



Aerojet Rocketdyne Holdings, Inc

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[0:00] [music]

Seth Seifman: [0:05] Hello. Good afternoon, everyone. Welcome back to the J.P. Morgan Industrials Conference for 2021. We're on the aerospace and defense track here. I'm Seth Seifman, the North America aerospace and defense equity analyst.

[0:19] We're going to continue this afternoon with Aerojet Rocketdyne. We're very grateful that they would come to the conference today. We've got the CFO, Dan Boehle here. Dan, I'll pass it over to you. Maybe you can spend a few minutes giving us a little introduction. Then we'll get into some Q&A.

Dan Boehle: [0:38] Thank you, Seth. I appreciate you having us here today. For the sake of our lawyers, let me start with a brief safe harbor statement. Some of my comments today, may be considered forward-looking statements, and as you know, they're subject to risks and uncertainties.

[0:54] A variety of factors could cause results to differ materially from those expressed in my comments today. I also may refer to certain non-GAAP financial measures. If you would like more information about the risk factors or any of our disclosed financial measures, you can review our SEC filings which are available on our website or on the SEC's website.

[1:15] As just a brief overview of the company, Aerojet Rocketdyne is a two billion dollar high-technology manufacturing company primarily offering space and defense propulsion solutions. We have a diverse portfolio of programs, which are strongly aligned with our customers and our nation's priorities.

[1:31] Our space programs range from the RS-25 engine that will power NASA's space launch system to return US astronauts to the moon and enable deep space exploration to smaller in-space propulsion systems used for maneuvering satellites and other spacecraft. Our defense portfolio includes missile defense, strategic, and tactical systems, which protect our warfighters, our allies, and our nation.

[1:57] Our advanced programs are focused on cutting edge technology and next generation programs like hypersonics, the Next Generation Interceptor, and the ground-based strategic deterrent which will replace our land-based nuclear missile fleet. We also have a real estate segment tasked with monetizing excess real estate that the company owns.

[2:15] With that. I'll hand it over to you, Seth, to begin the Q&A.

Seth: [2:20] Excellent. Thanks Dan. We'll start off talking about RS-25 just because it's gotten fairly large, and it's pretty important. We've seen a lot of growth here in the past few years, probably up to about \$375 million or so last year in 2020. Now that it's reached this level, how do we think about the trajectory from here?

Dan: [2:46] Sure, Seth. The RS-25 is a great program for us. We're now on contract for production of 24 new engines, which add to the 16 engines already available from the space

shuttle program to power the Artemis launches. Four of these engines are used for each Artemis launch. These production engines are expected to take NASA through the end of the decade.

[3:07] The RS-25 program has grown as you mentioned from about 14 percent to 18 percent of sales over the last few years. We expect it to stay about that level through the current planning period. So we do see the program continuing to grow year-over-year in line with our top-line sales growth. You should see about mid-single-digits growth in this program as well.

Seth: [3:33] One of the things that we hear about from the new administration, or I shouldn't say it's from the new administration, a lot of it's from commentary and the press about the new administration is that the prior administration's exploration plans were fairly ambitious in terms of their timeline.

[3:52] That under the Biden Administration we might see that scaled back a little bit both in terms of making a more realistic timeline, but also perhaps given some of the priority on the domestic economy, a little bit of de-prioritization. What impact does that have given what you already have under contract here? What impact might something like that have on Aerojet and on the RS-25?

Dan: [4:19] It's regular for the new administration to review these larger acquisition programs, so nothing new there. We received the contract, as we just mentioned, for the new 18 production engines late last year. We're invested in our Canoga Park facility in Los Angeles area to accommodate that production.

[4:41] The Artemis program has bipartisan support, and President Biden had also expressed his support for the program. We don't see any material impact from the new administration. We're on track and on schedule, and though admittedly it's early in this process, we don't see anything at this point that we are concerned about.

[4:59] Is there a chance that the program, the landing on the moon may move out a year or two? Yes, that's possible. NASA's a great customer, and they understand that the dynamics around a production program of this magnitude are that you can't just stop production. As I mentioned, these are engines that'll be used through the end of the decade.

[5:22] Things may slow to some degree, they might not. As I said, we might not land on the moon in 2024, but we don't expect it to be a material impact on our program as these engines are ordered ahead of time and we need to keep our manufacturing facilities in motion. Like I said, NASA understands that.

