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: September 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 October 21, 2022, the Company had 80,532,652 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 September 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 September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	(In millions, except per share amounts)			
Net sales	$ 549.8	$ 545.3	$ 1,589.4	$ 1,598.3
Operating costs and expenses:				
Cost of sales (exclusive of items shown separately below)	459.3	446.5	1,354.3	1,310.6
Selling, general and administrative expense	5.6	5.2	23.4	27.8
Depreciation and amortization	13.8	13.5	42.0	44.4
Other expense, net				
Legal matters	(0.4)	—	15.7	—
Proxy costs and related litigation	16.3	—	28.3	—
Other	1.9	8.7	1.5	24.0
Total operating costs and expenses	496.5	473.9	1,465.2	1,406.8
Operating income	53.3	71.4	124.2	191.5
Non-operating:				
Retirement benefits expense	0.3	8.5	0.8	25.4
Loss on debt	22.7	0.9	22.7	10.5
Interest income and other	(2.2)	(0.2)	(2.0)	(1.5)
Interest expense	5.1	4.9	13.3	15.1
Total non-operating expense, net	25.9	14.1	34.8	49.5
Income before income taxes	27.4	57.3	89.4	142.0
Income tax provision	13.7	14.8	31.5	36.4
Net income	$ 13.7	$ 42.5	$ 57.9	$ 105.6
Earnings per share of common stock				
Basic earnings per share	$ 0.17	$ 0.53	$ 0.72	$ 1.33
Diluted earnings per share	$ 0.17	$ 0.51	$ 0.70	$ 1.29
Weighted average shares of common stock outstanding, basic	80.3	79.9	80.3	79.0
Weighted average shares of common stock outstanding, diluted	81.2	82.3	84.3	81.5
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 September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	(In millions)			
Net income	$ 13.7	$ 42.5	$ 57.9	$ 105.6
Other comprehensive income:				
Amortization of net actuarial losses and prior service costs, net of income taxes of $1.8 million, $3.8 million, $5.3 million, and $11.4 million	5.2	11.5	15.6	34.5
Comprehensive income	$ 18.9	$ 54.0	$ 73.5	$ 140.1

See Notes to Unaudited Condensed Consolidated Financial Statements.

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

	September 30, 2022	December 31, 2021
	(In millions, except per share amounts)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 334.5	$ 700.4
Restricted cash	3.0	3.0
Marketable securities	9.2	10.6
Accounts receivable	134.0	60.6
Contract assets	403.3	354.2
Other current assets	117.7	99.5
Total Current Assets	1,001.7	1,228.3
Noncurrent Assets		
Right-of-use assets	49.5	52.6
Property, plant and equipment, net	413.3	421.1
Recoverable environmental remediation costs	221.5	226.2
Deferred income taxes	189.3	55.6
Goodwill	161.4	161.4
Intangible assets	29.8	34.9
Other noncurrent assets	207.1	243.3
Total Noncurrent Assets	1,271.9	1,195.1
Total Assets	$ 2,273.6	$ 2,423.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current portion of long-term debt	$ 14.7	$ 166.7
Accounts payable	117.0	132.2
Reserves for environmental remediation costs	39.5	37.7
Contract liabilities	351.1	366.5
Other current liabilities	280.6	172.7
Total Current Liabilities	802.9	875.8
Noncurrent Liabilities		
Long-term debt	292.1	294.6
Reserves for environmental remediation costs	253.9	258.7
Pension benefits	223.1	255.9
Operating lease liabilities	40.1	41.3
Other noncurrent liabilities	136.4	173.8
Total Noncurrent Liabilities	945.6	1,024.3
Total Liabilities	1,748.5	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; 80.4 million shares outstanding as of September 30, 2022; 80.1 million shares outstanding as of December 31, 2021	8.0	8.0
Other capital	505.1	578.1
Treasury stock at cost, 2.0 million shares as of September 30, 2022; 2.1 million shares as of December 31, 2021	(63.0)	(64.4)
Retained earnings	160.4	102.6
Accumulated other comprehensive loss, net of income taxes	(85.4)	(101.0)
Total Stockholders' Equity	525.1	523.3
Total Liabilities and Stockholders' Equity	$ 2,273.6	$ 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	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount					
				(In millions)			
June 30, 2021	79.8	$ 8.0	$ 568.0	$ (64.4)	$ 19.0	$ (204.6)	$ 326.0
Net income	—	—	—	—	42.5	—	42.5
Amortization of net actuarial losses and prior service costs, net of income taxes	—	—	—	—	—	11.5	11.5
Settlement of debt	0.2	—	(0.1)	—	—	—	(0.1)
Repurchase of shares for withholding taxes and option costs under equity plans	—	—	(0.5)	—	—	—	(0.5)
Stock-based compensation and shares issued under equity plans	0.1	—	7.7	—	—	—	7.7
September 30, 2021	80.1	$ 8.0	$ 575.1	$ (64.4)	$ 61.5	$ (193.1)	$ 387.1
December 31, 2020	76.8	$ 7.7	$ 562.1	$ (64.4)	$ (57.4)	$ (227.6)	$ 220.4
Net income	—	—	—	—	105.6	—	105.6
Amortization of net actuarial losses and prior service costs, net of income taxes	—	—	—	—	—	34.5	34.5
Adjustment to dividends	—	—	—	—	13.3	—	13.3
Settlement of debt	2.9	0.3	(4.2)	—	—	—	(3.9)
Repurchase of shares for withholding taxes and option costs under equity plans	—	—	(4.5)	—	—	—	(4.5)
Stock-based compensation and shares issued under equity plans	0.4	—	21.7	—	—	—	21.7
September 30, 2021	80.1	$ 8.0	$ 575.1	$ (64.4)	$ 61.5	$ (193.1)	$ 387.1
June 30, 2022	80.3	$ 8.0	$ 574.5	$ (64.4)	$ 146.6	$ (90.6)	$ 574.1
Net income	—	—	—	—	13.7	—	13.7
Amortization of net actuarial losses and prior service costs, net of income taxes	—	—	—	—	—	5.2	5.2
Adjustment to dividends	—	—	—	—	0.1	—	0.1
Issuance of treasury stock	0.1	—	1.9	1.4	—	—	3.3
Settlement of debt (see Note 7)	—	—	(73.2)	—	—	—	(73.2)
Repurchase of shares for withholding taxes and option costs under equity plans	—	—	(0.4)	—	—	—	(0.4)
Stock-based compensation and shares issued under equity plans	—	—	2.3	—	—	—	2.3
September 30, 2022	80.4	$ 8.0	$ 505.1	$ (63.0)	$ 160.4	$ (85.4)	$ 525.1
December 31, 2021	80.1	$ 8.0	$ 578.1	$ (64.4)	$ 102.6	$ (101.0)	$ 523.3
Net income	—	—	—	—	57.9	—	57.9
Amortization of net actuarial losses and prior service costs, net of income taxes	—	—	—	—	—	15.6	15.6
Adjustment to dividends	—	—	—	—	0.9	—	0.9
Issuance of treasury stock	0.1	—	1.9	1.4	—	—	3.3
Settlement of debt (see Note 7)	—	—	(73.2)	—	—	—	(73.2)
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)	—	(4.7)	—	—	—	(4.7)
Stock-based compensation and shares issued under equity plans	0.3	—	8.6	—	—	—	8.6
September 30, 2022	80.4	$ 8.0	$ 505.1	$ (63.0)	$ 160.4	$ (85.4)	$ 525.1

