AEROJET ROCKETDYNE
Holdings, Inc.

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Presenters
Kelly Anderson - VP, Controller, Investor Relations
Eileen P. Drake - CEO, President
Dan Boehle - CFO

Q&A Participants
Scott Forbes - Jefferies
Seth Seifman - J.P. Morgan
Michael Ciarmoli - Truist Securities

Operator
Greetings and welcome to the Aerojet Rocketdyne Third Quarter 2022 Earnings Conference Call. At this time, all participants are in a listen-only mode. A brief question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press star-zero on your telephone keypad. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Kelly Anderson, VP of Controller and Investor Relations. Thank you, Kelly. You may begin.

Kelly Anderson
Thank you. Good morning and welcome to the Aerojet Rocketdyne third quarter 2022 earnings results conference call. Leading our discussion today are Eileen Drake, Chief Executive Officer and President, and Dan Boehle, Chief Financial Officer. Following their prepared remarks, we will open the line for your questions.

Before we begin the call, I'd like to remind you that our remarks this morning may contain forward-looking statements that relate to the future performance of the company, and these statements are intended to qualify for the safe harbor protection from liability established by the Private Securities Litigation Reform Act.

Any such statements are not guarantees of future performance, and factors that could influence our results are highlighted in today's press release and others are contained in our filings with the Securities and Exchange Commission. Such statements are based upon information available to the company as of the date hereof, and are subject to change for future developments. Except as required by law, the company does not undertake any obligation to update such statements.

Our remarks this morning and in today's press release also contain non-GAAP financial measures within the meaning of Regulation G promulgated by the Securities and Exchange Commission. Included in such release is a reconciliation of these non-GAAP financial measures to the comparable financial measures calculated in accordance with GAAP.

Finally, we have posted supplemental slides regarding our quarter that are available on Aerojet Rocketdyne's investor relations site for download, which we encourage you to review.

With that, I'd like to turn the conference call over to Eileen Drake, Chief Executive Officer and President of Aerojet Rocketdyne. Eileen, please go ahead.

Eileen Drake
Thanks, Kelly, and good morning, everyone, and welcome to Aerojet Rocketdyne's third quarter 2022 earnings call. Today I'll discuss our results for the quarter at a high level and touch on our longer-term objectives for the business. I'll then turn it over to Dan for a review of our financial results, macro trends, and outlook.

I'm pleased to share that Aerojet Rocketdyne demonstrated strong operating profit and improved cash flow for the quarter. Adjusted EBITDAP was nearly 14% in Q3 and free cash flow was $22 million, keeping us on track for positive cash generation in the back half of the year, as expected.

Sales for the quarter were also up, both sequentially and year-over-year. Book-to-bill is .9 on a year-to-date basis and backlog remains healthy at $6.7 billion, underscoring Aerojet Rocketdyne as a preferred supplier for our nation's defense and space systems.

Our focus in Q3 remained on supporting our defense development programs, which continue to perform well as they mature. This includes the Next Generation Interceptor, GBSD, now called Sentinel, and hypersonics programs, all of which were solid performers. At the same time, we're enhancing our competitive position through strategic investment, operational efficiencies, and cost controls. This will support sustained profitable growth across our programs.

We did continue to experience some headwinds to sales related to supply chain delays, most notably on the RS-25 program. However, the program is meeting its material receipt plan in October, and we continue to believe that timing delays are short-term in nature. RS-25 sales were up from 13% of sales in the second quarter to 15% of sales in the third quarter, and this trend is expected to continue through the fourth quarter.

It's important to note that Aerojet Rocketdyne's RS-25 engines are not impacting NASA's Artemis launch schedule in any way. The RS-25 engines for the first two Artemis launches have already been delivered to NASA, and engines for the third and fourth launches are complete and nearly complete respectively.

