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<<Gregory Konrad, Analyst, Jefferies Group LLC>>

Good morning. Welcome to the 2021 Jefferies Global Industrials Conference. We're very excited to have Aerojet Rocketdyne with us this morning and Dan Boehle, a VP and CFO of Aerojet Rocketdyne. He's going to give, I'm assuming, a great presentation and background on the company. And with that, just wanted to thank Dan ahead of time and I will turn it over to you.

<<Dan Boehle, Vice President and Chief Financial Officer>>

Yeah. Good morning, Greg. Good morning or good afternoon everyone, depending on where you are. Greg, thank you for having us. I think a year ago at this point, I was just transitioning to the CFO role. So I missed this conference by a couple of days. We didn't get to do it. So this will be my first conference. And then as you'll see in the slides, and as most people know, we are going to be acquired by Lockheed Martin. And so that closes in the fourth quarter of this year. This will be my last one with you, but I'm very happy to be here and presenting on Aerojet Rocketdyne today.

So starting on the first slide, we'll start with our Safe Harbor of course, on forward-looking statements, as you all know, these forward-looking statements are subject to risks and uncertainties. If you'd like more information about these risks or any of our disclosures, you can review our SEC filings, which are available on our website.

Moving to our overview slide. At a glance, Aerojet Rocketdyne is a \$2.1 billion technology manufacturing company, primarily offering space and defense propulsion solutions. We do have a diverse portfolio of programs, some of which are pictured here and we'll talk about. They range from NASA's Space Launch System, which will put the next U.S. astronauts, including the first woman and the first person of color, on the moon... and will also enable deep space exploration. We also have in-space propulsion systems, as well as on the defense side, missile defense, strategic and tactical systems, which protect our war fighters, our allies and our nation.

Our advanced programs down in the left box are focused on cutting edge technology and next generation programs. Programs like hypersonics and the ground-based strategic deterrent, which will replace America's land-based strategic nuclear missiles, both of which I'll talk about later in the presentation. And on the bottom right, you see we have a real estate segment, which is tasked with monetizing some of our excess real estate that the company owns.

As I said, I can't ignore this last bullet point here that on December 20, 2020, we did enter into a merger agreement with Lockheed Martin under which Lockheed Martin will acquire Aerojet Rocketdyne for \$56 per share. This has been subsequently adjusted to \$51 following the payment of a \$5 special dividend to our shareholders in March. Closing of this transaction is anticipated to occur in the fourth quarter of 2021 subject to the receipt of regulatory approval and satisfaction of other closing

conditions specified in the merger agreement. To find out more about this transaction, please refer to the proxy statement and merger agreement filed with the SEC back in February.

Moving on to an overview of our business. We'll start looking at some of the programs that generated the great financial performance over the past several years, and that will contribute to continued success over many years to come. These are our core businesses, which is comprised of some great legacy programs like those that you see picture to the right. Our Standard Missile, THAAD, and Patriot in the defense business are all strongly supported in DoD budgets and contribute steadily to our top-line growth.

The excellent performance that we've seen on these programs also contributed to some of the margin improvement we've seen in the last few years. As these become more mature, we get to see expansion of margins, which you've seen over the past few years, and I'll show you in financial slides later that those margins are getting stronger. These programs along with others like Guided Multiple Launch Rocket System, Stinger, TOW, and Tomahawk protect our nation and our allies, and they help keep men and women safe that are deployed across the globe.

Also pictured are some of our core programs on the space side, like the RL10 on the bottom left. This is an engine that will provide the upper stage propulsion on ULA's Vulcan rocket, which has been selected to do 60% of the launches under the National Security Space Launch agreement. This is a workhorse engine. It has flown over 300 missions using more than 500 engines. And it currently provides the upper stage propulsion on ULA's Atlas and Delta launch vehicles. And anywhere from one to four RL10 engines, depending on the mission, will fly on each SLS rocket launched as part of NASA's Artemis Program.

On the bottom right, you see a picture of our in-space thrusters. We've now supported nine out of nine successful NASA landings on Mars, including the recent NASA Perseverance Mission. Our electric propulsion is on more than 200 satellites that are in orbit today. And we are also supporting NASA's Green Propellant Infusion Mission. This mission is demonstrating excellent thruster performance for long durations in space with new propellant formulations that are much more greener for the environment.

Our recognition as a leader in the industry is testament to our world-class program management capabilities, our systems engineering and integration capabilities and of course our passionate and brilliant workforce, who are building upon the accomplishments of those who came before us. And building upon the solid core business that we now work on they have positioned us excellently to execute on key next generation growth programs that I'm showing in this slide.

Our nation's defense strategy has recently transitioned to a near peer great power competition with Russia and China, in addition to addressing growing threats from regional powers such as Iran and North Korea. This strategy shift means that there is an increasing need for the DoD to deploy advanced capabilities such as hypersonic missiles, next generation missile defense and GBSD, the replacement of our land-based strategic nuclear deterrent.

Starting with the top left, hypersonics is a U.S. national security imperative, and Aerojet Rocketdyne has a broad range of world-class capabilities, supporting development and production of hypersonic platforms. We're developing and producing advanced scramjets, solid rocket motor boosters, warheads, and missile defense technologies. And through the use of our additive manufacturing, we've been able to dramatically reduce costs and development time for these new hypersonic capabilities.

Lately, we've been winning more than our fair share of U.S. government development contracts. And we expect to continue because of our investments in advanced manufacturing processes, facility modernization, and a highly skilled workforce. We've also expanded our hypersonic footprint at our West Palm Beach facility. And our 2019 acquisition of 3DMT adds an additional 28,000 square foot facility and a team of experts who specialize in additive manufacturing to continue developing that technology. So when the technology moves into production for hypersonic weapons and defense, we will have the capacity to meet our nation's demand.