See Notes to Unaudited Condensed Consolidated Financial Statements.

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

	Nine months ended September 30,	
	2022	2021
	(In millions)	
Operating Activities		
Net income	$ 57.9	$ 105.6
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	42.0	44.4
Amortization of debt discount and deferred financing costs	1.3	4.5
Stock-based compensation	2.5	10.6
Retirement benefits, net	(14.1)	10.2
Loss on debt	22.7	10.5
Other, net	2.0	(0.9)
Changes in assets and liabilities:		
Accounts receivable	(73.4)	(9.6)
Contract assets	(49.1)	(39.1)
Other current assets	(18.2)	19.1
Recoverable environmental remediation costs	4.7	(1.8)
Other noncurrent assets	40.4	16.9
Accounts payable	(18.2)	(2.8)
Contract liabilities	(15.4)	(65.0)
Other current liabilities	116.5	2.9
Deferred income taxes	(139.2)	(3.7)
Reserves for environmental remediation costs	(3.0)	2.7
Other noncurrent liabilities and other	(33.2)	(9.1)
Net Cash (Used in) Provided by Operating Activities	(73.8)	95.4
Investing Activities		
Purchases of marketable securities	(1.0)	(1.9)
Capital expenditures	(24.2)	(17.3)
Net Cash Used in Investing Activities	(25.2)	(19.2)
Financing Activities		
Dividend payments	(1.3)	(428.5)
Debt amendment costs	(1.7)	—
Debt repayments including conversion premium and irrevocable cash conversion option value	(259.6)	(175.5)
Repurchase of shares for withholding taxes and option costs under equity plans	(4.7)	(4.5)
Proceeds from shares issued under equity plans	0.4	7.7
Net Cash Used in Financing Activities	(266.9)	(600.8)
Net Decrease in Cash, Cash Equivalents and Restricted Cash	(365.9)	(524.6)
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	$ 337.5	$ 627.9
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 11.3	$ 9.8
Cash paid for income taxes, net of refunds	50.2	19.5
Contribution of treasury stock to deferred compensation plan	3.3	—

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 quarter and year-to-date period ended 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.

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 nine months ended September 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. During the three months ended September 30, 2022, the Company settled its outstanding convertible debt. See Note 7.

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 September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	(In millions, except per share amounts)			
Numerator:				
Net income	$ 13.7	$ 42.5	$ 57.9	$ 105.6
Income allocated to participating securities	(0.1)	(0.3)	(0.2)	(0.7)
Net income for basic EPS	$ 13.6	$ 42.2	$ 57.7	$ 104.9
Interest on 2¼% Notes	0.1	—	1.4	—
Net income for diluted EPS	$ 13.7	$ 42.2	$ 59.1	$ 104.9
Denominator:				
Basic weighted average shares	80.3	79.9	80.3	79.0
Effect of:				
2¼% Notes	0.9	2.4	4.0	2.5
Diluted weighted average shares	81.2	82.3	84.3	81.5
Basic				
Basic EPS	$ 0.17	$ 0.53	$ 0.72	$ 1.33
Diluted				
Diluted EPS	$ 0.17	$ 0.51	$ 0.70	$ 1.29

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 nine months ended September 30, 2022, is the result of the adoption of new accounting guidance. During the three months ended September 30, 2022, the Company settled its outstanding 2¼% Notes. See Notes 1 and 7.

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 September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	(In millions, except per share amounts)			
Net (unfavorable) favorable effect of the changes in contract estimates on net sales	$ (2.7)	$ 11.4	$ (18.9)	$ 35.2
Net favorable (unfavorable) effect of the changes in contract estimates on income before income taxes	—	10.8	(32.2)	32.4
Net favorable (unfavorable) effect of the changes in contract estimates on net income	—	8.0	(20.9)	24.1
Net favorable (unfavorable) effect of the changes in contract estimates on basic EPS	—	0.10	(0.26)	0.30
Net favorable (unfavorable) effect of the changes in contract estimates on diluted EPS	—	0.10	(0.26)	0.29

For the nine months ended September 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 nine months ended September 30, 2021, net favorable changes in contract estimates were primarily driven by improved performance and risk retirements on the RS-68, Patriot Advanced Capability-3 ("PAC-3"), and Terminal High Altitude Area Defense ("THAAD") programs partially offset by cost growth on a portion of the Standard Missile and Commercial Crew 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:

	September 30, 2022	December 31, 2021
	(In millions)	
Contract assets	$ 412.6	$ 359.6
Reserve for overhead rate disallowance	(9.3)	(5.4)
Contract assets, net of reserve	403.3	354.2
Contract liabilities	351.1	366.5
Net contract assets (liabilities), net of reserve	$ 52.2	$ (12.3)

Net contract assets increased by $64.5 million from December 31, 2021, primarily due to an increase in unbilled receivables. During the nine months ended September 30, 2022, the Company recognized sales of $288.8 million that were included in the Company's contract liabilities as of December 31, 2021.