As you will recall from last quarter, we took a significant charge on a portion of the Standard Missile program resulting from supply chain issues combined with an outlook from the U.S. government and customers that they would like to increase annual production rates. As an update on that contract, I'm pleased to tell you that we're on target with our plan to substantially increase annual production capacity, which included opening a second production facility earlier this month.

We feel confident that this proactive investment will not only allow us to complete our current contract within the period of performance, but also puts the capacity in place to address anticipated quantity increases starting in 2024. We remain confident in our ability to hit our revenue and adjusted EBITDAP targets, excluding EAC adjustments, for the year, and Dan will expand on this in his comments shortly.

Turning now to our long-term objectives, we are intently focused on investing in line with our nation's defense and space priorities and driving improvements to our competitive edge to position Aerojet Rocketdyne for enhanced shareholder value creation. I'll start with the work we're doing to provide reliable and innovative products for America's national security and support a diversified mix of defense and space programs, several of which we've outlined in our supplemental slide deck.

On the defense side, we're continuing our work on Sentinel, the nation's next ground-based strategic deterrent, including advancing the development of both the third stage large solid rocket motor and the post boost propulsion system. Among other milestones, we announced that we successfully conducted the post boost propulsion system critical design review for Sentinel, passing a major review gate on the path to flight readiness and paving the way for fabrication, demonstration, and testing of propulsion components prior to production.

We are also pleased to announce that Aerojet Rocketdyne was selected to power the Navy's Compact Rapid Attack Weapon, or CRAW, as part of the Raytheon missile and defense team's development of this next-generation torpedo. Our company will provide the afterbody, propulsion system, and tail for the new torpedo.

The new torpedo will use innovative Stored Chemical Energy Propulsion Systems, or SCEPS, which will significantly improve its capabilities. This work will build on the successful testing of our SCEPS lithium boiler earlier this year, which we developed through our R&D investment at our Coleman Aerospace facility.

In addition to the use of SCEPS for Compact Rapid Attack Weapons torpedoes, we're also under contract to the U.S. Navy to develop SCEPS for the Navy's largest Mark 54 MOD 2 torpedo. Against the backdrop of these program wins, we're also advancing important work in hypersonic and counter hypersonic test and development. As we've talked about previously, Aerojet Rocketdyne is an industry leader in hypersonic propulsion technology, which will be increasingly important to us as we look to the future.

Turning now to space, we're looking forward to NASA's Artemis 1 launch in just a few weeks. The company has provided critical elements to the Artemis 1 mission, with propulsion on both the SLS rocket and the uncrewed Orion spacecraft. Artemis 1 is the first in a series of missions to return American astronauts, including the first woman and the first person of color, to the Moon. This launch will come on the heels of NASA's double asteroid redirection test, or DART, in which a spacecraft impacted a near-Earth asteroid propelled by 12 Aerojet Rocketdyne thrusters.

The goal of this mission was to demonstrate a method of asteroid deflection by deliberately striking an asteroid at high-speed to change the asteroid's motion in space. As the spacecraft closed in on the asteroid, our flight proven propulsion systems conducted last minute course corrections to ensure its accurate impact.

In addition to providing the chemical propulsion system for the spacecraft, Aerojet Rocketdyne's NASA Evolutionary Xenon Thruster Commercial, or NEXT-C, system was also tested during the mission to assess the thruster's potential application for future deep space missions. NEXT-C is a next-generation solar electric propulsion system designed and built by Aerojet Rocketdyne based on mission-proven technology developed at NASA's Glenn Research Center.

This quarter, Aerojet Rocketdyne also provided all of the thrust needed to power the successful launch of a United Launch Alliance Delta IV heavy rocket carrying a classified payload for the National Reconnaissance

Office. ULA used our reliable and flight proven RS-68 and RL-10 propulsion systems, which have delivered 100% mission success since the Delta IV program's inception. Two remaining Delta IV heavy launches are slated for the first quarters of 2023 and 2024.

In addition to our strong alignment with national defense and space priorities, we're also taking actions to increase efficiency, manage our costs, and position the company for a strong and successful future. Today I want to highlight our investment in a few of our facilities to make us more competitive.

