Karman Space & Defense

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Phil Ingle: Thanks, everyone, for joining us this morning. Phil Ingle, Morgan Stanley Investment Bank. I've been at the firm for 25 years. Very pleased to be joined by Jon Rambeau, the CEO of Karman Space & Defense. We've got a little bit over 30 minutes. Before I get started in the questions, and Jon, I don't know if you'd like to add anything to this, just want to bring to everyone's attention that the company did release this morning a set of investor materials that has some details around some commonly asked questions from people in this room and outside around growth, working capital, how some of the M&A acquisitions have been performing. I don't know if you want to add anything to that, Jon?

Jon Rambeau: I think you hit it perfectly. But as we receive inquiries from investors, we think it's important to receive that feedback and respond to it. I think the materials we put out this morning should help to clear up some of the questions folks have had in recent weeks.

Phil Ingle: Great. Well, first question for me, Jon, you've been at Karman now for around 6 months. You've come from an extremely long pedigree history in the defense space at Lockheed Martin and L3Harris for 30 years, so you have got a lot of context. It would be good just to get your perspective, having been in the seat now for 6 months, on what you've seen that you've liked most about Karman. And then also, I don't know if there's one or two things that you've sort of noticed that, hey, this is where some real opportunities are to improve and drive performance.

Jon Rambeau: Yeah, happy to start off with that. It has been a real joy joining the Karman organization. I really enjoyed my time in the defense industry over the last 30 years or so, 26 years with Lockheed Martin and then several years with L3Harris. Great companies, great colleagues there, good friends that I'll have for the balance of my career. But I have to say, coming to Karman was just a completely different and exciting opportunity for me.

And as I've gotten to know the company, what I've appreciated most is the creative thinking, the agility, the drive to continue to perform and deliver. And as I've looked at the company carefully coming onboard, the careful selection of the businesses and the end markets that they're in, the growth trajectories of those end markets, and then the synergies we can unlock by bringing some of those complementary capabilities together, it's an exciting company at a really exciting time where we're seeing significant demand in these end markets.

In terms of areas of focus, I think it's the logical things. The continuing integration of the company. I've gone out and visited every one of our operating locations now. It took me a

few months to make that happen. And I can say that there is significant opportunity to continue to optimize the infrastructure. As you might imagine, having put this business together over a series of years here with about 10 different component companies, some acquired pre-IPO and some we've acquired since. A lot of opportunity to continue to optimize, to migrate work across that enterprise and most efficiently use the capability that we already have. And that's only going to give us lift as we continue to mature and to grow as a public company.

Another area which I'm sure we'll talk about a little bit is as we continue to grow and scale, continuing focus on working capital, continuing to efficiently manage cash and provide a little bit more insight into that as we move forward into '27 and beyond. So, a few things you'd probably expect that are still opportunities for us, but overall, I'm very optimistic about where the company is and I'm excited about the future.

Phil Ingle: Thanks, Jon. That perspective is useful. And you look at the company, you look at the growth numbers you've put up, sort of 50% topline, I think split half/half organic/inorganic. We'll come back to some data points on growth, including the strong book to bill that the company's continued to drive. 30% EBITDA margins, which again, are best in class in defense. All that looks good. Multiples have come down though over the last 6 months. What are investors, if anything, missing and what are some of the misconceptions that people on the outside, you've given your perspectives from the inside, may be missing about the company?

Jon Rambeau: Right, yeah. I know for those of you who follow the stock closely, who are investors in the company, you know the story pretty well. But just to give a little bit of an overview, some of the things that I think differentiate the company a bit and that people don't always understand when they first start looking at Karman. First off, we're not a holding company. Karman was built, as I said, through a series of acquisitions, both pre and post IPO. And at the same time, we don't run those businesses as they were when we bought them. We actually integrate those businesses to operate as an effective unit. We optimize at the enterprise level, whether it's common systems, common processes, and leveraging common infrastructure and factory capabilities across Karman to process work in all of our end markets in the factories that are most efficiently and best positioned to do so.