As of September 30, 2022, the Company's total remaining performance obligations, also referred to as backlog, totaled $6.7 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 25% the following twelve months, and 41% 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 September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Fixed-price	56 %	57 %	56 %	56 %
Cost-reimbursable	44	43	44	44

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
U.S. government	95 %	96 %	95 %	97 %
Non U.S. government	5	4	5	3

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

Note 4. Stock-Based Compensation

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	(In millions)			
Stock Appreciation Rights	$ (2.1)	$ (3.5)	$ (6.4)	$ (3.8)
Restricted stock and restricted stock units, service based	1.4	1.5	4.1	4.5
Restricted stock and restricted stock units, performance based	1.0	2.5	4.6	9.4
Employee stock purchase plan	0.2	—	0.2	0.5
Total stock-based compensation expense	$ 0.5	$ 0.5	$ 2.5	$ 10.6

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 September 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	$ 261.5	$ 261.5	$ —	$ —
Registered investment companies	0.6	0.6	—	—
Equity securities	9.2	9.2	—	—
Total	$ 271.3	$ 271.3	$ —	$ —

		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 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	
	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
	(In millions)			
Term Loan	$ 262.4	$ 275.8	$ 265.7	$ 282.2
2¼% Notes	—	266.1	—	145.9
Total	$ 262.4	$ 541.9	$ 265.7	$ 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) at December 31, 2021. 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

	September 30, 2022	December 31, 2021
	(In millions)	
Billed receivables under long-term contracts	$ 133.9	$ 60.3
Other trade receivables	0.1	0.3
Accounts receivable	$ 134.0	$ 60.6

c. Other Current Assets

	September 30, 2022	December 31, 2021
	(In millions)	
Deferred costs recoverable from the U.S. government	$ 39.4	$ 37.4
Income tax receivable	—	13.8
Inventories	13.3	10.0
Prepaid expenses	17.6	15.3
Other	47.4	23.0
Other current assets	$ 117.7	$ 99.5

d. Property, Plant and Equipment, net

	September 30, 2022	December 31, 2021
	(In millions)	
Land	$ 71.1	$ 71.1
Buildings and improvements	525.6	503.0
Machinery and equipment, including capitalized software	514.8	499.1
Construction-in-progress	37.0	50.0
	1,148.5	1,123.2
Less: accumulated depreciation	(735.2)	(702.1)
Property, plant and equipment, net	$ 413.3	$ 421.1

e. Other Noncurrent Assets

	September 30, 2022	December 31, 2021
	(In millions)	
Real estate held for entitlement and leasing	$ 105.5	$ 103.7
Deferred costs recoverable from the U.S. government	61.7	62.1
Receivable from Northrop Grumman Corporation for environmental remediation costs	30.0	34.5
Other	9.9	43.0
Other noncurrent assets	$ 207.1	$ 243.3

f. Other Current Liabilities

	September 30, 2022	December 31, 2021
	(In millions)	
Accrued compensation and employee benefits	$ 127.6	$ 122.0
Income taxes payable	104.8	—
Other	48.2	50.7
Other current liabilities	$ 280.6	$ 172.7

As of September 30, 2022, the income tax payable balance totaled $104.8 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.

g. Treasury Stock

As of September 30, 2022, the Company had 2.0 million of its common shares classified as treasury stock. During the nine months ended September 30, 2022, the Company issued 0.1 million of its common shares at a cost of $3.3 million to fund a deferred compensation liability. Treasury stock is stated at cost (first-in, first-out basis) and the Company reflects stock repurchases in its financial statements on a "settlement" basis.

Note 6. Income Taxes

	Nine months ended September 30,	
	2022	2021
	(In millions)	
Income tax provision	$ 31.5	$ 36.4

In the nine months ended September 30, 2022, the income tax provision was $31.5 million for an effective tax rate of 35.2%. The Company's effective tax rate differed from the 21% statutory federal income tax rate primarily due to state income taxes, loss on debt (see Note 11), and certain other expenditures which are permanently not deductible for tax purposes, partially offset by R&D credits and original issue discount deductions on convertible debt.

In the nine months ended September 30, 2021, the income tax provision was $36.4 million for an effective tax rate of 25.6%. 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 September 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

	September 30, 2022	December 31, 2021
	(In millions)	
Term Loan, bearing interest at variable rates (rate of 4.88% as of September 30, 2022), maturing in September 2025	$ 265.7	$ 282.2
Unamortized deferred financing costs	(0.8)	(0.8)
Total senior debt	264.9	281.4
Convertible senior notes (see discussion below)	—	145.9
Unamortized discount and deferred financing costs	—	(9.4)
Total convertible senior notes	—	136.5
Finance leases	41.9	43.4
Total other debt	41.9	43.4
Total debt, net of unamortized discount and deferred financing costs	306.8	461.3
Less: Amounts due within one year	(14.7)	(166.7)
Total long-term debt, net of unamortized discount and deferred financing costs	$ 292.1	$ 294.6

Senior Credit Facility

On September 28, 2022, the senior secured credit facility (the "Senior Credit Facility") was amended and consists of (i) a $650.0 million revolving line of credit (the "Revolver") and (ii) a $269.1 million term loan (the "Term Loan"). The Term Loan facility decreased from an aggregate principal amount of up to $350.0 million to $269.1 million and the amendment extended the maturity date from September 20, 2023, to September 20, 2025, amortized at a rate of 5.0% per annum. The amended Senior Credit Facility also changed the interest rate benchmark for loans from the London Inter-Bank Offered Rate ("LIBOR") to the Secured Overnight Financing Rate ("SOFR"). Other than the changes mentioned above, the amended Senior Credit Facility has substantially similar terms as the original facility.