This quarter we opened a new 51,000 square foot building in Camden, Arkansas, which consolidates multiple manufacturing activities under one roof, with the ability to eventually support large-scale solid rocket motors to power next-generation missiles. The new facility integrates solid rocket motor manufacturing activities, improving operational efficiency, increasing production capacity, reducing costs, and providing for even safer operations.

The facility results in reduction of the need to transport motors across our Camden site during manufacturing by more than 90%. The first program to begin production in the new manufacturing facility is the propulsion system for the PAC-3 missile segment enhancement.

We're also leasing a new facility to expand our presence in Huntsville, Alabama by nearly 380,000 square feet. This will provide additional job opportunities and builds on a 700% increase over the last five years in the number of employees we have working at our facilities in Huntsville. This facility solidifies Huntsville as our inert manufacturing center of excellence, and the expansion allows us to increase defense manufacturing capacity once it becomes operational in 2023.

In addition, we're delivering results from prior long-term investments in our Huntsville and Camden facilities. We'd previously transferred production of large solid rocket motors to these sites as part of our competitive improvement program. Our teams at those facilities are incorporating innovative materials and applying efficient manufacturing processes to design and produce the advanced technology systems needed to power defense across multiple domains.

For example, this quarter, with the Air Force Research Laboratory at Edwards Air Force Base, California, we successfully tested our next-generation large solid rocket motor called eSR-19, which was designed and fabricated in Huntsville and cast and cured in Camden. This advanced solid rocket motor improves cost and performance by incorporating a graphite composite case, an affordable advanced nozzle, and a high-energy, long life solid propellant. Our demonstration of this new capability is directly applicable to legacy large solid rocket motor applications, and is a building block for multiple systems under development today.

Before handing the call over to Dan, I want to reiterate that we continue to execute on our goals and are making strong progress to position the company for the future. We're investing in new capabilities which directly support our nation's defense and space priorities, as well as increasing our capacity to meet growing demands for our products.

With that, I'll turn the call over to Dan and join you later to answer questions.

Dan Boehle
Thank you, Eileen, and thank you all for joining us on today's earnings call. Today I'll discuss year-over-year results for our key metrics and update you on some of the actions we have taken to mitigate the ongoing

supply chain and hiring challenges we discussed last quarter. As a reminder, we will not provide formal guidance today, but that is something we intend to do beginning early next year.

Our third quarter sales were approximately $550 million, up 1% from the prior year and up 4% from the prior quarter. The increase over the prior year is driven by higher volume on NGI and Standard Missile, partially offset by GMLRS and RL-10. On a year-to-date basis, sales were approximately $1.6 billion, which is comparable to the prior year. Sales continue to reflect supply chain delays and, on a year-to-date basis, the impact from the reversal of revenue on a portion of the Standard Missile program that we discussed last quarter.

On the supply chain front, the most significant driver continues to be the RS-25 program, as our suppliers experienced longer lead times than previously expected, and we continue working through first article certification testing as we restart this program. We continue working closely with our customers and suppliers, and we are meeting our material receipts plan for October.

As Eileen mentioned, our RS-25 sales increase sequentially in Q3, and we expect that trend to continue through the end of the year. While the remainder of our portfolio of programs in both defense and space aren't seeing individually significant impacts from supply chain delays, there are pockets of delays that have slowed our sales growth in the quarter.

Last quarter we also discussed the hiring challenges to support anticipated second half sales. We are seeing improvement on this front, having reduced the number of open positions from 400 to about 250. We continue to accelerate our hiring efforts to support anticipated fourth quarter sales.

Both the prolonged impacts from supply chain delays and workforce challenges have led to slower than anticipated sales growth in the current quarter and are anticipated to continue into the fourth quarter. We still expect our current year revenue growth to be in line with our long-term target of low to mid-single digits.