That's led to some interesting conversations about the importance of organic growth. And we had historically been periodically providing organic growth updates. I think there was a demand from investors for more of that sort of information. On our last quarterly earnings call, we provided a lot more granularity on historical quarterly organic growth. That was really well received. And so, as we go forward, recognizing there are some puts and takes as we move work around the enterprise, I think net it is still valuable for us as a business to offer quarterly organic growth metrics every quarter. We are committed to do that going forward. That's been a really important and valuable set of feedback I've received as the new CEO of the company.

The other thing I would say about Karman is it differentiates us from many of the companies that have entered into the defense tech space. We are not bringing a capability that we've invested in and grown organically and bringing that to market as a prime contractor. Instead, we've taken the approach of being a merchant supplier operating as a first-tier subcontractor to the primes. We're represented on 150 different programs with 150 unique customers. And so that gives us real durability as we see the ebb and flow of individual programs. Because in the end, we're kind of across each of the end markets in its totality supporting virtually all of the customers that compete in those markets as primes. That's a benefit for us. It's a risk mitigator for us.

And we also have tended to largely acquire existing mature production lines that have proven products that are present on existing established programs. And so relatively quick return, relatively lower risk sorts of business. And even as we enter into new development activities, it's typically designing the next generation as something that we already know how to design and something we already know how to build. Risk profile of the company is, I think, very attractive. investors consider what differentiates Karman from some of the others that are out there.

Last thing I would talk a little bit about in terms of understanding is backlog. We did make an adjustment to the nomenclature by which we refer to backlog earlier this year. We changed from the terminology of funded backlog to backlog. And I want to be very clear, that did not change our definition at all. That did not change how we book contracts into backlog at all. We made zero backward-looking adjustments to backlog as a result of the change.

The nuance there is as a first-tier subcontractor, we focus less on whether a program is funded at the government level, and we've always focused on whether we did or did not have a binding commitment to do business from a customer. A firm purchase order, a signed contract, a written authorization to proceed to incur cost and invoice against that cost. Those are the categories of things that go into backlog. That's how we've always done it. That's how we'll continue to do it going forward.

There had been some questions about whether we had taken a more broad interpretation of backlog to include maybe options or IDIQ line items or speculative projections about future work. None of that has ever been in, nor will it ever be in going forward, Karman's backlog. I guess those are probably the top 3 that would come to mind as things that we've been trying to clarify as investors consider moving forward and investing in Karman.

Phil Ingle: That's super useful, Jon. You started -- and obviously, as I mentioned up front, one of the standout features of Karman is a starting point to growth. I've got a few questions growth related. First of all, I wanted to start at the high level. Hypersonics, missile defense, space and launch, submarines, UAS. How do we think about broadly at a big picture level where you see the biggest opportunities on the growth side within the general bucket of priorities that the customer and the market is driving right now?

Jon Rambeau: Yeah, all of the end markets that Karman has chosen to be in, whether it's tactical missiles and integrated defense, which is inclusive of unmanned systems, hypersonic strategic missile defense, maritime defense, space and launch, all of those are seeing generational growth trends, double digits annually, and it's really been a tremendous lift for Karman and we think it will continue to be for some years to come. If you look across those and say what's driving the most growth for the next several years, I would say, first off, it's tactical missiles. I think everyone's aware of the situation. If you picked up the Wall Street Journal this morning, continuing to focus on depleted munition stockpiles and how the nation can replenish those as quickly as possible. So that's going to be a huge growth driver for us.

The unmanned systems part of our business. We have come to market as a merchant supplier for the launching systems to support the small unmanned systems, the loitering munitions that are the interceptors that are being used in Ukraine, for example. We've been a provider to a number of the primes there, and we provide, whether it's a launching system that uses a gas generator to push the vehicle out of a tube, or the small solid rocket motors that can be used to boost those vehicles out of a launch tube, it's not just about providing a tube. It's an integrated system that can be plugged in, drop the vehicle

in, and you go off and you launch it at your discretion. That's an area where we're going to see, I think, significant growth based on demand that we're seeing around the globe.