As of September 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 SOFR 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 alternative currency 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 5.0% per annum as of September 30, 2022. 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 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 was in compliance with its financial and non-financial covenants as of September 30, 2022.

2¼% Convertible Senior Notes

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.

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 elected to settle conversions of the 2¼% Notes using Cash Settlement, as defined in the indenture for the 2¼% Notes. In the three months ended September 30, 2022, the Company settled the outstanding balance of $145.9 million of its 2¼% Notes with cash totaling $242.0 million, including principal, conversion premium, irrevocable cash conversion option value, and interest. See additional information in Note 11.

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.

The following table summarizes information regarding the 2¼% Notes as of December 31, 2021:

Remaining amortization period (years)	2.0
Effective interest rate	5.8 %
Conversion rate (shares of common stock per $1,000 principal amount)	38.4615
Conversion price (per share of common stock)	$ 26.00

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	(In millions)			
Interest expense-contractual interest	$ 0.7	$ 0.8	$ 2.3	$ 2.4
Interest expense-amortization of debt discount (see discussion above)	—	1.0	—	3.2
Interest expense-amortization of deferred financing costs	0.1	0.1	0.3	0.3

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").

<u>The LHMT Complaint</u>

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.

<u>The CCDL Complaint</u>

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.).

All claims involved in the consolidated action have been resolved by the Court or dismissed by the parties. As a result, this proceeding is now concluded.

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 160 asbestos cases pending as of September 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 September 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 September 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 September 30, 2022, the aggregate range of these anticipated environmental costs was $293.4 million to $449.7 million and the accrued amount was $293.4 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 September 30, 2022, the estimated range of anticipated costs discussed above for the Sacramento, California site was $221.5 million to $353.9 million and the accrued amount was $221.5 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 September 30, 2022, the estimated range of anticipated costs was $56.3 million to $68.7 million and the accrued amount was $56.3 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	23.0	0.7	(0.2)	23.5	0.1	23.6
Expenditures	(16.2)	(9.1)	(1.1)	(26.4)	(0.2)	(26.6)
September 30, 2022	$ 221.5	$ 56.3	$ 10.5	$ 288.3	$ 5.1	$ 293.4

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 September 30, 2022		(153.7)
Receivable from Northrop included in the unaudited balance sheet at September 30, 2022	$	36.0

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 September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	(In millions)			
Expense to unaudited condensed consolidated statements of operations	$ 1.9	$ 2.4	$ 3.0	$ 3.5

d. Arrangements with Off-Balance Sheet Risk

As of September 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.
- $57.2 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 September 30,			
	2022	2021	2022	2021
	(In millions)			
Interest cost on benefit obligation	$ 8.9	$ 8.4	$ 0.1	$ 0.1
Expected return on assets	(15.7)	(15.3)	—	—
Amortization of net losses (gains)	7.6	16.0	(0.7)	(0.7)
Retirement benefits expense (income)	$ 0.8	$ 9.1	$ (0.6)	$ (0.6)

	Pension Benefits		Postretirement Medical and Life Insurance Benefits	
	Nine months ended September 30,			
	2022	2021	2022	2021
	(In millions)			
Interest cost on benefit obligation	$ 26.7	$ 25.1	$ 0.3	$ 0.4
Expected return on assets	(47.2)	(46.0)	—	—
Amortization of prior service costs	0.1	0.1	—	—
Amortization of net losses (gains)	22.9	47.9	(2.1)	(2.1)
Retirement benefits expense (income)	$ 2.5	$ 27.1	$ (1.8)	$ (1.7)

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 September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	(In millions)			
Net Sales:				
Aerospace and Defense	$ 549.2	$ 544.7	$ 1,587.6	$ 1,596.2
Real Estate	0.6	0.6	1.8	2.1
Total Net Sales	$ 549.8	$ 545.3	$ 1,589.4	$ 1,598.3
Segment Performance:				
Aerospace and Defense	$ 69.5	$ 76.0	$ 169.7	$ 213.3
Environmental remediation provision adjustments	(1.9)	(2.2)	(2.9)	(3.2)
GAAP/Cost Accounting Standards retirement benefits expense difference	6.9	2.7	25.2	8.6
Unusual items (see Note 11)	0.4	(2.9)	(15.9)	(7.5)
Aerospace and Defense Total	74.9	73.6	176.1	211.2
Real Estate	(0.3)	(0.1)	(0.6)	(0.7)
Total Segment Performance	$ 74.6	$ 73.5	$ 175.5	$ 210.5
Reconciliation of segment performance to income before income taxes:				
Segment performance	$ 74.6	$ 73.5	$ 175.5	$ 210.5
Interest expense	(5.1)	(4.9)	(13.3)	(15.1)
Interest income and other	2.2	0.2	2.0	1.5
Stock-based compensation	(0.5)	(0.5)	(2.5)	(10.6)
Corporate retirement benefits	0.1	(1.6)	0.2	(4.9)
Corporate and other	(4.9)	(4.2)	(19.2)	(15.6)
Unusual items (see Note 11)	(39.0)	(5.2)	(53.3)	(23.8)
Income before income taxes	$ 27.4	$ 57.3	$ 89.4	$ 142.0

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Lockheed Martin	32 %	33 %	33 %	31 %
Raytheon Technologies Corporation	21	17	19	17
NASA	19	19	18	21

Note 11. Unusual Items

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	(In millions)			
Unusual items				
Legal matters (component of other expense, net)	$ (0.4)	$ —	$ 15.7	$ —
Proxy contest and related litigation costs (component of other expense, net)	16.3	—	28.3	—
Terminated merger costs (component of other expense, net)	—	7.2	2.5	20.8
Loss on debt	22.7	0.9	22.7	10.5
	$ 38.6	$ 8.1	$ 69.2	$ 31.3

In the nine months ended September 30, 2022, the Company incurred $15.7 million associated with legal matters. See Note 8(a) for additional information.

