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<<Sheila Kahyaoglu, Analyst, Jefferies LLC>>

Thank you. Thanks everyone for being here. My name is Sheila Kahyaoglu with the Jefferies Aerospace, Defense and Airlines Equity Research team. We have the Karman team here with us, Karman Space & Defense, Jon Rambeau, who's the CEO. Jon, thank you so much for gracing us with your presence and allowing us to visit some of your facilities as well earlier this year. So maybe just to kick it off, for those who aren't as familiar with Karman, what do you guys do? You've grown tremendously, 24% organic growth in Q2, and you kind of started this defense tech IPO wave. So, can you give us a quick background on Karman and how you're growing so much?

<<Jon Rambeau, Chief Executive Officer>>

Yes, I can. That's a great place to start. So for those who aren't as familiar with the company, we've been a public company now for, call it 18 months or so. We've got about five, six quarters under our belt, and the company has performed consistently and has had very strong performance since the IPO. So just a little bit of backward-looking performance here. We have, both from a top line and a bottom line point of view, we've exceeded consensus on both metrics every quarter since the IPO and continue to remain focused on that very strong performance. The company was put together around the strategy to be a merchant supplier across the four end markets that we play in. Those four end markets being around space and launch, maritime defense, tactical missiles, hypersonics, and strategic missile defense.

Those are high growth markets that were specifically targeted as areas for Karman to acquire established businesses with established product lines and capabilities that were IP rich, that were competitively protected to a certain extent, and would provide us a strong foothold from which to grow in those end markets. So since the time of the IPO, we've continued to execute well from an organic growth perspective, about 25% a year organic growth has been our performance. That is our projection as we look forward. Industry leading margins at about 30% EBITDA margins as we have seen since the IPO and as we continue to look to the future. And then the companies we have acquired since IPO, there have been five, those are also performing comparably to the base business. So the company overall has continued to have a very positive outlook. I feel good about the future, feel good about our guidance for this year and the years to come.

<<Sheila Kahyaoglu, Analyst, Jefferies LLC>>

That's great. 25% organic growth is nothing to sneeze at. As you think about that multi-year outlook, how do you think about the drivers to get to that double digit rate?

<<Jon Rambeau, Chief Executive Officer>>

Yeah. All of the end markets that we play in, again, because we chose those very intentionally, have very strong growth vectors. The areas that are strongest are in the missiles and munitions area, and a lot of that growth is very clearly laid out as part of the Department of War's priorities around the Munitions Acceleration programs, or MAC programs, as they are often referred to. Second area I would mention is the space and launch area. We do support all of the established and newer entrant space and launch providers, so that's an opportunity for us to see significant growth as we continue to see the resurgence of the space economy. And then the third area that I see as a primary vector for growth is around unmanned systems, whether we're talking about unmanned systems, platforms, loitering munitions. There's a whole category of systems that typically are launched from a relatively standardized tube-based launching system, and Karman has a very strong position across a broad range of providers there in that unmanned system space. Those are probably the top three, although again, all of the end markets are very strong.

<<Sheila Kahyaoglu, Analyst, Jefferies LLC>>

That's super helpful. And maybe just to double-click on the missiles growth, how do you think about what Karman offers and how the demand will be sustainable given the frameworks, but how do you think about Karman's offering across the platforms?

<<Jon Rambeau, Chief Executive Officer>>

Yeah. We have a very broad footprint across those platforms. The missile work that we've done is very well established, in many cases, single and sole source positions. And recognizing where the trajectory of this end market was headed, Karman has leaned in and made commitments to expand facilities, expand our investments in equipment and personnel so that we are on a trajectory to ramp at or beyond the rates at which those overall programs are going to ramp up. We've gotten a lot of questions about whether there's going to be second source activity in the missile market, and what I can tell you is that we see this much more as an opportunity for Karman to play offense rather than play defense. Of course, we're always concerned about making sure we continue to be competitive and capitalized in order to support our customers' demand signals.