The third area would be space and launch. The demand for launch far exceeds the launch capacity that exists in the system today. And so, we're working across the providers in the launch area, as well as starting to do more work for space vehicles themselves, lunar landers, satellites, etc. That's another part of the business that we think is going to see tremendous lift in the coming years.

Phil Ingle: And then on specifics, if I look at some of the numbers, I think last quarter backlog was up I think maybe over 80%. Your book to bill. was 1.6 I think over the last year or 18 months, which is obviously very impressive and I think higher than what was guided to at the time of the IPO. I know you weren't there, sort of more like 1.2, 1.3, so healthy numbers. Specifically, how should investors think about the organic growth algorithm, to the extent you're willing to share it, sort of on a numbers level going forward?

Jon Rambeau: I think that we'll continue to see this call it 25%-ish annual organic growth as we go forward at least through the end of the decade. We've been guiding 20% to 25%. We've been historically seeing, on the upper bound of that, very close to 25% or at 25%. And per our guidance this year, that's the track we've been on.

That's what we're seeing in terms of organic growth. And then as we find opportunities for the right inorganic transactions to come in and supplement and expand our total addressable market, we see that as just opportunity for additional upside for growth for the company. But that trajectory we think is going to continue pretty steadily for the next several years.

Phil Ingle: Obviously, impressive numbers. You need to find space to build the path to fill that. How should we think about -- you mentioned you've now had time to go and see all the facilities. How should we think about capacity expansion that's needed and dollars that need to go in the ground and where you're at in terms of being able to have the dollars in the ground and the people on the ground to support that growth?

Jon Rambeau: One of the most significant areas of focus when you're growing 25% a year organically is, how do you keep ahead of that from a capacity point of view? It's facilities, it's about having the right labor base to be able to scale. We're making several significant investments that are underway this year.

We have our largest project that's active is in Salt Lake City. We're putting in a new 200,000 square foot manufacturing facility, which is going to principally provide additional capacity for solid rocket motor nozzles, which huge demand for those right now, as well as significantly more production capacity, about 4x what we have today for those small unmanned systems launching capabilities that I was just talking about. That's one of our most significant projects.

We have a new energetics facility that's being built in Skagit, Washington, which is north of Seattle. That one is in a stage where I would say we have our initial prototyping capability in place, warehousing, test facilities so we can test different propellants on a test stand and capture that data as we look to qualify new materials for advanced applications.

And then we have a smaller energetics facility we're putting up in Cedar City, Utah. And finally, we have a new advanced materials facility that we're building out in the Philadelphia area. Those are major projects that are underway this year. We're actually

going through the process now of framing out what additional capacity we're going to need as we get into '28 and '29. How do we kick those projects off in the January timeframe of '27. We continue to be out there a little bit ahead of need, but not too much further than we need to be.

Phil Ingle: Interesting. A lot going on there on the manufacturing front. I'll come back to that now on the margins, just to switch gears. Firstly, mentioned up front obviously, the 25% organic growth, attractive, very attractive relative to a lot of the rest of the peer group. The margin profile is also attractive at 30-odd percent, although I did notice I think in the last quarter it was down 70-odd basis points. What was the driver of that? Was it M&A mix shift? Was it some of this capacity expansion that's going on? And just as a general starting point, how should the investors in this room think about how those margins evolve over time, both with the growth and then the investments you're making in capacity?

Jon Rambeau: Yeah, I think we'll see margins continue to hold relatively steady at around that 30% EBITDA range where we have been historically. There's been a little -- I think we peaked in the 31% range, which might be I think the relative delta from prior year. But still, this past quarter, I think we came in just about at 30%. And as we look forward, we're continuing to hold that projection.

We are looking for operating leverage. We are looking for those efficiencies that I talked about as we look to move work around the enterprise to maximize the available infrastructure that we have. And as we do those things, I'm looking to create financial flexibility, and it would be to support several things.

Number one, how do we make sure that we have some financial contingency so that if we do get ourselves into a situation where we feel we have to reduce our pricing a little bit on a particular customer, whether that's to keep a significant piece of business sold or whether that's to win something new and strategic for the company, that we have the ability to offset any additional margin pressure we might take on an individual job and to offset that with some of that flexibility to hold at the enterprise level, are margins consistent?

