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<<Tony Bancroft, Analyst, Gabelli & Company>>

Okay, now I'd like to introduce Ms. Eileen Drake, the CEO of Aerojet Rocketdyne. Aerojet Rocketdyne develops, manufactures propulsion and power systems for the space, launch vehicles and missiles for the DoD and NASA. The company owns a large real estate assets in Northern California. Aerojet has 75 million shares outstanding, trades at \$34 for \$2.6 billion market cap, \$100 million of net debt for \$2.7 billion total enterprise value. We are delighted to have Eileen here today with us to discuss Aerojet Rocketdyne and its growing role in the aerospace and defense industry. Eileen?

<<Eileen P. Drake, Chief Executive Officer and President>>

Good morning. Thanks everyone for being here today. Thanks Mario for having Aerojet Rocketdyne here today to talk. I want to start off first with our legal slide, which is our Safe Harbor statement on forward-looking statements. We all know that there is always risk and uncertainty. When it comes to these if you have any questions about the risks or our disclosures you can see that on our website.

Starting with the first slide, when we talk about Aerojet Rocketdyne at a glance, as Tony mentioned, we're a \$2 billion company. We're separated into two segments: space and defense. Predominantly our customers are the United States Government, which is the Department of Defense, NASA as well as some of the commercial markets when it comes to space and space business.

We also have Eastern, which is our real estate piece of the business and the purpose of that is to really monetize our excess real estate that we have. And you can see here I also show the advanced programs. We have that both in space and defense and predominately that's where we work on the newest technology things like hypersonics, additive manufacturing and our newest development program that we have going on with Boeing, which is called The Phantom express.

Very strong backlog, our backlog right now is about \$3.9 billion. And I kind of like to look at it as a backlog that turns within 12 months. And if you look at that, at the end of 2017, it was \$1.7 billion, Q1 of this year was \$1.8 billion and Q2 was \$1.9 billion, so you see a nice strong backlog when it comes to our programs.

Talk a little bit about the space portfolio. We've been in space since the space program started in the 1950s. And you can see on this slide the wider range of products that we have in space starting with our in-space business in Redmond, Washington, where we make thrusters that navigate the satellites around the extreme opposite of our other proposed and products. They start at two tenths of a pound of thrust that's all the way to

our largest booster engines that we use to launch our national security missions that are in excess of 700,000 pounds of thrust.

I highlighted on here in the middle of the Space Launch System that's with NASA. That program is really key to us. That's NASA's huge program. Well once again they'll launch humans into deep space. So we have the RS-25 booster engine on that, each mission takes four of them. We like anything more than one. The upper stage, the RL-10 is also on them and we have components for the Orion capsule, which is also with SLS. So we were pretty proud. We just hosted the new NASA administrator, administrator Bridenstine in our Stennis facility and we highlighted that we're ready for their first launch EM-1 with the first four engines ready to go.

Also I'm here like to highlight the RL-10 that's our upper stage liquid engine. We produce in West Palm Beach facility. Not only are we on the SLS, the Space Launch System with NASA, but we signed two pretty big contracts this summer on the RL-10 and that portfolio is really growing. We signed a contract with the United Launch Alliance, which has been a strong customer of ours and that's the JV between Boeing and Lockheed Martin in the launch vehicle business.

We signed the contract with them not only on the current vehicle, which is the Atlas, but on their newly launched vehicle which is called the Vulcan. We also signed a nice contract with the legacy Orbital ATK before they became a part of Northrop Grumman and we're proud that we'll be the upper stage on the new launch vehicle which is called the Omega, so a lot of good news relative to the RL-10 family.

And then last but not least we're proud that we're working with Boeing on their commercial crew transportation capability program, which will once again put astronauts on the International Space Station and not rely on the Russians to do that. So you can see a very strong background when it comes to space for defense. You've seen a lot of geopolitical uncertainty and that's what's really put a lot of focus on missile defense, which is core to our defense portfolio. I like to highlight two programs in the middle: Standard Missile, which we provide to our customer Raytheon and then the THAAD, which is a Terminal High Altitude Area Defense that we provide to Lockheed Martin.