We think because of the proactive steps that we've taken and because of the active dialogue we maintain with our customers, there's not significant risk at this point in time that we're going to see erosion of Karman's current market share. What we are seeing is opportunities for us to go on offense where others in the supply chain haven't been able to keep pace or meet quality expectations, delivery expectations with our customers. And so we've been invited in a number of instances to either be in the qualification process or being evaluated for possible qualification to be a second source to other supply chain partners at this point in time. So it's a great opportunity for Karman to continue to do what we've already been doing and expand that across the end market of missiles and hypersonics.

<<Sheila Kahyaoglu, Analyst, Jefferies LLC>>

Do you disclose your market share?

<<Jon Rambeau, Chief Executive Officer>>

We don't disclose market share per se. We do break the revenue in our portfolio down by end market, but we don't talk about market share. We have at times, I think, talked about our percentage of the total bill of material on some of the platforms. I think that's about as far as we've gone. I'm looking at Steve. I don't have that number off the top of my head.

<<Steven Gitlin, Senior Vice President of Investor Relations & Corporate Communications>>

3% to 5%.

<<Sheila Kahyaoglu, Analyst, Jefferies LLC>>

Steve, I missed you in this packed room, so I apologize.

<<Jon Rambeau, Chief Executive Officer>>

3% to 5% of the total bill of material of an average missile.

<<Sheila Kahyaoglu, Analyst, Jefferies LLC>>

And as we think about qualifying as second source or being the on-time deliverer of products, how do we think about that process to get qualified?

<<Jon Rambeau, Chief Executive Officer>>

It’s an extensive process. I mean, you’re talking minimum 18 to 24 months and that assumes you are putting some focused attention toward it. So it’s not something that a customer is going to enter into lightly. It’s not something that is cheap and easy to do. It is something that’s going to consume management attention, that’s going to consume some resources, and there could potentially be some negative cost synergies as you divide your work across multiple suppliers.

So as a prime customer, which I was for 30 years, I can tell you, your first priority is not going to go second source a green supplier who is investing to get ahead of the capacity demand. You’re going to be focused on the suppliers who are not keeping pace. And so while it’s something we always need to continue to watch, it is an extensive, time-consuming, tedious process to go through qualification. It can’t be done overnight, and I don’t have any evidence to say that there is any active process going on right now to qualify new suppliers for the work that we are doing today. We’re seeing the opposite, which again, is us being given the opportunity to do that for others.

<<Sheila Kahyaoglu, Analyst, Jefferies LLC>>

How do you think about your capacity to deliver on missiles relative to what you could potentially expand as well?

<<Jon Rambeau, Chief Executive Officer>>

I feel very good about our capacity to deliver, and I'll tell you why. We have a facility in Huntington Beach today that is continuing to scale up and is certainly getting a little bit tighter on space, which is why we have already taken the initiative to lease a new 200,000 square foot manufacturing facility in Salt Lake City. And the primary product lines that will be moving through that factory are some of the missile components that are currently being produced in Huntington Beach, as well as the launching systems for unmanned vehicles. So those will be the two primary product lines in that facility. We will also have some additional capacity there, but that's what we're doing, again, just to get out ahead of the demand curve and where we see things headed.

<<Sheila Kahyaoglu, Analyst, Jefferies LLC>>

That's in, sorry, Huntsville?

<<Jon Rambeau, Chief Executive Officer>>

Salt Lake City.

<<Sheila Kahyaoglu, Analyst, Jefferies LLC>>

Salt Lake City. Sorry, Salt Lake City.

<<Jon Rambeau, Chief Executive Officer>>

Salt Lake City, correct.

<<Sheila Kahyaoglu, Analyst, Jefferies LLC>>

Okay. And that’s where you could increase launch capacity by 4 times?

<<Jon Rambeau, Chief Executive Officer>>

Correct.

<<Sheila Kahyaoglu, Analyst, Jefferies LLC>>

And solid rocket motors by 2x. Got it. And so how does the capacity come online, I guess? Is it just all available today to start winning second source share?