Number 2, do we have additional flexibility because we've created that financial benefit to be able to invest more quickly into the business to be able to scale even more rapidly than we are today? Or finally, do we have an opportunity to provide some additional margin lift at the bottom line?

Those are the 3 things I'm keeping in the back of my mind. But first step is to create the financial flexibility so you can make those choices. And obviously, those choices would be traded off in terms of what is the long-term best value answer for the shareholder.

Phil Ingle: And then tying both into the growth piece and margins is LTAs. And different companies in the sector think about LTAs differently. There's the positive of having the visibility. There's the negative of many LTAs' I've got sort of price locked in as opposed to PO to PO and be able to drive it. Philosophically at a starting point, how do you think about LTAs and how much do you want? Do you want LTAs everywhere, nowhere, mix? Just as a starting point, how do you think about LTAs and the importance thereof or not?

Jon Rambeau: Yeah, generally for Karman, LTAs are going to be a very good thing. Of course, there may be some circumstances where it may not be the right decision for the company, but as I talked about earlier, given the risk profile of what we do, these established long-running production lines, higher volume, relatively quick-term product, the cost of

producing those products relatively well understood. For us, that certainty, whether it's a 5-year space and launch LTA that we closed in the second quarter and announced, or whether it's the 3 long-term missile LTAs that we're currently working through with the primes in support of the Department of War's priorities for replenishment of the stockpiles.

Those LTAs are going to be very good for Karman. It'll provide us long-term visibility. It'll provide us assured pricing. There is appropriate escalation that'll be included annually via some kind of an index that we'll be able to link to give us that escalation annually to cover inflation. And it'll give us the opportunity to operate more efficiently, level load the factories, and to lock in our supply chain with advantage pricing as well. I think the benefits are significantly in excess of the challenges there. We just have to make sure that we understand each one of those quite well before we lock them in.

Phil Ingle: You answered the question I was going to follow up on that, which is the dynamic in your LTAs around -- because some companies elsewhere had gotten upside down, particularly in a world of inflation, on the cost piece. But it sounds like you've got appropriate protections there around inflation on the cost side of the equation to maintain margins.

Jon Rambeau: Yes, yes. It's my understanding at the prime level is these framework agreements that have been put in place between the government and the primes, as those are implemented, there's an appropriate escalation clause that's part of those. My understanding is those will be in ours as well when they're finalized, so I think that's the right answer.

Phil Ingle: Yep, that makes sense. And then you talked upfront, and I mentioned the materials that were released this morning. Also talk about, which I know you've gotten questions around, which is working capital. How should we think about that piece of the equation? And specifically, noticed as you've grown the contracts asset side of it, the balance sheet has grown. And so how should we think about where you are today on a working capital front, how that looks going forward, and then obviously how that therefore relates to the conversion of the EBITDA down to cash flow?

Jon Rambeau: Yeah. Working capital, as some folks have noted in our conversations, on an absolute level has been increasing as the company has grown. What we're most interested in is, proportional to topline revenue growth, how is working capital trending? And so if we look at something like contract assets and inventory for example, those are continuing to come down as a percentage of topline revenue. And also, if we look at it on a days sales outstanding or a DSO basis, we were at I think 111 days for contract assets at the time of the IPO. We're down to, I believe, 94 days sales outstanding now, so we are getting more efficient as we continue to scale the company. And we have more work to do as we continue to move forward and drive that down.

As we were growing the company in the early days, revenue and EBITDA were really the primary metrics we were driving toward. It was capture the growth, make sure we're capturing profitable growth that's going to give us long-term lift in the business. And we recognize also as we grow and mature as a public company, cash also becomes an important validator that the strategy of the company is actually yielding results. And so we have committed to deliver positive cash in the second half of the year. We're on track to do that. And as we move into '27, we will be providing specific guidance around cash flow expectations for the coming year and beyond.