Switching now to backlog, our book-to-bill ratio was .9 in the first nine months of the year, bringing total backlog to $6.7 billion, which is equal to approximately three times our annual sales. This strong backlog position reflects the contract wins that Eileen discussed.

Also, as a reminder, backlog includes the RL-10 contract signed with ULA in the second quarter for Amazon's Project Kuiper satellite broadband system, as well as a number of key multiyear contracts such as RS-25, RL-10, Standard Missile, PAC-3, and THAAD, which were signed over the past several years.

This backlog does not yet include orders for Stinger and Javelin associated with the ongoing war in Ukraine. However, we anticipate that we will see growth in demand for these products over the near to mid-term, and are investing in the modernization of our facilities to increase capacity and efficiency in anticipation of this demand.

In addition to this strong backlog, the durability of our many long lifecycle franchise programs and the potential we see from our development programs give us confidence that we will continue to experience tremendous demand for our products through the rest of the decade and beyond.

Moving on to profitability, our adjusted EBITDAP for the third quarter of $75.7 million was an increase of 82% from the prior quarter and a decrease of 8% from the prior year. The year-to-date adjusted EBITDAP of $186.5

million was an 18% decrease from the prior year, driven by the unfavorable cumulative contract adjustment in the second quarter related to the portion of the Standard Missile program. In addition, the third quarter of last year included a significant favorable contract adjustment on the RL-10 program, which provided a headwind for the current quarter and year-to-date period comparisons.

The underlying profit margin run rate is continuing to improve across our program portfolio, with adjusted EBITDAP margin for the third quarter at a very strong 13.8%, bringing the year-to-date margin rate to 11.7%. These are below the prior year margin rates of 15.1% and 14.2% for the three- and nine-month periods respectively due to the prior year favorable contract adjustments in RL-10 and RS-68 and the current year unfavorable contract adjustment from a portion of the Standard Missile program.

Excluding EAC adjustments from sales and adjusted EBITDAP for all periods, the underlying adjusted EBITDAP margin increased year-over-year from 13.4% to 13.7% in the third quarter, and from 12.5% to 13.6% in the nine-month period respectively. Ongoing program and operational performance improvements across the portfolio and stringent overhead cost management have contributed to steady margin growth for the quarter and year-to-date.

For the year-to-date, the primary drivers of increase in adjusted EBITDAP, excluding EAC adjustments, were increased profitability on THAAD and the remaining portions of Standard Missile, as well as lower stock compensation expense. With our diverse portfolio of new development contracts and legacy production contracts, which are performing very well, we continue to believe we can achieve a long-term adjusted EBITDAP margin rate of 14%.

Lastly, our free cash flow for the third quarter was a positive $22.3 million, as we worked diligently to decrease our working capital. This compared to an inflow of $70.2 million in the same period of the prior year. For the nine months year-to-date, we have had an outflow of $98 million as compared to an inflow of $78.1 million in the same period of the prior year.

As I mentioned last quarter, the current year-to-date negative free cash flow is largely impacted by working capital growth on large multi-year fixed priced contracts in the defense business unit. We enjoyed strong cash flows over the past three years from these multiyear contracts, but that makes 2022 and 2023 more challenging until we begin the upward cycle again with new multiyear contracts beginning in 2024.

In addition to these programmatic drivers, year-to-date free cash flow also reflects higher cash taxes than the prior year, given the change in treatment for research and development expenditures, which is an item affecting everyone in the industry. We've also incurred $46.5 million in unusual expenditures related to the proxy contest and related litigation, other legal matters, and costs related to the terminated Lockheed Martin merger agreement. We expect to have strong cash flow in the fourth quarter.

In terms of broader balance sheet management, on September 19th, we completed the cash redemption of all outstanding convertible notes. We paid $242 million in cash to settle the approximately $146 million in principal, plus premium and accrued interest.