<<Jon Rambeau, Chief Executive Officer>>

The capacity will come online gradually. We’ll have initial production capability for solid rocket motor components and launching systems by the end of this year. It will not be at full rate at that point in time, particularly even as you think about an existing supplier producing a missile

component in a new facility, just the fact that you are moving to a new facility requires some level of qualification of those same processes in a new facility with new equipment. So we'll start the qualification process for some of those missile products at the end of this year, and we'll be producing some of the launching systems there by the end of this year, and we'll gradually ramp up over time. The other thing that we are looking to do in Karman, as we continue to scale and integrate the company, is to look at opportunities for optimization and consolidation.

So as we have smaller facilities that are reaching capacity, we're starting to make some of those trades to say, if we have additional capacity that isn't going to be immediately consumed, should we look at consolidating some of those smaller footprints and taking advantage of the newer, larger facilities and newer equipment? So that's something we're actively studying.

<<Sheila Kahyaoglu, Analyst, Jefferies LLC>>

And how do you think about your economics on your sole source equipment versus as you look to secondary source some supply and help primes out, and you already have the capacity built out?

<<Jon Rambeau, Chief Executive Officer>>

I don't see any overall, call it, meaningful increase or decrease of margins. On average, I think we'll be positioned about the same as we are today. That being said, if we're looking to push our way in as a second source in a product line that we see as strategic, we might go in at a more aggressive bid position and recognize then over time, we would look to get ourselves to what we would see as our Karman appropriate margins on those products. There are always opportunities, too, to look for efficiencies on existing programs and find offsets that can counterbalance those challenges that we might want to consider for strategic reasons. So again, no real meaningful change in margin profile as we look to the future at this point in time.

<<Sheila Kahyaoglu, Analyst, Jefferies LLC>>

Got it. And as you think about Golden Dome missile defense, the business has grown pretty significantly within hypersonics and strategic missile defense. How do you think about where you could add content? You have products across nozzles, motor cases, energetics, and other propulsion components. Where do you think you could add adjacencies?

<<Jon Rambeau, Chief Executive Officer>>

Yeah. That's something we talk about quite a bit. When we talk about Golden Dome as a program or as an initiative, that's something where you likely will not see announcements from Karman saying, we have received a Golden Dome contract award. The way we see Golden Dome money or business coming in our direction would be through increased buys on the existing interceptor programs that we have today. So what you may see instead is we've increased our forecast for production on THAAD or PAC-3, for example, in the coming years, and that's derived from some increased volume that is coming through Golden Dome. So we

certainly would see a secondary effect of Golden Dome and some lift there. Although I don't know that we'll ever have a program that is expressly called out as Golden Dome.

We continue to see opportunities to expand our offerings in the end markets that we support today. We look for IP-rich capabilities that offer a differentiator in the end markets that we support that might be adjacent to some of the assemblies we provide today, so we can thicken ourselves up a little bit, provide a more integrated subsystem to a customer. And that's really what Karman was built around, is this idea that we could become a more agile, responsive, better capitalized supplier that's more thoroughly integrated within an end market that can add more value to the prime contractor, so they do not have to buy so many small subcomponents from small companies and integrate them all themselves. We can do some of that work and that heavy lifting for them. So we continue to sort of pursue that strategy of incremental acquired capabilities where it makes strategic sense for the business.

<<Sheila Kahyaoglu, Analyst, Jefferies LLC>>

And in terms of going back to your production, as we think about high attrition, nature of loitering munitions and global conflicts, how do we think about how you are designing those production lines? Is it mass production lines? Are you changing the way you produce?