And we also are going through an exercise now of developing our first ever 5-year

financial plan. We're going to be doing some very long-term planning for the business. We're going to focus on efficiency and working capital more significantly than we have in the past. And we are also going to be including cash as a metric as part of our executive compensation plan beginning in 2027. Where historically it's been, as I said, driven more around revenue and EBITDA. Those 3 will all become important as we move into next year with cash being a new component.

Phil Ingle: That makes sense. Because I know some of your previous employers, including Lockheed and L3Harris, for those companies, working capital has been extremely focused on metric and free cash flow. It makes sense as Karman has matured and has become a larger company, that that should also be a place for you to focus the rest of your team on.

M&A. You talked about the sort of general algorithm as you think about growth going forward, which is the 25% organic growth and then 25% sort of 50/50 split if you want to M&A as well on top of that. You've also talked publicly about sort of one to two deals a year, $5 million to $15 million of EBITDA, ideally around 10x multiples. And so far since the IPO, I think you've been on track for that, maybe actually a little bit ahead, 2.5 sort of deals a year if my math is correct. So, understand the framework. How should we think about the sorts of companies that you're looking to pull into the tent and how should we think about how healthy the pipeline is and the funnel is and sort of what you've got set up to continue to drive that M&A profile going forward?

Jon Rambeau: Yeah. Happy to. Right now we have actively -- I mean the pipeline is always significant if you look across the breadth of what's out there. We typically focus on evaluating actively 3, 4, 5 at a time. And some of those come to fruition and some of those for a variety of reasons don't. They have to pass through a series of screens in order to be the right candidate.

We start by looking at the end markets, and aside from the strategic move into maritime defense, otherwise we have stuck very carefully to those end markets because they were chosen based on specific growth trajectories and opportunities that we saw for consolidation within those segments. So we look at the end market, we look at the degree to which the capability has discriminating intellectual property associated with it, advanced technology, manufacturing IP, design IP, both. And then we look for the growth trajectory of the business has to be right, the margin profile for the business has to be right. And if it passes through those screens, then we'll move to the next step of discussions.

Typically, we are buying, and I think exclusively since we started Karman, all of the businesses we bought have been outside of a bank process. We don't generally go into these auction scenarios that oftentimes will drive the price of the property up. We tend to reach agreement at a very reasonable multiple. And we provide some detail in it in the package that we released, but 10x is kind of the multiple that we look to close out, or maybe even a little bit better than that at times.

And then we also look for businesses that are family-owned, founder, first-generation-led businesses. Because those businesses tend to want to be part of Karman, not just for financial reasons. The owners of the businesses care about what happens to the employees down the road, and they see the opportunity to bring that business into Karman and be part of something special and to grow together for the future. And many of them have continued to stay involved in the business at some level after the transaction has been closed.

There's a very specific profile and success formula that we look for, and we'll continue to hold ourselves to that pretty carefully as we go forward. Now, as the company continues to grow, we look occasionally at businesses that are a little bit larger than that, $5 million to $15 million of EBITDA. We have a couple out there that are a little bit larger. Nothing that I would say is serious and near to the boat at this point in time, but we're going to gradually expand our horizons as we look to the future.

And we also, with the recent acquisition of Walker in the UK, have made our first international acquisition. And we're looking at opportunities to grow the company. One opportunity is to go up market and become a prime contractor, which we think is not the best answer for Karman. We are a good partner to the primes and we want to continue to maintain good positive relationships there as a partner, not as a competitor. But the opportunity to drive the Karman model laterally and to start to access the international markets I think is a great opportunity. Europe certainly is a great place for us to have a beachhead now. We're also looking at places like Australia and potentially Canada.

Phil Ingle: Yeah, very thorough answer, and you actually included in a lot of the follow-ups that I had. One which was how you'd potentially think about larger deals, and obviously it's a consideration, but it doesn't sound like there's anything that at least right now is in the sort of transformational bucket. And then two, I was going to ask you about Walker, which was your first foray into Europe. Maybe a follow-on to that, 2 follow-ons. First of all, the pipeline, as we look at it, how much of that pipeline that's out in the future is weighted to those international regions versus the U.S.? And secondly, how should we think not just M&A wise, but about your broader Europe strategy?