Both of those programs are called missile defense. They contributed to 25% of our volume in the first half of the year and I'd like to also point out that those two programs where the programs that we selected three years ago when we kicked off our competitive improvement program to lower our cost. So we moved the Standard Missile from Sacramento, California to our facility in Orange, Virginia and we move the THAAD from Sacramento to Camden, Arkansas.

And both of those transitions have been very successful and we just shipped our first THAAD motors produced in Camden, Arkansas to Lockheed Martin, so very happy with that. Also a piece of missile defense I'd like to mention is a Coleman acquisition that we did last year with L-3. That was a small acquisition, but a powerful acquisition. It's helped us to be a prime with the Missile Defense Agency and it's also given us a lot of

systems engineering expertise when it comes to bidding on the next big program in defense, which is a Ground Based Strategic Deterrent.

Also call to our business is the tactical side. And those are programs like the TOW, the Tomahawk and the GMLRS, very strong programs with a nice background. You can see the tagline on here that we put – we support national security and many of our customers and people in industry often refer to Aerojet Rocketdyne as a national asset set to the government when it comes to national security missions.

If we look at the first half of 2018 with sales and growth, we had an 11% improvement in both sales and profit for the first half of the year. But if you look at the trajectory for the last couple of years, we've had a nice trajectory when it comes to sales and EBITDAP, which is a metric for profit. We're always focused on margin rates and I like to say we have some opportunity on the horizon for margin expansion.

And really this very strong top-line growth is funded and fueled by the strong macro fundamentals that you see on this slide. This shows the defense appropriation spending and you can see the rise from 2018 to 2019, we expect 2019 to be about \$668 billion and of course they're going through the appropriation cycle right now. We hope to get that finalized before the end of the year.

But these numbers are key when you slice it down specific to Aerojet Rocketdyne. It's increased funding in many of the programs that we have to include the THAAD, the Patriot, the CNN missile and the GMRS. But what I'd like to note on this to manage expectations is once you see this in a probe, we all know that it takes 18 to 24 months for it to roll in to our bottom line numbers because as you can imagine we call the rocket science for reason, these are very complicated, very sophisticated propulsion systems that we make.

And once the funding goes through appropriations and goes through the primes, like Lockheed Martin and Raytheon, they then give us a purchase order, we then kick off suppliers and you have the long lead material funding. So I'd like to say the 2018 a probe spill is really funding 2020 and 2021; very good news that we see those numbers going up. I'd also like to highlight NASA. You don't see that in this number, but NASA's budget is very strong, \$2.2 billion for 2018 that's up \$1 billion from last year.

And then when you look at that specific to Aerojet Rocketdyne just looking at the Space Launch System that I mentioned before that we have a lot of content on that budget was \$2.2 billion and the Orion system alone is \$1.1 billion. So, that's a good indicator that the programs at [indiscernible] (0:09:26) Aerojet Rocketdyne are being funded.

And last but not least I may have a comment on the slide about reinstating the Space Council. So, the President has reinstated the Space Council, which has really been inactive since the late 1980s. It's chaired by the Vice President. We've had three council meetings and it includes all the CEOs of space companies. I've had the pleasure to be at all three. The recent one was at the White House and President Trump actually addressed

the group. But it shows his priority and his administration's priority on making sure that space is strong that we support our national security missions, our space launch missions and of course our space explorations.

So, we like to say it's a great time to be at Aerojet Rocketdyne with a focus on space and defense by the administration. When we talk a little bit about competitive positioning, I highlighted two programs on the top. That's the THAAD that I mentioned and also the RS-25. We look at them as franchise programs, multi-year sole source very strong programs. It's key that we make sure that we continue to perform on those programs and we keep that sole source position.

But we also have to be focused on the programs that are coming in the future. A big one for us is a Ground Based Strategic Deterrent. That's probably the biggest thing coming down in the future when it comes to our defense business. This is the replacement of the Minuteman. It has three stages and it has a post-boost vehicle. Right now, we're working with both primes Northrop Grumman and Boeing. Eventually one of them will be selected as a prime. And so, right now we're working with both of them on that business.