In the nine months ended September 30, 2022, the Company incurred $28.3 million of costs associated with the proxy contest and related litigation costs. See Note 8(a) for additional information.

In the nine months ended September 30, 2022 and 2021, the Company incurred terminated merger costs of $2.5 million and $20.8 million, respectively. See Note 1 for additional information.

As a result of the irrevocable cash settlement redemption notice issued on July 15, 2022 to holders of its outstanding 2¼% Notes, the Company was required to separate a derivative from the 2¼% Notes. The irrevocable cash conversion option became a forward sale contract which was not eligible for the "own stock" scope exception allowed under the accounting guidance and resulted in the Company recording a loss on debt of $22.6 million in the nine months ended September 30, 2022. See Note 7 for additional information.

In the nine months ended September 30, 2022, the Company recorded a loss on debt of $0.1 million related to an amendment to the Senior Credit Facility. See Note 7 for additional information.

In the nine months ended September 30, 2021, the Company settled $154.1 million of its 2¼% Notes as a result of receiving conversion notices from the holders of the 2¼% Notes. The principal amount of $154.1 million was settled in cash and the conversion premium was settled in 2.9 million common shares. The Company incurred a pre-tax charge of $10.5 million in the nine months ended September 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.

The revision to the accompanying unaudited condensed consolidated statement of operations, condensed consolidated statement of comprehensive, condensed consolidated balance sheet, condensed consolidated statement of stockholders' equity, and condensed consolidated statement of cash flows are as follows.

Condensed Consolidated Statement of Operations

	Three Months Ended September 30, 2021		
	As Reported	Effect of Revision	Revised
	(In millions, except per share amounts)		
Net sales	$ 545.3	$ —	$ 545.3
Operating costs and expenses:			
Cost of sales (exclusive of items shown separately below)	446.5	—	446.5
Selling, general and administrative expense	5.2	—	5.2
Depreciation and amortization	13.5	—	13.5
Other expense, net	8.7	—	8.7
Total operating costs and expenses	473.9	—	473.9
Operating income	71.4	—	71.4
Total non-operating expense, net	14.1	—	14.1
Income before income taxes	57.3	—	57.3
Income tax provision	14.7	0.1	14.8
Net income	$ 42.6	$ (0.1)	$ 42.5
EPS of common stock			
Basic EPS	$ 0.53	$ —	$ 0.53
Diluted EPS	$ 0.52	$ (0.01)	$ 0.51
Weighted average shares of common stock outstanding, basic	79.9	—	79.9
Weighted average shares of common stock outstanding, diluted	82.3	—	82.3

Condensed Consolidated Statement of Comprehensive Income

	Three Months Ended September 30, 2021		
	As Reported	Effect of Revision	Revised
	(In millions)		
Net income	$ 42.6	$ (0.1)	$ 42.5
Other comprehensive income:			
Amortization of actuarial losses, net of income taxes	11.5	—	11.5
Comprehensive income	$ 54.1	$ (0.1)	$ 54.0

Condensed Consolidated Statement of Operations

	Nine Months Ended September 30, 2021		
	As Reported	Effect of Revision	Revised
	(In millions, except per share amounts)		
Net sales	$ 1,598.3	$ —	$ 1,598.3
Operating costs and expenses:			
Cost of sales (exclusive of items shown separately below)	1,310.6	—	1,310.6
Selling, general and administrative expense	27.8	—	27.8
Depreciation and amortization	44.4	—	44.4
Other expense, net	24.0	—	24.0
Total operating costs and expenses	1,406.8	—	1,406.8
Operating income	191.5	—	191.5
Total non-operating expense, net	49.5	—	49.5
Income before income taxes	142.0	—	142.0
Income tax provision	36.3	0.1	36.4
Net income	$ 105.7	$ (0.1)	$ 105.6
EPS of common stock			
Basic EPS	$ 1.33	$ —	$ 1.33
Diluted EPS	$ 1.29	$ —	$ 1.29
Weighted average shares of common stock outstanding, basic	79.0	—	79.0
Weighted average shares of common stock outstanding, diluted	81.5	—	81.5

Condensed Consolidated Statement of Comprehensive Income

	Nine Months Ended September 30, 2021		
	As Reported	Effect of Revision	Revised
	(In millions)		
Net income	$ 105.7	$ (0.1)	$ 105.6
Other comprehensive income:			
Amortization of actuarial losses, net of income taxes	34.5	—	34.5
Comprehensive income	$ 140.2	$ (0.1)	$ 140.1

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 Nine Months Ended September 30, 2021		
	As Reported	Adjustments	As Revised
		(In millions)	
Common stock	$ 8.0	$ —	$ 8.0
Other capital	596.0	(20.9)	575.1
Treasury stock	(64.4)	—	(64.4)
Retained earnings	53.8	7.7	61.5
Accumulated other comprehensive loss	(193.1)	—	(193.1)
Total stockholders' equity	$ 400.3	$ (13.2)	$ 387.1