<<Jon Rambeau, Chief Executive Officer>>

Generally, our production facilities are adaptable to support a number of different products within a broader product family or capability area. So just to give you a very sharp example of where the value of Karman can be unlocked is we talk about the Seemann Composites business that we purchased in Gulfport that was earlier this year. Fairly large company, very heavily penetrated in maritime defense, and that was principally the end market that they've supported. Since we've acquired the business, we've evaluated their capabilities, and we've found that they have had capacity through additional shift work to take on work from other parts of Karman. So we've recently started putting some of our space and launch business into the factory in Gulfport to take advantage of that additional capacity. So I think there's some real opportunities there to continue to optimize the business as we bring the pieces together.

We're not taking a holding company sort of approach to Karman, and I think that's a distinction that may sometimes get lost as we talk about the company, as it's not a business that's in the business of buying things within these end markets and holding them and letting them perform as they historically have. We are actively integrating the businesses, bringing them together, looking to move capabilities and capacity across the business to take full advantage of the capabilities of the entire company.

<<Sheila Kahyaoglu, Analyst, Jefferies LLC>>

Since you mentioned it, I'm going to ask a follow-up there. Your history has been 20 plus years, I think, at Lockheed, although you don't look it, and LHX for four years. How do you think about coming to Karman, which is a relatively new organization, and where they are in their integration process as well in terms of RFP, internal systems controls and manufacturing lines?

<<Jon Rambeau, Chief Executive Officer>>

I’m incredibly excited to be a part of this company. I have to say that. I spent about 30 years as a prime, 26 years at Lockheed Martin, four L3Harris, and I enjoyed those years. Good companies, good people, a lot of good friends and colleagues in those businesses. And at the same time, coming to a company like Karman that's where it is today, that's been purpose-built to address specific problems for our customers in these targeted end markets, and to be able to build that from the ground up and to find this company as I walk in the door that I don't feel like there's anything that needs to be beaten down and built back up. You have a lot of folks who have come together.

The owners of these businesses have sold to Karman because they believed in the vision, because they're excited about the opportunity that presents for their workforce and their business for the future. Many of them have stayed involved in the business in one capacity or another. There's a tremendous amount of creativity, adaptability, agility, enthusiasm and energy about what we can build as a company. Now, I will say the folks work hard. They do. They work very hard. When you're going to deliver 25% organic growth quarter by quarter by quarter by quarter, year-over-year, it's hard work. At the same time, the folks are energized, they're excited.

We've brought some very well experienced folks on to continue to augment and build out the management team of the company, folks who have strong public company background, but still have that sort of disruptive, small business mindset, if you will. And so we've brought the right blend of talent, the right blend of leadership, and I couldn't be more excited to have my next chapter in my career be here at Karman.

<<Sheila Kahyaoglu, Analyst, Jefferies LLC>>

Great. Maybe just moving on to tactical missiles and integrated defense systems. The business grew 55% in the last quarter. How do you think about, we've talked a lot about missile production, UAS and counter-UAS demand, and emerging programs as well? What's driving that 55% growth, whether new or existing programs.

<<Jon Rambeau, Chief Executive Officer>>

Yeah. The 55%, I mean, if you look at how that business is trending right now and what’s really driving growth, it really is, first and foremost, the replenishment of the munition stockpiles and the really aggressive push from the department to, at the prime level, dramatically increase production output of those major product lines. So that is where the significant demand signal is for the immediate future. That is where the most crisp and clear long-term demand signal is in the business. We can look out seven years and have a pretty good idea of where these product lines are going. So I think that’s where we’re seeing the first priority and the biggest driver of growth. What has also been interesting, though, is I anticipated there might be some decline in demand for some of the next-gen programs, hypersonics, advanced materials to support those projects.

And in some cases, we‘re actually getting requests from customers as well there as to whether we can accelerate some of those initiatives to get some of the next-gen systems in place. So there’s going to be a continued strong pull for the legacy capabilities. There’s going to be some continued focus and attention toward next-gen systems. And then there’s also – there are going to be new categories of capability that I think will emerge. We’re seeing this push on sometimes the term affordable mass is used, which is think about the smaller man-portable loitering munitions that can take out the lower end drone systems, for example, that we’re seeing in Ukraine and in the Middle East right now. And then there’s also going to be this pull for these gap filler sort of weapons.