And this is a long-lead as well. We expect the primes to select the propulsion supplier. The second half of next year and then early production beginning in 2024 and then full rate production is 2029. So, you can see it's far out but right now it is a time to be working on those contracts to make sure that we get our fair share of that business.

Hypersonics is in the middle. I think, we've all heard about the importance of hypersonics and the threat specifically from Russia and China. It's the administration's focus on hypersonics. I recently met with the Assistant Secretary of the Air Force Dr. Roper as well as the Under Secretary of Defense Mike Griffin and both of them said their number one priority is hypersonics. I was just with the Secretary of the Army Monday. His focus is hypersonics.

We see this as our future franchise program for Aerojet Rocketdyne. We have a core competency in this. We've been the leader in hypersonics, it's things that we can't talk about in this unclassified room but I'd like to tell you that we have I think a leg above the competition when it comes to our additive manufacturing and our capabilities in hypersonics. And this is going to become a very strong franchise program for us.

And last but not least probably the coolest thing that we're working on in space, when it comes to development is the Phantom Express. And you might have heard about this. The Phantom Express is Boeing's winged spacecraft and the thought is it's a winged booster that takes off just like an airplane, when it takes off it deploys the upper stage and deploys satellites into low Earth orbit. We've been selected for that engine. It's our AR-22 engine and the thought is it's going to operate after it releases the upper stage, it comes back and it lands on a runway just like an airplane. So, it's fast aircraft like operations.

So, to meet that mandate we had to test our engine ten times in ten days, which is unheard of for a space booster engine. We did it in 238 hours, which is a couple of hours less than 10 days. My team likes to remind me.

And that day we really made history working with Boeing, NASA and DARPA. We proved that rapid affordable reusable access to space is possible and achievable. So, this is in the development phase right now. Boeing would like to see their first flight demo in 2021. And we're very proud that we're proud of this program. So as you can see we're well positioned not only on our current franchise programs but also in some of the big programs coming down.

So, in summary you can see that we're very well balanced between space and defense. We have a strong portfolio, laser focus on operational performance and delivering shareholder value when it comes to our competitive improvement program that we started in 2015 that will take us through 2021. Very focused on revenue and profitable growth because at the end of the day it's why we're all here today is about creating shareholder value. So, that's the summary for Aerojet Rocketdyne and I'm not sure if we're going to do Q&A or I'm off the hot seat.

<<Tony Bancroft, Analyst, Gabelli & Company>>

That was a great that was a wonderful presentation. Maybe we can sit down have a full chat it will be great. Well, you went over quite a few things, there is a lot to discuss I'd say maybe we could start off with the AR1 program and it's status. Maybe sort of talk about the ULA competition, engine competition and sort of what that looks like as far as funding and...

<<Eileen P. Drake, Chief Executive Officer and President>>

Sure. So AR1 engine and the administration and the President mandated a couple years ago that we get off our reliance on the Russian RD-180 engine for national security missions. So, our answer to that was to develop the AR1 engine which is a LOX/Kerosene engine to replace the Russian RD-180 engine. United Launch Alliance is competing us with Blue Origin's engine, which is the BE4 Engine.

So, as we've been in competition and it was recently released this summer, where we changed our agreement with the Air Force. We went from a two thirds, one-third contribution with our public private partnership to a 5/6 1/6 and that was done for a couple of reasons. One being the down select was supposed to happen a year or so ago between us and Blue. And that continues to slip, we still don't have a date for when down select will be.

Obviously, the Air Force believes in Aerojet Rocketdyne, believes in our technology we've been in this business for 70 years. So, we're proud to partner with the Air Force, we'll have the engine complete next year in 2019 ready to go to test. We've passed all of our critical design reviews and we feel really good about that engine.