In connection with this transaction, we recognized a one-time non-cash charge of $22.6 million related to the change in value of a derivative that was created when the redemption notice was issued. As previously mentioned, the redemption of these notes will be $0.03 accretive to our diluted EPS for the year and $0.10

accretive on a full-year basis going forward. However, the non-cash charge related to the derivative had a negative impact of $0.07 on the third quarter and year-to-date diluted EPS.

We ended the quarter with a total cash and short-term investments of $346.7 million, and continued our long-standing un-levered balance sheet position with net cash of $39.1 million. We continue our focus on managing our working capital to generate predictable free cash results over the long-term.

As a closing thought, we remain enormously confident in the business based on the strong demand for our innovative products and the execution of our team. Looking ahead, as Eileen discussed, we are investing in line with the nation's top defense and space priorities, driving improvements to enhance our competitive edge, and positioning the business to increase value for our shareholders.

With that, operator, please open the line for questions.

Operator
Thank you. We will now be conducting a question and answer session. If you would like to ask a question, please press star-one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star-two if you'd like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment, please, while we poll for questions.

Thank you. Our first question is from Scott Forbes with Jefferies. Please proceed with your question.

Scott Forbes - Jefferies
Hi, Eileen and Dan. Dan, you've talked about slightly positive free cash flow for the year, and you've pointed to an expected strong Q4. How do you think about some of the main drivers into that implied Q4 inflection, and how are you thinking about the broader moving pieces into 2023?

Dan Boehle
Sure thing, Scott. Good morning. We do expect a strong fourth quarter. We generally do have a stronger fourth quarter in cash. Most of that will be driven by collection on receivables. So, it's mostly just a working capital burn down and delivery on products towards the year-end.

Going into next year, as I did mention, you know, a couple of years of challenge to get to our goal of 100% of net income. So, we will do better next year as we continue to work down working capital, the long-term working capital, on those multiyear contracts. So, we'll come up that scale a little bit next year, but we won't get back to 100% until the following year.

Scott Forbes - Jefferies
Thank you. And then Eileen, maybe just to take a step back, you're emerging from a proxy battle. There have been some press reports out there about the future of the company. I mean, broadly as you think about the future, how are you thinking about the value drivers and the roadmap to drive equity value going forward?

Eileen Drake
Right. Thanks for the question. So as I've said before, the fundamentals of our business both on space and defense remain very strong. You know, you don't often see where you're kind of on an upward wave of both space and defense, and we are. And we believe we're focused on the right areas by investing in line with the

nation's space and defense priorities that we've talked about, also while we're driving competitive improvements.

This team has a track record of very successfully doing--over the last seven years of taking $1 billion of cost out of the business. We have a very strong backlog, nearly $7 billion, and this indicates a very strong customer demand for our products. And we're also making investments in the business. We have a very talented and dedicated workforce, and super excited about the future.

Scott Forbes - Jefferies
Thank you.

Eileen Drake
Thank you.

Operator
Thank you. Our next question is from Seth Seifman with J.P. Morgan. Please proceed with your question.

Seth Seifman – J.P. Morgan
Hey, thanks very much, and good morning, everyone. Eileen, I read something in Inside Defense last week about DOD potentially looking for a third solid rocket motor source in order to be able to produce the hypersonic propulsion that they think is going to be required in the future. What's your thought process around that? Where do you feel like things stand right now in terms of the overall solid rocket motor base and what DOD is looking for from you, and how that might evolve?

Eileen Drake
Yep. So, if it's the same article I read, I think they were saying a second source to a current program.

But nonetheless, you know, as we--and you mentioned hypersonics. So, when we think of kind of the hypersonics world, it really covers a range of national security capabilities, everything from deterrent missiles, tactical missiles, aircraft and missile defense technologies. And the great part of that is that Aerojet Rocketdyne is participating in all of those areas and is very well positioned for wins because of our leadership, really, in developing hypersonic propulsion technologies that's really built on decades of our experience.

Over the long run, hypersonics, as I've mentioned before, is expected to contribute to 5% to 10% of our total sales. And DOD has identified hypersonics as a national priority. And the great thing is we're in a strong position to win significant roles in these programs going forward.