Seth: [5:42] When you think about the milestones, what should we be focused on for the Space Launch System and for the Artemis program, maybe in the nearest term is a hot fire test for SLS, maybe if you could sketch out over the next 12 to 24 months, what would be some of the key milestones we should be looking for?

Dan: [6:05] Sure. For SLS and the Artemis program, as you mentioned, the second Green Run hot fire test is the next upcoming big event. That's currently planned to reoccur on March 18th. That will demonstrate the integrated operation of the core stage with all four of our RS-25 engines firing at the same time, producing 1.6 million pounds of thrust for an extended duration.

[6:28] This test will demonstrate that this newly designed and developed core stage is ready for launch. This hardware that's being tested is the actual hardware that will be used on the Artemis I launch.

[6:41] The next steps, as you asked, will be to send this integrated core stage out to the Kennedy Space Center, at which point all of the first flight elements, including the Orion spacecraft, will be at the launch site. Those will need to be integrated and assembled for the first launch, which is expected to occur later this year.

[7:00] It's going to be an uncrewed launch of the Orion. It would go around the moon and back. Clearly, 2021 is a very exciting year for the Artemis program and we're excited to be a part of it.

Seth: [7:09] Excellent. Also in the space area, moving to ULA, we've seen some decline there over the past several years. Should we think that ULA sales have reached a bottom level here at a place where they're sustainable? How does the introduction of the Vulcan affect the ULA sales trajectory for Aerojet?

Dan: [7:43] The decline in the ULA sales over the last couple of years is due primarily to the loss of the AJ-60 motor, which powered the Atlas V program. We provided the solid strap-on boosters for that launch vehicle and lost that program back in 2015. We shipped the last motor for Atlas V, the AJ-60 program, early in 2020.

[8:05] There's no further headwind from that program. There's very little sales last year. What you're now seeing come to an end is the RS-68 program which is the boost motor for the Delta IV and the Delta IV Heavy engines. The Delta IV had its final launch in 2019. The Delta IV Heavy has a few more launches coming up over the next couple of years.

[8:26] We'll ship the last final RS-68 engine later this year. You see some low level of revenue on this program for the last couple shipments of those engines, as well as post-delivery support through the date of the final launches of the Delta IV Heavy. Those are the drivers that declined the ULA revenue. It's RS-68 and the AJ-60 engines.

[8:52] The sales of RL10 for the upper stage of Vulcan will somewhat offset that. Those will increase ULA and keep it about where we're currently burning now. They won't replace the RS-68 and AJ-60 sales that we had in the past at their peak.

[9:12] [crosstalk]

Seth: [9:12] Being able to sustain something around this level when the Vulcan is ramped up?

Dan: [9:22] Vulcan has two RL10 engines per launch. It will stay about probably where we are right now. As I mentioned, the comparison for the RS-68 and the AJ-60, there haven't been that many sales from those programs in the past year.

Seth: [9:42] When we think about ULA competing in that national security space launch area in a competitive way, and Lockheed being one of the joint venture partners in ULA and Aerojet slated to be acquired by Lockheed, how do you think about combining with Lockheed and the potential for that to make the Vulcan and to make ULA more competitive in national security space launch?

Dan: [10:13] Good question. I would say, as part of the acquisition, Lockheed has come out already and stated that it will continue as a merchant supplier. As a result, I don't see our working relationship with ULA changing that much. I'd say that's probably a better question to direct to Lockheed Martin for any further information.

Seth: [10:35] Also thinking about space, we're in a period now where there's a great deal of talk about a new space economy. We have some emerging players in the launch area coming out, and in some cases, raising capital, not doing things typically on the scale that Aerojet does.

[10:57] How do you think about the competitive landscape with these startups? Do you think about any of these as competitors? Do you expect them to move up market? Do you see potential for Aerojet in the future, potentially as part of Lockheed, to compete more with them in the markets that they're looking at? What does the proliferation of new launch providers mean for Aerojet?

Dan: [11:25] Seth, definitely, the space market's become very dynamic. There are a lot of new investors and startups in the industry. In some instances, in space propulsion, for instance, we do see potential substitutes for our products. In most cases, the new entrants appear to be for very niche markets. They're also relatively unproven technology.

[11:46] Clearly, we're paying close attention, and investing as necessary to ensure that our in-space propulsion technology continues to meet our customer expectations on price and performance. In another area, we also see tremendous activity and competition in the small launch, and are even starting to see some movement towards medium launch vehicles.

[12:05] We see that the potential supply exceeds demand. We expect over time to see some winners and some exits. Our approach in this market has been to seek relationships with companies that are well positioned and have strong management.