United Launch Alliance continues to say that this is a competition. They have also said that Blue Origin is probably primary. We might be secondary and that's based on a couple of things when it comes to funding but we feel strong about the AR1. Also the AR1 is a – its' a workhorse it's a kerosene/LOX engine. It can be used on any launch vehicle out there today opposed to Blue Origin's methane engine that can only be used for one primary purpose.

<<Tony Bancroft, Analyst, Gabelli & Company>>

So, could maybe explain the competitive advantages of the AR1 over the BE-4 I believe.

<<Eileen P. Drake, Chief Executive Officer and President>>

All right, so when you look at AR1 engine Aerojet Rocketdyne 1, we have a full op production facility in Canoga Park that we've been using for all of our programs that's where we produce the RS-25, which was a legacy space shuttle engine. It is now being used on space launch system. It's a well organized rocket engine facility. So one competitive advantage is we have a strong production facility where Blue Origin does not have a factory.

We have a very strong supply chain. And as I mentioned before these are long lead items you need strong suppliers. Many of our supplies are in the room here today. So, a lot of competitive advantages when it comes to the know how, the proven technology. I also mentioned that we've been partners with ULA, on the Delta and Atlas. We have 100% mission success and readiness. And that's a huge competitive advantage that you can't just walk into the business and meet that today. So, we feel strong about our capabilities about our engineering, about our technology and totally behind the AR1.

<<Tony Bancroft, Analyst, Gabelli & Company>>

Maybe switching to the Phantom Express you went over it a little bit. Maybe to find a little bit more. What that program is and the size of it, the potential size of it. What could it be used for – I mean obviously a lot of things probably can't be discussed but maybe you could just sort of give us some general ideas where that could lead.

<<Eileen P. Drake, Chief Executive Officer and President>>

Sure. So the Phantom Express is Boeing's space plane and the focus of this it's a reusable booster. So, it comes back and you reuse the engine. So, you'll reuse our engine as well, our AR22 engine. The thought of it is it will release the satellites into low Earth orbit and it can keep doing it. It can come back land like an airplane and take off again. So, there's nothing out there like that right now. It will be more affordable, it will be re-usable, it's really breaking a paradigm that you can have rapid like aircraft operations when it comes to space. So right now it's in the development phase, it's between Boeing, and DARPA and NASA and we're proud that we are the engine provider partnered with Boeing. So

they are still working through the flight demo phase. And so we're really in the early stages, but it has the opportunity to really shake up the industry.

<<Tony Bancroft, Analyst, Gabelli & Company>>

Was this being – will this at some point be in competition with SpaceX and sort of how they developed their reusable systems, or is this a separate vehicle? I mean I realize the metrics of what it does. But would you compete against them in that way or is it different cargo that you would be taking or tactics potentially or whatever you're doing?

<<Eileen P. Drake, Chief Executive Officer and President>>

Yes so a lot of the launch vehicles have different capabilities. I mean when you look at ULA, they do everything from a huge national security missions that have the huge satellites used for a specific classified purposes. You can launch small satellites. So it would definitely be in competition with SpaceX for that type of specific mission. And it's just for low-Earth orbit and it's multiple smaller satellites.

So it's a specific mission, but the ability, as you think about as they go-to-market and work with their customers the ability to do this quickly and at a lower cost rate, they could potentially be a big competitor to them in that specific area of the business.

<<Tony Bancroft, Analyst, Gabelli & Company>>

You talked about your Competitive Improvement Program sort of the second wave that you did recently. Could you give us maybe a little more update on how that's going and is there more to come? Or what are your thoughts on that?

<<Eileen P. Drake, Chief Executive Officer and President>>

So we started the Competitive Improvement Program we call it CIP internally. And we started out three years ago when the focus was to take \$145 million out of the business, beginning in 2019 on a run rate. And we really had three focuses around that one was factory optimization. So we want to make sure all of our factories were fully utilized and that meant closing some factories and combining them. The other one was overhead reduction which we've done a great job at. And the other one was program efficiency making sure that we run our programs very efficient with 100% compliance to our requirements, but also making sure that we do it more cost effective.