And so we believe hypersonics is going to be a generational program for us, like many of our other franchise programs. And we're very well situated to get a big piece of that business in the future.

Seth Seifman - J.P. Morgan
Okay. Okay, great. I guess digging in a little bit more on the quarter and the programs, I think the release mentioned a year-on-year decline in GMLRS. You know, obviously that's a place where we'll probably see some growth over time, I would think. What drove the decline in the quarter? And kind of how do you see that revenue from that program evolving?

Dan Boehle

Sure. Thanks, Seth. I'll take that one. Some of that is just timing with GMLRS. But as I mentioned, we talk about RS-25 being the largest contract impacted by supply chain, and that we did have a supply chain impact that in effect drove the Standard Missile charge last quarter, but there are other pockets throughout the company that are having minor supply chain issues.

So, I'd say some of that downturn is GMLRS supply chain slowdown as well, which affected the timing of our deliveries. So, I'd say that's the driver. And to your point, though, that is a program where we see opportunity going forward for growth. We do share the production of that with Northrop Grumman. So, as much as we can get share there, we'll continue to grow.

Eileen Drake
--And just maybe to tagteam on that one, you know, I think everybody has seen that Ukraine's fight against Russian invasion has really increased the demand for our programs to include GMLRS, Javelin, and Stinger. So, we've had a number of inquiries about several of our tactical programs to include these three, from both the Department of Defense and the missile prime customers.

So, we're really proud to be a part of these franchise programs, and a continuation of these programs is really part of the growth rate we've previously discussed. So, given the increased interest in GMLRS, Javelin, and Stinger, we've mentioned before there is the potential to add volume to our outlook as these systems are replenished over the '23-'25 timeframe. And we're actively involved in discussions that could lead to contracts for these replenishment efforts.

Seth Seifman – J.P. Morgan
Right. Okay, excellent. And then with regard to GMLRS, I guess when we think about, you know, some of the execution challenges there now, and then we think about kind of what happened on Standard Missile last quarter, I guess how confident do you feel about the fact that, you know, you have your arms around issues on GMLRS and will be able to stay close enough to the delivery targets and eventually catch up in order to maintain profitability on the program?

Eileen Drake
Yep. So, I feel very positive about it. As we've mentioned, we have increased production on a couple of our lines, to include the Standard Missile. We opened up a brand-new facility in Camden, Arkansas, just a couple of weeks ago to help on production and put a second shift on there. We're working with our supply chain.

We also look at any bottlenecks in the supply chain where we need to dual source. So, we have quite a lot of activity in our supply chain to make sure that any suppliers that are very key and that could be a single source failure, that we're dual sourcing them to make sure that we're not impacted like we have been in the past when perhaps a supplier has a major issue, like a fire or something else that we recently experienced. So, we feel good about that.

And maybe a sound bite too, in the last quarter I mentioned, you know, really having some issues with hiring. I'm pleased to say that last quarter I mentioned we needed about 400 people. That number is down to 250. And we have also seen our attrition rate come down, which is nice. And we've been doing that a lot through really expanding our apprentices programs, attracting talent. Sometimes you have to go outside of A&D to look at like industrial manufacturing, the chemical industry, car manufacturing, companies that have a huge focus on quality and delivery like we do.

So, I feel like we've made a nice improvement quarter-over-quarter on both opening up a couple new facilities in Camden, Arkansas, our hiring efforts have seen a nice improvement, and also the attrition rate's coming down. And we also recently announced that we leased a pretty large building in Huntsville, Alabama, where we're going to transfer some of the inert work from Camden, Arkansas to Huntsville, Alabama, and that will really help with some of the bottlenecks that we've seen recently. So, this team is all over the operational improvements, and a lot of that is why you've seen the nice uptick in the profitability in Q3.