Condensed Consolidated Statement of Cash Flows

	Nine Months Ended September 30, 2021		
	As Reported	Adjustments	As Revised
		(In millions)	
Operating Activities			
Net income	$ 105.7	$ (0.1)	$ 105.6
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	44.4	—	44.4
Amortization of debt discount and deferred financing costs	4.5	—	4.5
Stock-based compensation	10.6	—	10.6
Retirement benefits, net	10.2	—	10.2
Loss on debt	10.5	—	10.5
Other, net	(0.9)	—	(0.9)
Changes in assets and liabilities:			
Accounts receivable, net	(9.6)	—	(9.6)
Contract assets	(39.1)	—	(39.1)
Other current assets, net	15.3	3.8	19.1
Recoverable environmental remediation costs	(1.8)	—	(1.8)
Other noncurrent assets	16.9	—	16.9
Accounts payable	(2.8)	—	(2.8)
Contract liabilities	(65.0)	—	(65.0)
Other current liabilities	2.9	—	2.9
Deferred income taxes	—	(3.7)	(3.7)
Reserves for environmental remediation costs	2.7	—	2.7
Other noncurrent liabilities and other	(9.1)		(9.1)
Net Cash Provided by Operating Activities	95.4	—	95.4
Investing Activities			
Net Cash Used in Investing Activities	(19.2)	—	(19.2)
Financing Activities			
Net Cash Used in Financing Activities	(600.8)	—	(600.8)
Net Decrease in Cash, Cash Equivalents and Restricted Cash	(524.6)	—	(524.6)
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	$ 627.9	$ —	$ 627.9

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 nine months ended September 30, 2022, which management uses to evaluate our operating performance and financial condition, is presented below.

	Three months ended September 30,		Nine Months ended September 30,	
	2022	2021	2022	2021
	(In millions, except percentage and per share amounts)			
Net sales	$ 549.8	$ 545.3	$ 1,589.4	$ 1,598.3
Net income	13.7	42.5	57.9	105.6
Net income as a percentage of net sales	2.5 %	7.8 %	3.6 %	6.6 %
Adjusted Net Income (Non-GAAP measure*)	36.7	47.7	89.8	126.0
Adjusted Net Income (Non-GAAP measure*) as a percentage of net sales	6.7 %	8.7 %	5.6 %	7.9 %
Earnings Per Share ("EPS") - Diluted	0.17	0.51	0.70	1.29
Adjusted EPS (Non-GAAP measure*)	0.45	0.58	1.08	1.54
Adjusted EBITDAP (Non-GAAP measure*)	75.7	82.5	186.5	227.6
Adjusted EBITDAP (Non-GAAP measure*) as a percentage of net sales	13.8 %	15.1 %	11.7 %	14.2 %
Cash provided by (used in) operating activities	35.0	75.2	(73.8)	95.4
Free cash flow (Non-GAAP measure*)	22.3	70.2	(98.0)	78.1

* 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 September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
U.S. government	95 %	96 %	95 %	97 %
Non U.S. government	5	4	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 September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
RS-25	15 %	16 %	14 %	18 %
Standard Missile	13	12	12	13
Patriot Advanced Capability-3 ("PAC-3")	9	9	11	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 September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Lockheed Martin	32 %	33 %	33 %	31 %
Raytheon Technologies Corporation	21	17	19	17
NASA	19	19	18	21

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. While funding provided by the Consolidated Appropriations Act, 2022 ("Public Law 117-103") expired on September 30, 2022, Congress passed and the President signed into law the Continuing Appropriations and Ukraine Supplemental Appropriations Act, 2023 ("Public Law 117-180") that extends funding through December 16, 2022. 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 September 30, 2022.

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

	Recoverable Amounts (1)	Environmental Reserves	Estimated Range of Liability
		(In millions)	
Sacramento	$ 194.9	$ 221.5	$221.5 - $353.9
Baldwin Park Operable Unit	49.5	56.3	56.3 - 68.7
Other Aerojet Rocketdyne sites	10.6	10.5	10.5 - 20.8
Other sites	0.6	5.1	5.1 - 6.3
Total	$ 255.6	$ 293.4	$293.4 - $449.7

(1) Excludes the receivable from Northrop Grumman Corporation ("Northrop") of $36.0 million as of September 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 September 30, 2022, we had $306.8 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 nine months ended September 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 September 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 September 30,			Nine months ended September 30,		
	2022	2021	Change*	2022	2021	Change**
	(In millions)					
Net sales	$ 549.8	$ 545.3	$ 4.5	$ 1,589.4	$ 1,598.3	$ (8.9)

* *Primary reason for change.* The increase in net sales was primarily driven by an increase on the Next Generation Interceptor ("NGI") and Standard Missile programs partially offset by a decline in the Guided Multiple Launch Rocket System ("GLMRS") and RL10 programs.

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

Cost of Sales (exclusive of items shown separately below)

	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	Change*	2022	2021	Change**
	(In millions, except percentage amounts)					
Cost of sales (exclusive of items shown separately below)	$ 459.3	$ 446.5	$ 12.8	$ 1,354.3	$ 1,310.6	$ 43.7
Percentage of net sales	83.5 %	81.9 %		85.2 %	82.0 %	

* *Primary reason for change.* The increase in cost of sales as a percentage of net sales was primarily driven by favorable changes in contract estimates on the RL10 program in the prior year comparative period.