So specifically our composites work to Huntsville, Alabama we also opened up our defense headquarters in Huntsville, Alabama and then we closed another small engineering site called Gainesville. So when that's completed there will be an additional \$85 million of savings. So when you put the CIP one and two together, it's \$230 million of savings beginning in 2021. And we've been very successful.

As I mentioned we transition the THAAD and the Standard Missile. It took a couple of years to do that, we did it right, we did it on time we did it on budget, so it's proving to be a very good program. And the reason why we call it the Competitive Improvement Program, this also continues in there. There'll probably be a CIP3, this will always continue to go on as we find opportunities to be more competitive and take cost out.

<<Tony Bancroft, Analyst, Gabelli & Company>>

Just what I understand is obviously moving to probably a lower cost area to operate, I assume that's part of it and then as well as newer facilities. Is that correct?

<<Eileen P. Drake, Chief Executive Officer and President>>

So a lot of it was in Sacramento that facility has been around a long time that was in the heyday of the space shuttle and the volumes way down. So really when we look at, when we put Aerojet and Rocketdyne together in 2013 we had to make sure all our factories were fully utilized. So part of it is moving like parts, with like parts in the factory. So we declared that Camden, Arkansas is our Solid Rocket Motor Center of Excellence, will put it all there. And our factory in Canoga Park, in California is really where we do a lot of the liquid business, so the booster business.

So we really have looked at making sure we put all energetics together. And we did a whole factory rationalization and that's really what helped us take the cost down.

<<Tony Bancroft, Analyst, Gabelli & Company>>

Very interesting. Maybe we can switch to talk a little more about our friend Mr. Musk in the SpaceX, can you talk about how that has changed the dynamics in the industry, may be some general ideas about that?

<<Eileen P. Drake, Chief Executive Officer and President>>

Yeah. So obviously the new entrants with Blue Origin that's run by Jeff Bezos at Amazon and then we have Elon Musk running SpaceX. Competition is good it makes you really look at your processes, your factories. That's why we launched our competitive improvement program. It's definitely shaken up the industry, but I think it's done a good job. They don't compete in our arena when it comes to space exploration and the in-space business, it's really the launch piece. But obviously it's put some tension and some pressure on the system, but it's made us all look at how we can be better and take cost out of our products.

<<Tony Bancroft, Analyst, Gabelli & Company>>

There's also with the reason – I guess our reason now but the acquisition of Orbital ATK by Northrop. How is that merger sort of changed the market and changed your view going to market now?

<<Eileen P. Drake, Chief Executive Officer and President>>

So Orbital ATK has always been our prime competitor especially on the solids business. Northrop Grumman purchased them. So they'll vertically integrate. So we look at it a couple of ways, one, is as we're bidding on the Ground Based Strategic Deterrent, as I mentioned, it's between Northrop Grumman and Boeing. So you think what Northrop Grumman have an advantage with O-ATK inside of them perhaps. But right now we're partnering with both primes and you don't know who it's going to go to. And we're working very active with Northrop Grumman as well. But it's something to keep an eye on. Obviously they are a part of now a big prime as they compete with our other big primes.

So there's a lot of dynamics going on, on there. But we just have to make sure that we focus on the fundamentals of meeting on customer requirements, taking cost out and being as nimble as we can be, but it's definitely a watch item for us.

<<Tony Bancroft, Analyst, Gabelli & Company>>

You mentioned the Ground Based Deterrent, are there programs on that that generally, because I mean I know that obviously Northrop gets it. They have Orbital, they have other things that you do specific that Orbital is not doing on something like the GB Strategic Deterrent.

<<Eileen P. Drake, Chief Executive Officer and President>>

Yes, so the Ground Based Strategic Deterrent has three phases of solids, we kind of go head to head with Orbital ATK on that. And then there's another thing called the post-boost, which is liquid. And that's really our core competency and that's definitely we have a competitive advantage in our path.

<<Tony Bancroft, Analyst, Gabelli & Company>>

Maybe switching gears again to we've heard the President speak of Space Force. What does Space Force mean to you? What's your view on that?