Seth Seifman – J.P. Morgan
Oh, great. That's very good color. Thanks. And then maybe just the last one. Dan, if we look at 2020 and 2021, I think RS-25 was a fairly consistent $375 million or so in sales. And just kind of--you know, we've always kind of thought of that as kind of a steady program going forward. To the extent that there winds up being a shortfall there in 2022, is that something that becomes a catch-up, and so 2023 becomes the baseline sales plus whatever did not show up in 2022, or is that not the right way to think about it and just kind of, you know, $375M going forward?

Dan Boehle
Seth, no, I think that is a good way to think about it. The driver, as we've mentioned, is largely supply chain driven, so receipts of materials. And so that should push into next year and you should see an uptick.

But again, you know, this is a long-term program, and we recognize revenue based on cost to cost. So, it will kind of normalize and flatten out. But you will get some lumpiness when we do receive those materials over time. But, yes, to your general point, I think you can set your 2022 and expect it's going to go up.

Seth Seifman – J.P. Morgan
Right. Okay. Thanks. I'll pass it along and get back in the queue. Thanks.

Dan Boehle
Thank you.

Eileen Drake
Thank you.

Operator
As a reminder, if you would like to ask a question, please press star-one on your telephone keypad. Our next question is from Michael Ciarmoli with Truist Securities. Please proceed with your question.

Michael Ciarmoli – Truist Securities
Hey, good morning, guys. Thanks for taking the questions. Maybe just to stay on the supply chain just for clarification, I mean, Raytheon continues to call out the rocket motor supply chain. They've talked about technical problems and they're not seeing a recovery until first half '24. Is this you guys, or is--you know, they've been talking about this for several quarters now. But can you just give any color there, if these are related to some of your programs or, you know, anything you can provide there?

Eileen Drake
Yep. So, I guess I'll start, and good morning. So, as we mentioned, we took a significant EAC adjustment in Q2, and that was a portion of Standard Missile. And that is supplied to our customer, Raytheon, so that is our piece of that.

As I mentioned, that was the new manufacturing facility I mentioned that we just opened up in October to help with that. And that's where we did have a supplier issue. We had a fire at a supplier. We dual sourced that and now have a second source, so we're up and running. And we opened up the new facility so we could do a catch-up with a second shift, because it's tough to make up that production when you're down due to a major supplier issue.

And also, the big fact why we took the EAC adjustment and spent the money to facilitate a new building and bring new employees in, is because not only did we want to make sure that we caught up on that contract, but we have opportunity, actually, to end the contract early. So, I feel like we've recovered. We have some catch-up, but that's our piece of the Raytheon supply chain issue. And I'm not sure of the other issues that they might be having.

Dan Boehle
Yeah, I'll just --.

Michael Ciarmoli – Truist Securities
--Got it. No, that's--.

Dan Boehle
--touch on your comment--sorry, Michael, about the timing, right? As Eileen said, that particular piece of that program we're working on, we're going to get it ahead of schedule, but that schedule is intended to end about early 2025. So that kind of correlates with the timeframe that they're talking about. But as Eileen says--.

Michael Ciarmoli – Truist Securities
--Okay--.

Dan Boehle
--That's our piece. Raytheon, I'm sure, has…I'm not going to speak for them, but probably other issues on that program of their own.

Michael Ciarmoli – Truist Securities
Got it. No, that's helpful. And then just to be clear from a modeling standpoint, I think last quarter you guys said, you know, mid-single-digit revenue growth for this year. But I think you said it's now more kind of low-to-mid-single because, if you were going to get that mid, it would imply a pretty steep sequential ramp here into the fourth quarter. But just given some of the supply chain tightness, it seems like we should be calibrated towards more of a low single digit growth rate for the year for '22?

Dan Boehle
Yes, for 2022, you're correct.

Michael Ciarmoli – Truist Securities
Okay, got it.

Dan Boehle
But we do see a significant ramp.