[12:21] To see if we can combine our expertise and our very successful track record in launch propulsion to partner with these companies to provide reliable, timely, and cost-effective access to space. We see there are opportunities in some of those markets for us.

Seth: [12:41] That would be customers in the commercial realm as well, or all on the national security side?

Dan: [12:49] Listen, our focus is obviously on the national security side. As you said, there are a lot of commercial market entrants. We are open to partnering with them if they, as I said, have a strong management team. We think that we can share our know-how with them.

Seth: [13:10] Maybe moving over to the defense side of the business. I tend to think of Aerojet having a big three of programs there in PAC-3, standard missile, and THAAD. In aggregate, those are probably little over a third of the company's sales last year. When you look out over the next couple of years, how do you think about the path forward for each of those three?

Dan: [13:38] As you mentioned, the big three of standard missile, Patriot, and THAAD, they're all very strongly supported in the DoD budgets. They're expected to remain pretty steady at the current levels of sales throughout our five-year plan period. There may be some incremental growth and sales coming from enhancements and new variants, but these are not significant growth drivers.

[13:57] They just continue to provide a solid, reliable base. We've seen improved margin performance on these programs over the past three years, as the continued maturity of our manufacturing operations.

[14:08] They'll contribute to more margin expansion, which will offset some of the lower margins, the pressure that we'll see on our margins on the development programs that we're seeing in the defense business unit.

Seth: [14:21] When you look at ground-based strategic deterrent, and you think about where that contribution might ultimately shake out relative to those big three, is that something that joins that group over time?

Dan: [14:40] Yes, it'll join the group. It's accretive to sales and profit. It doesn't eat into the work of those big three that you mentioned. The initial word from Northrop Grumman, I can't give you specific size on our award, but the EMD phase award that Northrop Grumman announced last year was \$13.3 billion. The Air Force will later select and award a contract for production phase of that program.

[15:11] The Air Force Nuclear Weapons Center announced that the EMD effort will span eight-and-a-half years. From the EMD phase through the production phase the GBSD propulsion

is expected to be about three to five billion dollars for the life of the program, so EMD plus production.

[15:32] We've been selected to provide two of the propulsion stages, so one half of the propulsion for the EMD phase. This should give you an idea of the growth opportunity for GBSD over the life of that program. Yeah, I'm sorry, I can't give you the details, but given that fact, that should help you size it.

Seth: [15:52] No, that's definitely helpful. The production opportunity would probably be the bigger piece of what's available to Aerojet, and that would come late in the decade as the EMD winds down?

Dan: [16:07] Correct. EMD is about eight-and-a-half years, as was mentioned by the Air Force Nuclear Weapon Center, and then after that the production would start. Northrop Grumman has announced that they expect to begin producing and delivering the GBSD system to meet the Air Force's needs in 2029. As you mentioned, later into the decade is when production will start.

Seth: [16:32] Let's move over to hypersonics, which is a key area for Aerojet, a key area for Lockheed Martin as well. Can you talk about how your efforts there are progressing? Aerojet may not be an independent company where we would see it at this time, but the point at which we would see bigger revenue contributions on the hypersonic side.

Dan: [16:59] As you're aware, hypersonics is a US national security imperative. We have a broad range of world class capabilities, supporting development and production of hypersonic platforms. We're a global leader in this area as we've been investing in hypersonics technology for over 40 years.

[17:18] You may have heard our announcement late last year, that Aerojet Rocketdyne and the Air Force Research Lab made history when an Aerojet Rocketdyne scramjet engine produced record levels of thrust in excess of 13,000 pounds during a series of hot fire tests.

[17:33] Also, late last year, we successfully completed tests as part of a DARPA effort to develop a ground-launched hypersonic missile for tactical use, known as the Operational Fires or OpFires program.

[17:46] I can't talk specifics about programs. We have won more than our fair share of US Government development contracts. We expect that to continue because of our investments in advanced manufacturing processes, facility modernization, and our highly skilled workforce. What I can say is that we are working with the primes on a number of different programs.

[18:06] We also work directly with the DoD to deliver a broad range of capabilities to support hypersonic programs, including scramjets, solid rocket motors, warheads, and missile defense technologies. We're involved in both offensive and defensive hypersonic systems development.

[18:23] As for the technical milestones, we think we've got the right technologies. There's a need to mature manufacturing processes and build capacity to support production of these larger quantities of hypersonics. We're doing our part to build the capacity to scale from development to production.