<<Eileen P. Drake, Chief Executive Officer and President>>

So the President mandated that we look at enacting a Space Force and that could either be within the Air Force, or could it be separate. I think that's to be determined. The focus is he wants a separate entity focused just on space. We see it as a positive. I mean it shows that the president and the administration, sees the importance on space when it comes to national security, space exploration, as well as space launch.

How it affects Aerojet Rocketdyne? We think it could be a positive. We look forward to those possibilities. But just the fact that there's a special focus on space, as well as

reenacting the Space Council when you talk to the 5,000 rocket scientists at Aerojet Rocketdyne, we've never seen while we've all been in the industry such a buzz on space. And so this is just another thing that shows the president's focus. And we're very optimistic about it.

<<Tony Bancroft, Analyst, Gabelli & Company>>

Last quarter where we saw that defense with a sizable portion of your growth. Could you talk – you talked about the budget and the probes for the 2019. Maybe sort of like longer run I know that the budget Authorization Act is coming off this year and then the BCA sort of kicks back in. What's your maybe near term post 2021 may be 2022 how do you view that in regards to Aerojet's programs Aerojet would have on that?

<<Eileen P. Drake, Chief Executive Officer and President>>

So for the defense side, as I mentioned the appropriations funding is going up. We have visibility to 2019 who knows what it will be after 2021. We hope the 2019 budget gets passed and it has those numbers that we think it's going to be. It is all goodness but as I mentioned it's 18 to 24 month lag. So anything that we see kind of happening now its upside for the year is beyond that. But we can't go much beyond that. But I do see there's a lot more appetite for foreign military sales, you see the president talking about selling THAAD batteries to Saudi. We would love that. You see other foreign military sales conversations so that would all be helpful. We see upside but again it's about 18 to 24 month lag once we see the money in the appropriations.

<<Tony Bancroft, Analyst, Gabelli & Company>>

And you brought up THAAD in sales – foreign sales. And just maybe there's a lot of dynamics going on right now with the Korean Peninsula and that is sort of a sticking point there with China. So if sort of – there's comes agreement with China, Korea. Would THAAD be an issue of more sales because of not being on the peninsula, not being allowed on the peninsula? I assume that's sort of the issue right with that radar in China – they don't match up to – are you would you be worried about sort of the future of THAAD with that?

<<Eileen P. Drake, Chief Executive Officer and President>>

No. I mean, the THAAD program is extremely strong. We've been asked to look at scenarios of what it would take to double production. We're doing a lot of scenario playing, not only with our primes but with the missile defense agency. You might have seen where we recently announced with the Governor Asa Hutchinson, we're going to invest \$50 million together in our Camden facility which is our center of excellence for solid rocket motors. A lot of that is with that area, a lot of it is PAC-3 MSE. So we see the upside, there is some dynamics going on around the world. But what we have in our line of sight is very strong for that, it's a very strong program.

<<Tony Bancroft, Analyst, Gabelli & Company>>

And then you mentioned obviously Saudi, they have a pretty powerful system. Who else will – where can that be sold otherwise, I mean, is that like NATO-only or is it – what are the countries is there other interest in that besides?

<<Eileen P. Drake, Chief Executive Officer and President>>

That's kind of what we know being the supplier to the prime. I'm sure the prime is working with a lot of different customers that we don't know about. And we're not privy to. We do know it's been very much out there in the press about Saudi, we hope it happens soon. We would like to see that happen this year. We thought it was going to happen last year but it didn't for some political reasons. But it can be used almost everywhere but it really depends on the countries agreeing on that. It has to do with the agreements between the countries and we kind of leave that between missile defense and our primes.

<<Tony Bancroft, Analyst, Gabelli & Company>>

Maybe switching more to additive manufacturing, you mentioned out a little bit, how much cost can be taken out using additive?

<<Eileen P. Drake, Chief Executive Officer and President>>

So Aerojet Rocketdyne is a leader for additive manufacturing when it comes to rocket propulsion. We've been doing it for a long time. I'll just give you one example. We just tested for the big RL-10 engine. We did a copper thrust chamber with additive manufacturing is going to take out 90% of the components of the engine which is huge. Not only does that lower the cost but it helps with complexity because you don't have all the machine time in it.