You might have heard about this program called ACE or the affordable version of Patriot, which would come in somewhere in between the affordable mass and the high-end exquisite interceptors or missile systems. So we’re also involved with customers there, thinking about how we can support and talking about how we can support the development of those next-generation programs as well, which will give them a nice middle ground that allows them to reserve the most exquisite systems for the most advanced threats.

<<Sheila Kahyaoglu, Analyst, Jefferies LLC>>

Can I ask on that, a program like ACE, when do you think it actually comes into fruition into the market and how it would work for a supplier like yourself on a lower cost missile?

<<Jon Rambeau, Chief Executive Officer>>

Yeah. The – I'll hit the second piece first. I think the capabilities we would provide, first and foremost, would be the things that we're doing today, things that are at the tip and the tail of the missile system, the shrouds that go on the front, the nozzles that sit in the back. We have done some work in solid rocket motor cases as well. It's not as large a product line for us today as the nozzle work, but there is some presence there, and that could grow. And then we've also looked at how we can continue to provide integration support for larger sets of capability on these missile systems, and we've offered those services to the primes who are contemplating that program.

In terms of the timeline, Sheila, the timelines are fairly aggressive. They're being discussed, so trying to get some initial production capability online in the next couple of years, which for a new missile program would be very aggressive? So we're actively engaged in discussions on how we can support those programs and how we can be a key partner in facilitating that.

The other thing that I would mention, which is a bit adjacent to that conversation, is, as the U.S. primes are looking to continue to support European nations there's more and more push to have localized content, in Europe to provide some of the subsystems locally. And with Karman's recent acquisition of Walker Precision Engineering, closed just a little over a week ago, that gives us now a European footprint headquartered in Scotland, operations also outside London, and a footprint in Poland, which, puts us in the EU. So there's been a lot of interest with the primes in understanding how an established provider like Karman that produces these components in the U.S. today might also have manufacturing facilities in Poland that could do

the same work there without having to move it to a new company that's, call it an organic European company, where you'd also have to provide all of the know-how and the training to build the product to begin with. So, we have some real opportunities there as well.

<<Sheila Kahyaoglu, Analyst, Jefferies LLC>>

I know to listen to you now. When we first met at Space Symposium, you as Karman's CEO, it was loud and – so it was hard to hear, but you mentioned the lack of international footprint and a month later, there was the Walker acquisition. So, or a few weeks later, I should say. I guess, how – what does Walker provide in terms of seekers, guidance control systems and how it overlaps? Like, how easy is it to combine and what gave you confidence this was the right international footprint?

<<Jon Rambeau, Chief Executive Officer>>

Yes, Walker is a really exciting business. And I'm looking forward to making my first trip over there post-acquisition in the first week of October. The company was built around subsystems for seekers and guidance systems. So they're a missile business and they work for the European missile primes. They have a presence on 25 existing missile programs in Europe. And so it gives us presence with new customers. It gives us presence on new programs. And I think it takes us up in total now to about 150 different programs, 150 unique customers across the entire company of Karman. So a nice expansion there for the business.

The other reason we like Walker, differentiated capability, even down to the molecular level with the metals that they use to produce their components. They've actually made some special proprietary metal formulations that have unique properties. They perform a number of special processes on the components before they provide them for integration. And they have in the past assembled entire nose sections of missiles, although they're not currently doing that work today. It's been done in the past, so they have that know-how. And the people that have led that business are still present there.

The other thing that we really like about Walker is it's an opportunity to replicate the Karman strategy in Europe. We selected the business after careful evaluation, and it's a bit of a hybrid. If you think about most of the businesses that Karman has procured, they have been founder or first-generation family-led businesses. In this case, it has been that business and also had other investors come in and assist in bringing in a I think call it a very capable leadership team that's probably leveled beyond the scale of the business they are today. So we felt there was a management team in place that could take on additional work. And so if we were to find differentiated assets in Europe that fit with the overall Karman strategy and the end markets we support, we could replicate the work that we've done here to build out the U.S.-based component of Karman and do something similar in Europe. So for a number of reasons, it just felt like the right fit for us.