[18:42] Our investments in the advanced manufacturing facility in Huntsville, Alabama, our Engineering, Manufacturing and Development facility in Camden, and our acquisition of 3DMT in Daytona Beach will enable us to support our government customers' production needs.

[18:55] Through the use of additive manufacturing, we've also been able to dramatically reduce costs and development time for these new hypersonic capabilities. You asked about timing of the

ramp up, you should expect to see significant top-line growth of hypersonics beginning in the three-to-five-year range.

Seth: [19:14] That would be around the time when some of the more experimental efforts that we see right now move into production?

Dan: [19:22] That is our current expectation.

Seth: [19:25] There is between now and then, a period of continued investment in the production capability as you prepare for that.

Dan: [19:37] Yes. As I mentioned, we are working a number of those development programs with both the primes and directly with the DoD. You will see those continued development efforts, and as I mentioned key investments in making sure we have the facilities to transition into production.

Seth: [19:54] How does that fit into the overall capex plan for the company if we think about that three to five-year horizon that you talked about?

Dan: [20:05] Sure. We've begun last year investing and you see that our capex ticked up last year to about three percent of sales. That primarily represents two things. In our LA area, we're investing for the RS-25 program that we talked about in space. Out in Camden, we're developing state-of-the-art advanced manufacturing facilities.

[20:30] That would accommodate the hypersonics as well as the GBSD work that we're talking about now. You'll see that continue through 2021 and then taper off into next year. In the long term, you'll see our capex return to the normal, about two percent of sales, but you'll see that investment continue through this year.

Seth: [20:50] You mentioned being involved in both the offensive side and the defensive side of hypersonics. The defensive side seems like it's probably a significant technical challenge for everybody. A, is that a fair characterization?

[21:10] B, the things that you already do in missile defense in terms of PAC-3 and standard missile, does that become the basis for things that you might be able to do in hypersonic defense or is it just a completely different ball game?

Dan: [21:32] Yes, Seth, you're correct in assuming that defense is a bit harder. However, as I mentioned, we are competing and winning contracts in all aspects of hypersonics, including the defense systems. We're developing enabling technologies for DARPA's advanced hypersonic defense interceptor known as the Glide Breaker.

[21:51] We're supporting the DoD efforts to continuously improve and verify US missile defense capabilities, including development and enhancements on the programs that you mentioned to maintain our edge against the rapidly evolving threat. We provide advanced propulsion technologies to all of the current US missile defense programs that are being used to test, verify, and improve US capabilities.

[22:14] There will be some development from the current existing programs that might be the first stage of hypersonic defense weapons or defense systems. Then, that might evolve into newer products that are beyond what you currently see. That's the expectation.

Seth: [22:34] In terms of the amount of activity that it might ultimately comprise for the company, if you thought about down the line, the offensive side of hypersonics and the defensive side of hypersonics, is there one that you would characterize as a larger opportunity than the other if we looked out over a decade or so?

Dan: [22:55] It's hard to guess right now, Seth. I think it depends upon which of those programs advances quicker and is developed into a program of record. As I mentioned before, I really can't get into specifics around particular programs. Again, we're just focused on making sure that we're a player in both of those arenas. We'd be pretty agnostic to which one goes first.

Seth: [23:27] Stepping back and looking at the whole company from a capability standpoint and an opportunity standpoint, what is the most exciting thing about the upcoming merger with Lockheed and what the combined company would be able to do?

Dan: [23:45] I'm glad you asked this question, Seth. First thing I'll say is I'm happy to announce that last week, our shareholders overwhelmingly approved the merger proposal. That was a good step in the process, which we're very excited about as we've mentioned.

[24:03] The Lockheed Martin acquisition of Aerojet Rocketdyne will benefit the US government customers and taxpayers by delivering more timely and more cost-competitive products. The acquisition will provide improved insight into advanced product requirements in support of national security and civil space objectives.

[24:21] The transaction will actually enhance competition in some significant ways, Seth. It will lower costs because the vertical integration of Aerojet Rocketdyne will remove a layer of profit and generate automatic cost efficiencies, enabling Lockheed Martin to reduce overall costs to the customers. As a merchant supplier, Aerojet Rocketdyne will pass these savings on to all customers.

[24:43] It will also provide enhanced capabilities by bringing Aerojet Rocketdyne and Lockheed Martin's collective resources together, which will integrate and bolster a critical component of our defense industrial base supply chain. It will also provide improved and accelerated innovation. The US faces growing threats from increasingly capable adversaries like China and Russia.