Jon Rambeau: Yeah. I would say the pipeline, if you just look at the number of businesses we're looking at actively, I would say we're still north of 75%, 80% U.S. domestic content in the end markets we support today. We do have one or two that we're looking at that would be non-U.S.

There's not a huge pipeline in Europe at this time. We just closed the transaction with Walker a couple of weeks ago and what's important to me now is to make sure that the initial integration activities come off without a hitch. We have to close Q3 from a financial point of view and make sure that gets wrapped up. We have some IT integration. We have to make sure we put the right export controls in place between the two parts of the business so we don't get ourselves into trouble there with the export regulations. So, there's a lot of work to do to get Walker plugged into Karman.

Now, as we move into 2027, I would anticipate we'll start looking a little bit more actively at what else is out there in Europe. And we did acquire Walker with the view that this is a business that's performing well today. It's well positioned in the European missile market with the European missile primes. They have good content in seekers and guidance systems on those programs. Seekers and guidance systems is a capability that Karman has not had historically, so they bring a complementary capability in the right end market. The growth trajectory, the right margin profile.

And what I also like is that there had been some work done by the prior owners of the business to bring in a very professional management team to Walker. That is a team that we believe has the capacity to take on more over time. And so as we think about incremental acquisitions in Europe, we think those could be managed effectively by the leadership team that's in place there. We're pretty excited about that. There was another part to your question.

Phil Ingle: How do you think about Europe generally in your strategy, not just M&A, but company-

wide, the European strategy going forward?

Jon Rambeau: Yes. This is an area where obviously with European defense spending on the rise, it's a place we want to have a footprint. Walker helps from that point of view. And certainly we can continue to participate in the programs that Walker is a part of today. We have opportunities to bring other Karman capabilities to Europe. There is additional capacity in the Walker manufacturing footprint today.

For example, as the U.S. primes are looking at localizing in Europe to sell more of their capabilities into the continent, there are opportunities for us to take things we do for them today in the U.S. and to localize those things in our European footprint. I think that's something that can be a benefit. And there are also opportunities to bring Walker capabilities to our U.S. customers. And in fact, some of Walker's work today through the European primes ultimately finds its way back into U.S. domestic programs. I think there's a lot of opportunity to take advantage of the combination of the 2 organizations to leverage in both directions.

Phil Ingle: Well, out of interest, how did Walker come on your screen?

Jon Rambeau: It was relationship-based. It was relationship-based through some of the other businesses we'd acquired over the years. There were some common relationships and we got a phone call. And it was, before we go to a bank process, there's a company here that's interested in selling. We think it could fit the profile of Karman. Would you be interested in taking a look at it? So it happened, it happened pretty quickly, and it ended up being I think a good deal for everybody.

Phil Ingle: And then one last question on M&A, which is obviously integration is an important part of it. How is the integration going on the acquisitions you've done? And how should the team think about the tools, personnel, people, and systems you've got set up internally to make sure that the deals you're doing are being integrated right and then lining up with the growth algorithm in the business going forward and also the margin profile?

Jon Rambeau: Yeah, that's something we put a lot of attention toward at Karman. We've put together what we call the Karman operating system, which is a common framework of IT infrastructure and ERP system, personnel systems, factory management software. And we are deploying that across these acquisitions in a phased approach as we bring them into the company. That was something when I came in the door that I looked at and I said, wow, that's a lot of progress for a company the size of Karman that's growing as fast as they are to have done that diligence and thought that through.

And we're continuing to mature that strategy every day as we work as a management team to continue to integrate the business. We're putting in place a talent management framework in Karman. We're getting to the point where we want to start thinking about rotating executives and leaders around the company and we're doing some of that already and there's more to be able to do.

And then fundamentally, if you look at just the bottom line results, the acquisitions that we have executed on are meeting and in many cases exceeding expectations. The Seeman Composites acquisition has performed substantially better than we expected at the time of the acquisition. Both in terms of the backlog they've delivered, the growth of the business, and the bottom line profitability. Which we anticipated there would be a margin headwind because of the cost type work that they have in Seeman Composites supporting the Navy. But actually, they've been able to offset a lot of that and that's been a real plus for us. Generally speaking, we've done well with the integration, and it's going to

continue to be I think a best practice for us as we move forward to continue to keep doing what we're doing.