Michael Ciarmoli – Truist Securities
Okay, got it. And then just maybe, Dan, one last one just the kind of general inflationary environment. How are you guys managing through this on some of your fixed price contracts? I mean, are you able to pass some of these costs through? Are you having to wait for the next sort of task order, or any color just on--as to how you guys are managing through the inflationary environment?

Dan Boehle
Yeah, you continue to ask this question. I polled the businesses on this question, and we're still not seeing anything significant on an increase from inflation. And largely that's because the majority of our large fixed price contracts are in multiyear contracts right now, and so we have multiyear fixed price POs with our suppliers. And so, we're not feeling that increase in prices. We're on fixed prices with them.

So, again, we will see, as we come through the cycle of the negotiations of the next multi-years, which will start kind of at the end of '24, end of '25, we might see increases in their prices at that time that we would flow upward through our contracts as well, so if inflation continues through that period. But we're not seeing any near-term impacts from it.

Michael Ciarmoli – Truist Securities
Got it. Got it. And you know what? Maybe just as I'm thinking here, one last one just on the backlog, you know, down a little bit sequentially. But can you just maybe characterize what you're seeing in terms of the demand environment on sort of the shorter cycle, call it op tempo tactical systems in the portfolio? You know, you mentioned Ukraine. That going on. There's presumably going to be some significant replenishment here. Do you think you're seeing the demand signals, or should we expect an uptick in whether it's Javelin, Stinger, TOW, anything else that might drive bookings in the coming periods here?

Dan Boehle
Michael, we do see signals there, but those will come through the primes to us. And so, in the very near-term, we don't have any--I think we have one firm order on Stinger, but haven't seen firm orders yet for Javelin and any increases in GMLRS. So, we do expect them to come, and--.

Michael Ciarmoli – Truist Securities
--Okay--.

Dan Boehle
--You know, there's lots of rhetoric around the money that's being put aside for their replenishment. But we don't have firm orders yet, but probably into the next couple of years.

Michael Ciarmoli – Truist Securities
Got it. Perfect. Thanks, guys. I'll jump back in the queue here.

Eileen Drake
Thanks, Mike.

Dan Boehle
Thank you.

Operator

Thank you. Our next question is from Seth Seifman with J.P. Morgan.

Seth Seifman – J.P. Morgan
Hey, thanks so much for the additional question. I couldn't let you off the call without asking, I imagine I will get asked as well, you know, net cash balance at the end of Q3. Based on the Q4 projection, probably a higher net cash balance at the end of the year. Post the convert, how do you think about capital deployment headed into 2023?

Dan Boehle
So, Seth, we are still, as you also may have noticed, we've extended our senior credit facility. The termination of that was going to be September of next year, the maturity. We've pushed that out a couple of years to give Eileen and our board continued time to work out the strategic capital deployment objectives of the company.

So, that is something we're still taking a very close look at. The board has now met twice, and we continue to have those conversations and looking at all the different opportunities that are available to us, whether that be organic growth, inorganic growth.

We do have visibility into--you spoke about the large solid rocket motor opportunities we have going forward. There are some capital expenditures we do need to make to do that. So, we have some internal capital deployment to make, but then we're looking at other strategies and what have you. And again, extending that credit facility that we have right now gave us time to kind of think about what that structure is going forward.

Seth Seifman – J.P. Morgan
Great. Thanks very much.

Eileen Drake
Thank you.

Dan Boehle
Thank you.

Operator
Thank you. There are no further questions at this time. I'd like to turn the floor back over to Eileen Drake for any closing comments.

Eileen Drake
Great. Thank you. And just a few words to wrap up. You can see that we're focused on the right areas to position Aerojet Rocketdyne for continued profitable growth by investing, as I mentioned, in line with our nation's priorities and driving the improvements to our operations.

I'm incredibly proud of this team and the work we've accomplished this quarter. And collectively, we appreciate the trust of our customers, and we remain laser focused on delivering value for our shareholders. And with that, thank you, everyone, for your time today, and enjoy your day. Thank you.

Operator
This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.