[25:07] Our government customer is calling on industry to modernize technology quickly and to do so within a challenging budget environment. The combination of Aerojet Rocketdyne's propulsion know-how with Lockheed Martin's broader resources and advanced manufacturing capabilities will improve performance on current programs and provide shorter development cycles.

[25:28] This will lead to superior, more affordable products which will be offered to all customers as a merchant supplier. I know that there are some out there claiming that this merger is bad for competition, but that's simply not true. As Lockheed Martin has stated from the beginning, we remain committed to being a merchant supplier across our industry.

[25:48] We'll continue to play fair and be an effective partner for all defense primes. Reduced costs and increased efficiency are pro-competitive, not anti-competitive. Lockheed Martin's competitors have good alternative propulsion suppliers besides Aerojet Rocketdyne and they will not be beholden to us.

[26:08] This also means that we'll want to continue to compete for their business rather than letting rivals win that business. For example, the technology that provides maneuvering propulsion for the nation's ballistic missile interceptors is also manufactured by other suppliers.

[26:23] Aerojet Rocketdyne has a great reputation for teaming with other members of the industry. We're committed to maintaining a fair and competitive playing field as we've always done. This acquisition strengthens the supply chain, which increases program stability and reduces cost.

Seth: [26:44] That's helpful. Thanks. When we look at the financial projections that you guys have talked about, it seems like the company is looking for low to mid-single-digit growth over the

next few years. What would you characterize as the key drivers of that growth, heading into '21, '22, '23?

Dan: [27:10] Over the next several years, the five-year planning period, we do expect to see low to mid-single-digit top-line growth. As I mentioned earlier, that's largely driven by growth in the defense side of the business, although we do expect to see some level of growth in the space business from the RS-25 program as discussed.

[27:29] On the defense side, we have the GBSD and NGI programs, which are expected to start impacting growth this year. Then there's the hypersonics which will follow that. All of these areas are great growth opportunities for us beginning this year and ramping up through the next several years into the end of the decade.

[27:46] The only real headwind we see at this point is the additional step down in RS-68, as I mentioned previously, as we delivered the last motors in that program. As I sum it up, the defense side is growing rapidly with those new development programs, and RS-25 will produce growth in the space side.

Seth: [28:07] You mentioned NGI. When do you expect to see a selection there? The outcome there, is it one team where you have content, or do you have a smaller role on some of the other teams?

Dan: [28:29] I can't talk specifics about the work that we do on each of them, but we are on all three of the programs. We expect that announcement to become out anytime. We were hoping to see it last Friday, didn't see that yet, but we believe the announcement is imminent.

Seth: [28:46] That's one that we've been looking for as well. When you look out beyond that five-year planning period, I know it's hard to project that far out into the future, but this is a pretty long-cycle business. The programs that are going to be around, they're either in place today or they're in the process of forming today.

[29:19] Is that a growth rate that you think is sustainable beyond the five-year period? Is there potential for acceleration, or are there key headwinds that start to emerge?

Dan: [29:35] I would say that that growth rate is our long-term expectation, mid-single-digit growth rate over the long term. There could be acceleration depending upon how many of those hypersonic programs come into programs of record and at what time.

[29:56] However, as you mentioned our business is long cycle, we do have foresight into what the government's budget is in these multiple areas. Unless the budget starts growing dramatically faster, we have pretty good insight into how much growth we have, although that's not to say we aren't trying to win a larger share of business, in that market.

Seth: [30:25] Excellent. From a profitability standpoint, given what's growing, it seems there's a little bit of margin pressure in the near term as a result of maturity and mix. Is that the right way to think about it, and then at what point might that stabilize and potentially turn in the other direction?

Dan: [30:50] We use adjusted EBITDAP as our profit metric. It takes out the variability that can come from the impacts of our post-retirement benefit plans as well as other one-time unusual items. It'll be impacted in the short term, as you mentioned, by the growth drivers. RS-25, GBSD, NGI, and hypersonics are all development-stage programs.

[31:14] Those types of programs are typically cost-type contracts at the start which come with lower margin rates. That new work will drive growth but will put some pressure on our margins.

[31:26] The legacy, more mature, manufacturing programs in the defense area that we mentioned, the big three, you mentioned -- Patriot, Standard Missile, and THAAD -- we'll have to continue to expand those margins to help hold our margin rate pretty flat over the next, probably, three to five years.

[31:48] Later in the decade on these new development programs, as we get to production on GBSD, hypersonic programs, and NGI. Those will switch over to fixed-type contracts. Fixed-type contracts do come with, generally, higher margins due to the higher risk that the company's taking on.