<<Sheila Kahyaoglu, Analyst, Jefferies LLC>>

You don't provide content per platform, do you? No.

<<Jon Rambeau, Chief Executive Officer>>

Not currently, no.

<<Sheila Kahyaoglu, Analyst, Jefferies LLC>>

Okay. I guess with Walker, the cross-sell opportunity, how would that work too? And does it establish your sales footprint? How are you planning to sell into the international government?

<<Jon Rambeau, Chief Executive Officer>>

We have started the process of integrating the sales teams, as you might imagine a company the size of Walker, not an extensive sales force. So we're already recognizing there's going to be an opportunity to, we think, expand the pipeline just on the base business, just by putting a more active sales and marketing team in place there and getting them integrated and plugged in with the U.S. team. Where I think the real interesting unlock potential comes is, is there an ability to bring some of the capabilities that Walker produces into the U.S. market over time as new missile programs come online or as second sources are sought? And then are there opportunities, as I'd already mentioned, to bring some of the capabilities we built here in the U.S. and to build those products and supply those products into the European market. So there will be opportunities in both directions, I think, Sheila, over time as we build out the plan and strategy.

<<Sheila Kahyaoglu, Analyst, Jefferies LLC>>

I want touch on Maritime Defense Systems as well. The segment, is relatively smaller, but I guess, but how do you think about, what you're providing on submarines, next-gen and legacy platforms?

<<Jon Rambeau, Chief Executive Officer>>

Yeah, Maritime Defense Systems business is one, as I said, it's relatively new for Karman. We entered that end market in February with the Seemann Composites acquisition. We had a small presence in that end market, but the prior programs had been integrated into the existing, the other three end market portfolios. So as we acquired Seemann, we brought all of the Maritime Defense Systems together, and Seemann is the predominant component of that, although there have been also some legacy programs in that part of the business as well.

The predominance of the business that we're seeing today in Maritime Defense is related to crewed submarines. The largest product that we produce physically and from a revenue perspective is called a bow dome for a submarine. It's, think about a 40-foot diameter, half circle, give or take, that sits over the acoustic array on the front of the submarine. So that big giant nose that you see when the thing is fully out of the water, we provide those for the Virginia, Columbia, and the Seawolf-class submarines. Now, there have been historically other providers for those as well. We're a relatively newer entrant into the space. And what's differentiated Karman in this area is that we have been able to build these biodomes without the use of an

autoclave, without a giant, pressurized oven that requires you to bake the product and push all of the voids out of the material after the composite is laid up.

So we've been able to figure out a process over many years of refinement to build these massive structures that are very precisely processed to, 30,000 of an inch of tolerance in some cases, produce these and do it in a way that's novel, differentiated, and lower cost than historical methods and much less capital intensive. So that's the main product that we're pushing out of that factory. But we do have a number of other programs supporting submarines with advanced materials for their unique acoustic properties. We're building components at the front as well as at the rear of the submarines. We are doing work on surface vessels as well. We're doing some hybrid propulsion components, structural components. And increasingly, as I mentioned, we're starting to move work from other end markets into that part of the business as well. So the Maritime Defense facility, if you will, is starting to become a multi-end market facility just based on capacity and skill set.

<<Sheila Kahyaoglu, Analyst, Jefferies LLC>>

That's great to hear. And how big could the Maritime Defense market eventually become for you?

<<Jon Rambeau, Chief Executive Officer>>

Maritime Defense can continue to grow at double digits per year. If you think about submarine production, there has been a significant push in the U.S. for years to increase throughput through the shipyards of submarine production, both Virginia and Columbia class, and of course, there's a next-generation tactical submarine that's been contemplated for some time called SSNX. So we think there's going to continue to be incremental growth there. We are also just getting started in unmanned systems. So as we have done as a merchant supplier for the other end markets we support. We've been a merchant supplier to the integrators of unmanned surface and subsurface vessels in naval.