Phil Ingle: Yeah, that's very positive. I guess -- and by the way, Jon, I say this very genuinely, very thorough, detailed answers. There may not be follow up in the room, but let me offer it up to anyone in the room to see if there are questions. Christine, maybe there's one from you?

Unidentified Speaker: Hey Jon. Awesome. Thanks. By the way, it was very helpful to hear you clarify the order book and your approach to how you're defining backlog and not including IDIQs. But I guess when you look at the opportunity, you've got multi-year framework agreements being discussed by the Department of War, you've got varying degrees of maturity in some of these discussions. It seems like the Tomahawk has moved farther along than some of the other contracts. But if you take a step back and look at all these opportunities as a whole, can you start quantifying how large this opportunity could be relative to your existing backlog? And then also, what does the CapEx requirement for that look like if these things materialize into definitive agreements? And what kind of -- I'm assuming you'll get cash advances up front, so it would be just helpful to understand. I think right now with the uncertainty with the funding, people are hesitant to talk about the large opportunities, but this is a big elephant in the room should they materialize. Any comment there would be helpful.

Jon Rambeau: Yeah. Yeah, happy to. Where we are with those discussions now is we're moving through the process. I think in the beginning of the year, we had talked about 4 contingent supply agreements. One was a space and launch customer, which we subsequently completed negotiations and booked in the second quarter. The other 3 are related to those missile framework agreements. And 2 of those 3 are call it multi-part number sorts of long-term agreements that support multiple different missile platforms. So there's a lot of complexity in those and there's a lot of opportunity in those.

And we will see 2 things. We will see the annual run rate of business go up substantially because the volumes on an annualized basis are going to be higher than what we've built historically for those missile programs. And also, the duration of the contracts of course, just substantially longer term. And it does look like at this point in time, we're on track to be able to secure those multi-year commitments up front. Which is I think what the primes would prefer because they'll be able to lock in their supply chain and have that certainty over the duration of those framework periods of performance.

And also, we think for us it's great to have the certainty. And if those are firm contracts that have minimum annual quantities, then those minimum annual quantities that are guaranteed and contractually committed would go into our backlog. Anything that was upside to that of course would not. But it will provide us with, both on an annual basis and certainly over a much longer term, a lot more certainty around the backlog.

Phil Ingle: Any other questions from the room? Otherwise, just one last question from me, Jon. And that is, just as a general question at the end, sort of putting everything together, what is sort of one key takeaway that investors should take away from this conversation and just generally about Karman? And then maybe as a sort of second part to that, what is one sort of risk that the street may be underwriting that you think they are over indexing on or shouldn't be indexing on?

Jon Rambeau: Yeah, I guess what I would say is, my takeaway for investors is Karman is a highly differentiated business. We're a merchant supplier across virtually every prime in the end markets we support. The businesses that became part of the company have been carefully

selected for their growth and margin profiles and discriminating intellectual property that came with those businesses. And so I do think we're differentiated from many others that are out there. and I think we're going to be a really good bet for the long term.

One of the things that I think is an area that we've gotten a little bit of feedback on is that there is a very positive value proposition for Karman. The data that's been put out there to date has been supporting that thesis. And at the same time, as we continue to put quarter by quarter by quarter on the board, there's a greater and greater sort of legacy of performance that we'll leave behind us.

We have met and in most cases exceeded the commitments we made at the time of the IPO. We're just going to continue to build that track record of performance, and I think that's just going to naturally continue to raise investors' confidence. And last but not least, we're going to continue to take your feedback and provide you as much transparency as we can so you have insight into some of the questions that you've been asking us. I appreciate the continued engagement and feedback and thanks for being here this morning.

Phil Ingle: Well, thank you, Jon. As I said, very thorough answers. Appreciate you joining us here for the Laguna Industrial Conference. Hopefully this is the first of many attendances to come. But we appreciate the time and thanks to everyone for listening in here. Thank you.

Jon Rambeau: Thank you.