We just did a big component on the RS-25 engine. It takes out 78% of the welds on the pogo accumulator. So it's big to us, we're also doing additive manufacturing, hypersonics, we do it in places that nobody thought was possible. And we've really lead the standard, as a matter of fact the airforce gave us a nice contract two years ago to set the standards for anyone else who wants to do a liquid engine, additive manufacturing parts, they have to use our standard work and our standard.

So we've been doing it for a long time. I'm glad we've been investing in it this long, it's really comes from the legacy Rocketdyne side of the business. But it's a discriminated big time when it comes to cost, complexity and being able to rapidly produce these parts to meet the customer's requirements.

<<Tony Bancroft, Analyst, Gabelli & Company>>

Wonderful. Maybe we can open it up to the audience.

Q&A

<Q>: You have very little debt, you have about a little over \$100 million of net debt. You have this real estate that's been there for a long time. Put some quantification around that and sort of how you see using your balance sheet going forward to further enhance value?

<A – Eileen P. Drake>: So if you want to talk about real estate, we have about 5,600 acres right now that we'd like to completely entitle and monetize. So that's a focus of ours. Thanks for pointing out that our debt is coming down and that's really because our cash flow has been pretty good. If you look at Q2, our cash flow was \$112 million. So we add that to Q1 were positive for the year.

So we like that, at the end of June we had about \$560 million of cash. So when you look at kind of capital deployment, our focus is M&A, we're going to find the right strategic opportunity kind of like the Coleman business that we bought last year. So we continue to look for opportunities like that.

<Q>: It's good to have the two pilots up there, but...

<A – Eileen P. Drake>: I mean, the pilot and the co-pilot...

<Q>: You got him. You make him a bid. You put 2.7 million shares into your pension plan. What was the thinking behind that?

<A – Eileen P. Drake>: So just I believe it was Tuesday, we announced that we contributed stock to our pension plan. At the end of June, we were about 70% funded on the pension plan. So and then we have contribution requirements in the out years and that can be pretty – that can swing based on interest rates and some of the market trends. So contributing stock to the pension plan did a couple of things for us. Number one, it helps us with our cash flow for 2018 and we've got the tax deduction.

<Q>: You've got tax at 30 – last year's rate, right?

<A – Eileen P. Drake>: Yes. And then the second part of it is it gives us a prefunded status which gives us optionality to use our prefunded status before infusing more outflow of cash for 2019 and beyond. So we saw it as a good opportunity for Aerojet Rocketdyne.

<Q>: Hitchhiking on the previous question, obviously which is liquidity and obviously with asset in the real estate and the converts on the – in hand on the market price. Now that you've been there for two years, you know all the blocking and tackling, what's the strategic next move that we should see?

<A – Eileen P. Drake>: So we've been doing a lot of blocking and tackling and I think our CIP program has been very successful. Our number one priority for capital

deployment is M&A. It's tough to find those opportunities. We want them to be strategic. It doesn't necessarily mean buying a company, it could be buying a product line. It could be buying a portion of a business that fits with us. We want to make sure that it's strategic, that it doesn't distract the team from delivering on the remainder of our competitive improvement program. But obviously focused on M&A and I just asked that you'd be patient with us. We want to find the right thing, we want to be smart about it, thoughtful about it and make sure it's a good fit with the company.

<Q – Tony Bancroft>: Well, yes, please.

<Q>: [Question Inaudible]

<A – Eileen P. Drake>: Yes, so the question is how much is real estate worth? It's hard to say because it really depends on so with the excess land that we have predominantly in Sacramento. It's all predicted on the local economy for jobs, for the real estate, the appetite for the builders, for the developers. So we consistently work with them on opportunities. But to put a range on the whole, it just we couldn't do that.

<<Tony Bancroft, Analyst, Gabelli & Company>>

Okay. Well, that was a wonderful discussion. I mean, we thank you very much for coming and hopefully come back next year. Thank you so much.