Another large program which we're playing a key role in on the left bottom there is the next generation interceptor, which is intended to replace the missile in the Ground-based Midcourse Defense architecture. We've been a part of the Missile Defense Agency's GMD since its inception. And we're competing for both the booster and the kill vehicle propulsion and we're working with both of the primes that have been down selected on this program. So, we feel really good about our position on NGI.

On the bottom right, is the RS-25 engine, NASA's Human Space Exploration Architecture is rapidly evolving with the goal of returning Americans to the surface of the moon by 2024 and transitioning onto Mars in the 2030s. Aerojet Rocketdyne propulsion, most notably this RS-25 engine, plays an essential role in achieving this national goal. The RS-25 is an incredibly powerful engine. To put that in perspective one engine can power two 747s and burns enough fuel to drain an Olympic-sized swimming pool in seven seconds. That gives you an idea of the kind of propulsion power that each one of these engines has. And we're in the process of expanding our LA site to enable increased production of this incredible engine as part of our \$1.8 billion 18-engine contract that we received last year.

SLS is built from the ground up to carry astronauts and cargo further and faster than any rocket in history. It provides an exploration capability that does not exist in the world today and it delivers great mass and volume to deep space with greater departure energy than any existing launch vehicle. So, we're very excited to have the RS-25 engine powering the SLS.

Now we'll move into just discussing the highlights of our first half financial performance, before I wrap this up. On this slide, you see sales on the left year-to-date June, and our adjusted EBITDAP on the right.

Looking at sales first for the first six months, our sales were \$1.053 billion, which is up 6% from the same period a year ago and up 9% in just the second quarter alone. We're a business that should be looked at from a long-term perspective. And so, as

you can see, we've increased this sales for the year-to-date, year-over-year, over the past four or five years. Since this is just year-to-date if we actually charted the full year sales dollars, you would see the same trajectory. So, we've been able to grow that and as indicated our expected growth rate is at about mid-single digits. So you can see the 6% to 9% is about where we've been expecting, although the 9% shows that we've got a little bit of tailwind. So, in the near term, you'll see a little bit more than the mid-single digit growth.

Moving to the right, our adjusted EBITDAP is our profit margin – our profit metric that we use. And you've seen strong performance there as well over the last four or five years. We benefited over the last few years from what we've called our competitive improvement program and also the Aerojet Rocketdyne Business Operating System. Both of these are tools and programs that are driven and focused on providing the necessary tools to improve efficiency of our operations and the affordability of our products.

Great operational performance has resulted in the margin expansion from 12.8% in the first half of 2018, to 13.8% in the first half of the current year. You can see that 2019 had a really difficult compare because we had a number of risk retirements on several programs in the second quarter. Those legacy programs were THAAD, PAC-3, AJ-60 and RL-10. That was not repeated, but – and again, that was just a quarterly timing thing, but that you can see the trajectory is quite good over the last few years.

And then just to discuss the 20 basis points decrease from last year to this year on a year-to-date basis, I mentioned last year that we've had a changing contract mix, a larger portion of our top-line growth is coming from those new development programs that I just discussed, hypersonics, NGI, GBSD. So those start out as cost type contracts. And cost type contracts tend to have lower margins than mature fixed price contracts. The impact from that contract mix will continue to put some pressure on our margins in the short term.

Moving to the next slide free cash flow is the cash metric that we use. We usually focus on having free cash flow equal to, or greater than, a hundred percent of net income.

And we've returned to about our normal pattern. If you look at last year, we had a really good second quarter which gave our year-to-date June quite a good result. But if you look at 2021 versus 2018 to 2019, we've kind of returned to our pattern. Last year did also benefit from some of the deferments under CARES Act, we deferred some income and payroll taxes, which helped about \$40 million.

Our cash is generally backend loaded. So, we do expect the second half of this year to pick up. And as I mentioned, we expect to get to at or above 100% of our net income as the goal for the year.

And then in addition, the last bullet there mentions that we are continuing to invest in our facilities as I mentioned before, to accommodate growth in Los Angeles facility for the RS-25 Engine, and in our Camden and Huntsville facilities for GBSD and hypersonics. So, those new development programs; we're investing in our facilities to

enable the development and production of those contracts. That investment will continue through the remainder of this year.

Moving on to backlog at second quarter, you can see we're comparable to second quarter of last year, we slipped down a little bit about 1% where we're still about \$6.7 billion. And the main drivers of this backlog are the three multi-year awards that are listed on the right side of the slide. In the second quarter of 2019 we received a THAAD award that included a two-year domestic order, as well as the Kingdom of Saudi Arabia order. So, that's basically a three-year order. And then also at the end of 2019 we received a three-year award from Raytheon for the Standard Missile program, about \$1 billion. And finally, in May of 2020, we received the \$1.8 billion 18-engine follow-on award for RS25, that I mentioned earlier. This is the booster motor for the Space Launch System.

We're really excited to see this level of backlog, more than three times our annual sales currently, and it gives us a good appreciation for the level of confidence that we will have stable growing sales in the near term.

In summary, Aerojet Rocketdyne is a great company, very solid right now, strong macroeconomics at work right now. And we're 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 will maintain our focus, which ultimately enhances shareholder value.

With that I'll wrap it up. Thank you very much for your time. And I appreciate you spending your time to let me talk about Aerojet Rocketdyne today.