This is an area where the US Navy strategy has started to mature around unmanned systems. There's still some work to be done there to shake that out and really figure out what are going to be the long-term bets the Navy is going to place on capabilities. We are trying to be a provider as we have been to multiple companies who are supplying into that market. And so that has the potential to accelerate growth over time. But I think it's a little too early to say at this point how significant that unmanned systems component of that business will be as compared to the established submarine business, but it'll grow at healthy double digits.

<<Sheila Kahyaoglu, Analyst, Jefferies LLC>>

And just on the bow dome system, like how did you – how were you, I guess, who are the other competitors? And how often are you able to displace them on a Virginia or Columbia? Is it contracted? How does that work?

<<Jon Rambeau, Chief Executive Officer>>

As I understand, there's one other company that has historically produced them. They've done it by finishing the product in an autoclave, which is a very large, think of just a very large oven that involves changes in pressure and temperature to get the material to cure, to solidify in the right way. And we're the only provider that's competing with that company, with that method, to be able to do it in a more cost-efficient way. So we're hoping as we go forward, we'd like to be the primary provider to the Nave going forward for all these platforms.

<<Sheila Kahyaoglu, Analyst, Jefferies LLC>>

Great. Moving on to Space and Launch systems, the business grew about 17% in the first half of this year. Obviously, launch schedules could always shift. What do you provide in that business and how do you manage the shift in launch schedules?

<<Jon Rambeau, Chief Executive Officer>>

Yes, we provide an awful lot of capability into Space and Launch, and the majority of what we're providing today is components of the launch vehicles themselves, large subassemblies of structure that go into the liquid fuel tanks. We provide shrouds, we provide stage separation systems. So you might not think about exactly how and why, a stage breaks off from a launch vehicle when it goes into the second boost phase of a launch. But the systems that break those two stages apart are fairly highly engineered, involve, explosives, frangible metals, all sorts of – with complex analysis to make sure you don't push the vehicle off track or otherwise disturb the launch sequence.

So we do a lot of work that's tied into various elements of launch vehicles themselves. We have started to do some work in processing subassemblies for lunar landers. So you've probably seen some activity now around the government really putting a push into getting a stronger presence on the moon, establishing a moon base. So we've worked with multiple companies that are in the lunar lander business, and we've also started to provide sub-assemblies for satellites and other space vehicles as well. So I would say today, very heavily penetrated in the launch part of the equation across the range of providers, I believe all of them. And also as we look to more space-based assets to include the landers themselves, we're seeing an increasing presence there.

<<Sheila Kahyaoglu, Analyst, Jefferies LLC>>

So as we think about your launch capability and lander capability, what could lunar landers like add in terms of content? Is it a doubling, a tripling, or is it…

<<Jon Rambeau, Chief Executive Officer>>

I wouldn't call it – I would say that the primary driver for growth for the foreseeable future would be launch vehicles, the engines themselves. The rocket motors are very – rocket engines are very complex assemblies, and in many cases, they're not reusable. At minimum, they have to be refurbished, if not lost completely and replaced. So there's an awful lot of repeat business that comes back, both in terms of the precise components that go into those engine assemblies as well

as the large structures of the launch vehicles themselves. So that's, I think, going to continue to be a primary growth factor. Over time, we'll see how much larger the volume gets on the landers and satellites themselves.

<<Sheila Kahyaoglu, Analyst, Jefferies LLC>>

Turning to profitability, you mentioned 30% plus EBITDA margins, great business given all the IP you have. But you do also have variability in the business in terms of just volume cadence as well and mix. How do you manage it all and how should we think about volume and mix driving EBITDA going forward?