** *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 period.

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

	Three months ended September 30,					Nine months ended September 30,					
	2022		2021		Change		2022		2021		Change*
	(In millions, except percentage amounts)										
Components of SG&A:											
SG&A excluding stock-based compensation	$	5.1	$	4.7	$	0.4	$	20.9	$	17.2	$ 3.7
Stock-based compensation		0.5		0.5		—		2.5		10.6	(8.1)
SG&A	$	5.6	$	5.2	$	0.4	$	23.4	$	27.8	$ (4.4)
Percentage of net sales		1.0 %		1.0 %				1.5 %		1.7 %	
Percentage of net sales excluding stock-based compensation		0.9 %		0.9 %				1.3 %		1.1 %	

* *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 September 30,					Nine months ended September 30,					
	2022		2021		Change		2022		2021		Change*
	(In millions)										
Components of depreciation and amortization:											
Depreciation	$	11.5	$	11.1	$	0.4	$	35.0	$	34.0	$ 1.0
Amortization		1.7		1.7		—		5.1		8.3	(3.2)
Accretion		0.6		0.7		(0.1)		1.9		2.1	(0.2)
Depreciation and amortization	$	13.8	$	13.5	$	0.3	$	42.0	$	44.4	$ (2.4)

* *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 September 30,					Nine months ended September 30,					
	2022		2021		Change*		2022		2021		Change**
	(In millions)										
Other expense, net	$	17.8	$	8.7	$	9.1	$	45.5	$	24.0	$ 21.5

* *Primary reason for change.* The increase in other expense, net was primarily due to $16.3 million of costs associated with the proxy contest and associated litigation partially offset by lower Merger costs as a result of the termination of the Merger in January 2022. See Note 11 of the Notes to Unaudited Condensed Consolidated Financial Statements for additional information.

** *Primary reason for change.* The increase in other expense, net was primarily due to $28.3 million of costs associated with the proxy contest and associated litigation and $15.7 million of costs associated with legal matters. These costs were partially offset by lower Merger costs as a result of the termination of the Merger in January 2022. See Note 11 of the Notes to Unaudited Condensed Consolidated Financial Statements for additional information.

Retirement Benefits Expense

	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	Change*	2022	2021	Change*
			(In millions)			
Components of retirement benefits expense:						
Interest cost on benefit obligation	$ 9.0	$ 8.5	$ 0.5	$ 27.0	$ 25.5	$ 1.5
Expected return on assets	(15.7)	(15.3)	(0.4)	(47.2)	(46.0)	(1.2)
Amortization of prior service costs	—	—	—	0.1	0.1	—
Amortization of net losses	6.9	15.3	(8.4)	20.8	45.8	(25.0)
Retirement benefits expense	$ 0.2	$ 8.5	$ (8.3)	$ 0.7	$ 25.4	$ (24.7)

* *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 September 30,			Nine months ended September 30,		
	2022	2021	Change*	2022	2021	Change*
			(In millions)			
Loss on debt	$ 22.7	$ 0.9	$ 21.8	$ 22.7	$ 10.5	$ 12.2

* *Primary reason for change.* As a result of the irrevocable cash settlement redemption notice issued to holders on July 15, 2022 of our outstanding 2¼% Notes, we were required to separate a derivative from the 2¼% Notes. The irrevocable cash conversion option became a forward sale contract which was not eligible for the “own stock” scope exception allowed under the accounting guidance since it was required to be settled in cash and resulted in a loss on debt of $22.6 million in the nine months ended September 30, 2022. Additionally, in the nine months ended September 30, 2022, we recorded a loss on debt of $0.1 million related to an amendment to the Senior Credit Facility. See Note 7 of the Notes to Unaudited Condensed Consolidated Financial Statements for additional information.

In the nine months ended September 30, 2021, we settled $154.1 million of our 2¼% Notes as a result of receiving conversion notices from the holders of the 2¼% Notes. The principal amount of $154.1 million was settled in cash and the conversion premium was settled in 2.9 million common shares resulting in a pre-tax charge of $10.5 million.

Interest Income and Other

	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	Change*	2022	2021	Change*
			(In millions)			
Interest income and other	$ 2.2	$ 0.2	$ 2.0	$ 2.0	$ 1.5	$ 0.5

* *Primary reason for change.* The increase in interest income and other was primarily due to a higher rate of return on our cash and cash equivalents balances.

Interest Expense

	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	Change*	2022	2021	Change**
			(In millions)			
Components of interest expense:						
Contractual interest and other	$ 4.6	$ 3.4	$ 1.2	$ 12.0	$ 10.6	$ 1.4
Amortization of debt discount and deferred financing costs	0.5	1.5	(1.0)	1.3	4.5	(3.2)
Interest expense	$ 5.1	$ 4.9	$ 0.2	$ 13.3	$ 15.1	$ (1.8)

**Primary reason for change.* The increase in interest expense was primarily due to higher interest rates on borrowings under our Senior Credit Facility partially offset by 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).

***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) partially offset by higher interest rates on borrowings under our Senior Credit Facility.

Income Taxes

The income tax provision was as follows:

	Nine months ended September 30,	
	2022	2021
	(In millions)	
Income tax provision	$ 31.5	$ 36.4

In the nine months ended September 30, 2022, the income tax provision was $31.5 million for an effective tax rate of 35.2%. Our effective tax rate differed from the 21% statutory federal income tax rate primarily due to state income taxes, loss on debt (see discussion above), and certain other expenditures which are permanently not deductible for tax purposes, partially offset by Research and Development ("R&D") credits and original issue discount deductions on convertible debt.

In the nine months ended September 30, 2021, the income tax provision was $36.4 million for an effective tax rate of 25.6%. 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 September 30, 2022, the income tax payable balance totaled $104.8 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 September 30,			Nine months ended September 30,		
	2022	2021	Change*	2022	2021	Change**
	(In millions, except percentage amounts)					
Net sales	$ 549.2	$ 544.7	$ 4.5	$ 1,587.6	$ 1,596.2	$ (8.6)
Segment performance	74.9	73.6	1.3	176.1	211.2	(35.1)
Segment margin	13.6 %	13.5 %		11.1 %	13.2 %	

* *Primary reason for change.* The increase in net sales was primarily driven by an increase on the NGI and Standard Missile programs partially offset by a decline in the GLMRS and RL10 programs.

The increase in segment margin was primarily driven by lower retirement benefits expense and costs associated with the terminated Merger partially offset by favorable changes in contract estimates on the RL10 program in the prior year comparative period.