[32:07] I would say later in the decade, you should start seeing margin expansion, but we'll stay pretty flat from now over the next several years.

Seth: [32:18] A little bit of a technical question here on the accounting side. After the Raytheon-UTC merger we saw, Raytheon, as a result of Purchase Accounting rules, reset all of its EACs to zero. Just curious if that's something the accounting rules apply in the same way for Aerojet after presumably being acquired by Lockheed?

Dan: [32:44] Yes. The Purchase Accounting rules under US GAAP apply for all purchase transactions. There will be a reset of the inception to date contract performance rates. From acquisition date forward, it'll be up to Lockheed Martin to determine what the appropriate profit booking rates are going forward.

Seth: [33:03] I wanted to ask briefly about COVID and the impact that's had. Hopefully, we're getting near the tail end of it given the number of vaccinations that have been taking place. What's been the impact on your business? How has it affected your schedules on any of the programs, if at all? To what extent? Is there still any remaining headwinds or risk from the pandemic?

Dan: [33:38] For a much longer discussion on the risk related to COVID-19, you could read our risk factors, but I'll try to give you a brief answer. Safety health and environment is one of our core values. We're committed to a safe work environment for our employees. Like many companies, this pandemic has challenged us.

[33:54] We focused our health and safety efforts on protecting our employees and their families from potential exposure, but also trying to continue to deliver excellent performance to our customers. To the extent our employees could work effectively from home, we've allowed a shift to remote work.

[34:09] However, a significant portion of our employees can only perform their job functions on site. In order to keep them safe, we put in policies designed to provide for appropriate social distancing, mask-wearing, enhanced cleaning protocols, and health monitoring. Through all that, we've managed to pretty much stay on schedule.

[34:30] Since our industry was considered essential, our customers and our suppliers generally continue to operate and perform their missions. However, some facilities have had during that period to temporarily reduce or halt operations due to precautionary measures, safety, illnesses, or for cleaning protocols.

[34:46] Although, none of these temporary reductions or closures have significantly impacted our operations or our financials to date. With the vaccines rolling out now, we expect to make it through the end of this pandemic without a significant financial impact. Knock on wood, Seth.

Seth: [35:03] [laughs]

Dan: [35:04] We do feel pretty confident, and pretty lucky, that we've made it through this pandemic without any real financial impact.

Seth: [35:16] Still all on schedule?

Dan: [35:17] It's still on schedule...

[35:18] [crosstalk]

Dan: [35:20] We've had some temporary closures at our sites and at customer sites, but we've been able to work around that and have remained on schedule.

Seth: [35:29] Excellent. I felt I had to ask because I used to look at the stock a long time ago when it was GenCorp. This was during the real estate boom in the mid [inaudible] and there was a lot of talk about the real estate there. Given the transaction that's about to take place, what happens to that part of the business going forward?

Dan: [35:57] Sure. That is the third leg of our business. Easton Development LLC is a wholly owned subsidiary of the company. We believe it will continue to operate as it currently does. They'll continue to pursue a variety of monetization options.

[36:13] They're exploring how to maximize value through either outright land sales or joint ventures with other real estate developers, residential builders, or other third parties. We know that there's considerable value in the land that we have in the Sacramento, California region. In fact, we were very close to signing a deal just as the COVID-19 pandemic hit us at the beginning of last year.

[36:34] Real estate is probably the one area where we did see some impact from the pandemic, if you talk about schedule or timing because we were close to closing that deal. With the uncertainty around the pandemic, that pretty much put a freeze on development.

[36:52] However, we believe that the result in shift toward remote workers will ultimately be a benefit to us as we believe that Sacramento region in California represents an attractive and affordable alternative to the San Francisco Bay Area, another large metropolitan areas of California. As we come out of this, we hope to see some more activity up there and be able to monetize some of that land.

Seth: [37:16] We're closing in on time here. Maybe we'll wrap up. Again, very much appreciate you being here. Thanks very much for your time and for the insight. Look forward to being in touch.

Dan: [37:34] Thanks, Seth. I appreciate it. Again, you have a nice day. It was nice to meet you virtually. I'm excited about Aerojet Rocketdyne's future. We've had a very good 2020, a solid year, and topped it off with the announcement of the Lockheed Martin merger. We're excited about the future. Appreciate you having us at the conference. Thank you.

Seth: [37:55] Thanks very much.

[37:56] [music]



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