<<Jon Rambeau, Chief Executive Officer>>

Yes. I think on the whole, our focus is on maintaining margins where they are today. There is variability and there is a range, there's a mix across each of the end markets. In the end, they all net out to about the same level of profitability for us, and that really starts with the businesses that we've acquired to create Karman were very carefully chosen for strategic reasons around capabilities and end markets and also more tactically around the performance of the business to include the margin performance. So by selecting the right businesses going in, keeping the discipline around how you run those businesses, effectively controlling cost as you scale the company and see operating leverage, we feel confident we can maintain margins as we look forward.

And the other thing that I've put a good bit of focus on since I joined the company is financial flexibility, is the term that I'm using. What I mean by that is looking for opportunities as we scale the company to become more efficient with the resources that we already have at our disposal, to do more with the same, if you will, as we also certainly are adding some additional capacity. And that gives me the opportunity to do three things. A, it gives me some flexibility to reduce pricing for competitive reasons if I need to, to win strategic business for the future. It gives me the opportunity if necessary and if it's the right strategic decision for the long-term to invest in the future of the company, or it does give me some flexibility to improve margins and put that money back to the bottom line. So that's been our focus and how we're thinking about margins is maintain where we are today and have flexibility for the future.

<<Sheila Kahyaoglu, Analyst, Jefferies LLC>>

Can we talk about cash flow? You're growing quite tremendously, working capital, CapEx. How do you think about free cash flow conversion for the business on a normalized basis?

<<Jon Rambeau, Chief Executive Officer>>

It's a very frequent conversation that we have within the company. And I think, as a small company growing to an IPO and just beyond, a lot of our focus, as you probably would appreciate, has been around, capturing the demand, growth, profitability. At the same time, we recognize as we continue to grow and mature as a public company, cash becomes a more important conversation with analysts and investors. And so as we transition into 2027, you'll see

a lot more transparency and predictability around how we expect to generate and deliver cash. The – what's our steady-state aspiration? We talked about maybe 80% cash conversion as a preliminary objective. At the same time, I'm excited we're going to have a new team member joining on Monday. Our new CFO, Chris Boynton, is going to be joining us. And one of the things I'm going ask him to do as he onboards is work with me between now and the end of the year to make sure we nail down the specifics of our 2027 plan to include a lot more thought and precision around cash generation for next year.

And in the meantime, we continue to incrementally work at the efficiency of how the company operates, working capital, specifically looking at contract assets. And so while contract assets have been pointed out as an area we've seen some growth, contract assets have not grown as fast as our top-line revenue. So we have become incrementally more efficient. I think on a day sales outstanding basis, we came into our IPO at about 111 days DSO and contract assets now around the mid-90s. So that has come down. And overall, again, as I said, as a proportion of revenue, it's come down. Also is very much in family with the peer group of stocks that we're typically evaluated and traded against. So feeling good about the trajectory that we're on, more work to do.

<<Sheila Kahyaoglu, Analyst, Jefferies LLC>>

And just to wrap it up, you took the job in 2026. As we think about maybe the next three years, what do you envision Karman looking like?

<<Jon Rambeau, Chief Executive Officer>>

Well, look, I am super excited about the future. We're going through our first real, no-kidding, five-year strategic planning cycle now. Again, as we continue to grow and mature, we want to make sure that there's a long-term strategic vision for the company, that there is a robust manufacturing capacity strategy that sits alongside that strategy because manufacturing is so much of what we do. And then thirdly, we've got a very clear long-range financial strategy. financial plan that sort of drops out of those strategic elements.

So where do I think we'll be a few years from now? I think we're going to have a continuing strong presence in the end markets that we support. We're going to have more comprehensive offerings in each of those end markets. And certainly, we'll look back and I think we'll find that Karman has met and exceeded expectations quarter-by-quarter, year-by-year, as we have since the IPO. So really excited about the progress we've made and I'm really optimistic about the future.

<<Sheila Kahyaoglu, Analyst, Jefferies LLC>>

Great. Thank you, Jon, so much. Thanks all. Thank you. That concludes our webcast.