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

The decrease in segment margin was primarily driven by (i) cost growth from supply chain disruptions and necessary technical and manufacturing changes on a portion of the Standard Missile program; (ii) favorable contract performance on the RS-68 program in the prior year comparative period; and (iii) legal settlements in the current year. These factors were 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 September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Fixed-price	56 %	57 %	56 %	56 %
Cost-reimbursable	44	43	44	44

During the three months ended September 30, 2022, we had no net changes in contract estimates on operating results before income taxes compared with net favorable changes of $10.8 million during the three months ended September 30, 2021.

During the nine months ended September 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 $32.4 million during the nine months ended September 30, 2021.

Real Estate Segment

	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	Change	2022	2021	Change*
			(In millions)			
Net sales	$ 0.6	$ 0.6	$ —	$ 1.8	$ 2.1	$ (0.3)
Segment performance	(0.3)	(0.1)	(0.2)	(0.6)	(0.7)	0.1

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

Backlog

As of September 30, 2022, our total remaining performance obligations, also referred to as backlog, totaled $6.7 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 25% the following twelve months, and 41% thereafter. A summary of our backlog is as follows:

	September 30, 2022	December 31, 2021
	(In billions)	
Funded backlog	$ 3.0	$ 3.1
Unfunded backlog	3.7	3.7
Total backlog	$ 6.7	$ 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 September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	(In millions, except per share and percentage amounts)			
Net income	$ 13.7	$ 42.5	$ 57.9	$ 105.6
Interest expense	5.1	4.9	13.3	15.1
Interest income and other	(2.2)	(0.2)	(2.0)	(1.5)
Income tax provision	13.7	14.8	31.5	36.4
Depreciation and amortization	13.8	13.5	42.0	44.4
GAAP retirement benefits expense	0.2	8.5	0.7	25.4
CAS recoverable retirement benefits expense	(7.2)	(9.6)	(26.1)	(29.1)
Unusual items	38.6	8.1	69.2	31.3
Adjusted EBITDAP	$ 75.7	$ 82.5	$ 186.5	$ 227.6
Net income as a percentage of net sales	2.5 %	7.8 %	3.6 %	6.6 %
Adjusted EBITDAP as a percentage of net sales	13.8 %	15.1 %	11.7 %	14.2 %
Net income	$ 13.7	$ 42.5	$ 57.9	$ 105.6
GAAP retirement benefits expense	0.2	8.5	0.7	25.4
CAS recoverable retirement benefits expense	(7.2)	(9.6)	(26.1)	(29.1)
Unusual items	38.6	8.1	69.2	31.3
Income tax impact of adjustments (1)	(8.6)	(1.8)	(11.9)	(7.2)
Adjusted Net Income	$ 36.7	$ 47.7	$ 89.8	$ 126.0
Diluted EPS	$ 0.17	$ 0.51	$ 0.70	$ 1.29
Adjustments	0.28	0.07	0.38	0.25
Adjusted EPS	$ 0.45	$ 0.58	$ 1.08	$ 1.54
Diluted weighted average shares, as reported and adjusted	81.2	82.3	84.3	81.5

(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 September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	(In millions)			
Net cash provided by (used in) operating activities	$ 35.0	$ 75.2	$ (73.8)	$ 95.4
Capital expenditures	(12.7)	(5.0)	(24.2)	(17.3)
Free Cash Flow	$ 22.3	$ 70.2	$ (98.0)	$ 78.1

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 September 30, 2022, we had $334.5 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:

- 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.

As of September 30, 2022, our combined balance of cash and cash equivalents and restricted cash decreased by $365.9 million to $337.5 million from a balance of $703.4 million as of December 31, 2021.

The cash used in operating activities in the nine months ended September 30, 2022, of $73.8 million was primarily due to (i) an increase in accounts receivable and unbilled receivables due to the timing of sales and billings and (ii) income tax payments.

The cash used in investing activities in the nine months ended September 30, 2022, of $25.2 million was primarily related to capital expenditures.

Cash used in financing activities in the nine months ended September 30, 2022, was $266.9 million primarily resulting from (i) debt payments and conversion settlements of $259.6 million (ii) $4.3 million of net cash used by our equity plans; (iii) $1.7 million of costs incurred associated with the Senior Credit Facility amendment; and (iv) $1.3 million of dividend payments.

Senior Credit Facility

The Senior Credit Facility matures on September 20, 2025, and consists of (i) a $650.0 million revolving line of credit (the "Revolver") and (ii) a $269.1 million Term Loan. The Term Loan and any borrowings under the Revolver bear interest at the Secured Overnight Financing Rate plus an applicable margin ranging from 175 to 250 basis points based on our 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 alternative currency 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 5.0% per annum as of September 30, 2022. The Company was in compliance with its financial and non-financial covenants as of September 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 September 30, 2022, and include, but are not limited to, the following:

- 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;
- 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;

- distraction of management caused by internal governance matters or other developments;
- 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 September 30, 2022, our debt principal excluding finance lease obligations totaled $265.7 million at a variable rate of 4.88%.

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

Issuer Purchases of Equity Securities

The table below provides information about shares surrendered to the Company during the three months ended September 30, 2022, to pay employee withholding taxes due upon the vesting of restricted stock.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased under the Plans or Programs
July 1, 2022 through July 31, 2022	—	$ —	—	—
August 1, 2022 through August 31, 2022	—	—	—	—
September 1, 2022 through September 30, 2022	10,072	42.70	—	—
Total	10,072	$ 42.70	—	—

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Table Item No.	Exhibit Description	Incorporated herein by reference: 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)	10-Q	1-01520	3.1	August 1, 2022	
10.1	Second Amendment to Fourth Amended and Restated Credit Agreement with Bank of America, N.A., dated as of September 28, 2022.	8-K	1-01520	10.1	September 29, 2022	
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: November 1, 2022

By: /s/ Eileen P. Drake
Eileen P. Drake
Chief Executive Officer and President
(Principal Executive Officer)

Date: November 1, 2022

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

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: November 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: November 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 September 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: November 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 September 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: November 1, 2022