.

That's why we keep it integrated with our business, work very closely as we're entitling and working to sell these landSmasses, work very closely with our remediation team. That's why it's hard to spin that off. That remediation always is going to stay with us.

We are seeing more interest. With people working remotely, we see that that Sacramento area, which is where most of our land is, is a good alternative for folks that are employed out in the Bay

Area and what have you, who want to maybe get out of the city.

It's a little too expensive. A little too crowded, what have you. We think Sacramento is going to be an enticing area for that. We are starting to see the interest come back after COVID.

Seth: Excellent. Very good. With that, we're out of time. Dan, thanks. Thanks very much for being here, Dan and Kelly. We really appreciate it and look forward to hearing more from Aerojet.

Dan: Great. Thank you, Seth. Appreciate the time.



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