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Earnings Call

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Call Participants

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Chairman & CEO

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Senior VP & CFO

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ANALYSTS

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Presentation

Operator

Greetings. Welcome to the L3Harris Technologies Second Quarter 2026 Earnings Conference Call.

[Operator Instructions]

As a reminder, this call is being recorded. It is now my pleasure to introduce your host, Tony Calderon, Vice President, Investor Relations and Corporate Development. Thank you, Tony. You may now begin.

Tony Calderon
Vice President of Investor Relations & Corporate Development

Thank you, Jade, and good evening, everyone. Joining me today are Chairman and CEO, Chris Kubasik; and Chief Financial Officer, Ken Sharp. After the market closed today, we published our second quarter earnings release detailing our financial results and updated 2026 guidance and provided a supplemental earnings presentation on our website.

Before we begin, please note that our discussion will include forward-looking statements subject to risks, assumptions and uncertainties that could cause actual results to differ materially. We will discuss GAAP results alongside non-GAAP financial measures of organic revenue, segment operating income and free cash flow, which are reconciled to GAAP measures in the earnings release. For more information, please refer to our earnings release and SEC filings.

With that, let me turn it over to Chris.

Christopher E. Kubasik
Chairman & CEO

Thanks, Tony, and welcome to our call. Before Ken discusses the numbers, I'd like to step back and share some context to frame this quarter's performance within our multi-year strategy. Several years ago, we embarked on the strategy to become the Trusted Disruptor. We saw an opportunity to focus on national security here and abroad in a way that had not been done before. Today, security threats are growing in volume, intensity and sophistication. Congress, the Pentagon, our warfighters and our citizens need an industrial base on a wartime footing, ready to invest and respond quickly, reliably and at scale. Our customers need partners they can trust and depend on, and I believe L3Harris is that partner.

Today's results are not just a one-off strong quarter. It's the result of leadership, teamwork and a dedicated workforce delivering on our customers' mission. These results build on the momentum that began in late 2023. We are running L3Harris for long-term value creation. We are taking deliberate disciplined risks to enter markets we haven't participated in before and to gain share in attractive growth domains. In missile warning and missile tracking, we have been selected by the U.S. Space Force for the AMDT3 satellite constellation. We are the only company to be awarded all 5 contracts related to missile tracking. This award reinforces that the customer trusts us to deliver high-quality, resilient integrated spacecraft that are critical for national security.

Also in space, we see a $9 billion pipeline over the next several years across missile warning, missile defense and several classified missions. Since the fourth quarter, we've secured $2.4 billion in new contracts, validating our Trusted Disruptor strategy is working. Our early investments in capacity, along with bidding as a prime are paying off. The programs we win today establish enduring franchises that will serve our customers and L3Harris over the long term. As a reminder, the satellites will be replenished to keep the constellations operational. Within ISR, we are progressing on a multiyear missionization business jet pipeline. During the quarter, we were awarded the first phase of the next 2 U.S. Air Force Electronic Attack missionized business jets.

Internationally, we've been awarded $3 billion of Airborne Early Warning and Control programs since the fourth quarter. Our pipeline includes $10 billion of opportunities across the Middle East, Asia Pacific and

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Europe. We offer the customers the ability to have more affordable, interoperable and superior sensing solutions while being able to field capabilities faster. Three years ago, we acquired Aerojet at full price, recognizing that while the business needed work, we were not simply buying a P&L. We were securing a strategic position and a critical entry point into a business we believed had significant value and was poised for significant growth.

We saw that opportunity and acted decisively. That was not a popular view at the time, and the questions you raised were fair about the multiple, the integration risk and our ability to execute and whether we could credibly become a major player in this business. We do not ask for investors to take our vision on faith, and I'm not asking for that today. Three years later, let me walk you through what has changed and how we executed to validate our investment thesis. We transformed and turned the operation around. We integrated ahead of plan and then combined it with complementary L3Harris Missile Technologies, creating a purpose-built missile solutions business spanning propulsion, seekers, antennas, fuses, advanced effects and deep space launch systems.

We didn't simply acquire a propulsion company. We built a far broader and more differentiated one-of-a-kind missile technology business. These changes position us to expand into adjacencies and support our customers across the full spectrum of missile systems. More important than the portfolio transformation is the operational transformation. The business we operate today bears little resemblance to the one we acquired 3 years ago. We have all-new leadership. We introduced operating discipline, accountability, manufacturing rigor, execution standards, automation and new technologies that have fundamentally changed how the business operates and performs.

From the day we closed the acquisition, we decided to invest in the business, pivoting the focus to missiles and not reacting but anticipating the market. We increased our investments in R&D and CapEx by a factor of 10. The leadership team and the workforce have done a great job bringing a sense of urgency to the missiles operations, including working multiple shifts. And as a result, deliveries are up over 60%, eliminating substantially all delinquent deliveries since the acquisition. Streamlining production has been a priority, and we have improved operational efficiency by 22%, while we continue to prioritize our workforce's safety and health.

Our customers have increased confidence in our ability to deliver, which is why the Department of War made a $1 billion investment. That financial investment was not only a vote of confidence by the Department of War, but it was also important to us as it was a strong signal to accelerate our investment plans by 12 to 18 months. We are investing in facilities to meet accelerating demand for missiles and interceptors. We're also investing in new technologies, advanced automation production techniques and AI across both existing and new facilities. As we expand production capacity by almost 1 million square feet, the new missile factories will be among the most modern in the world.

The new GMLRS factory, which we have named the Arsenal of Freedom Building is coming online next month. This factory is highly automated with robotics, moving motors from station to station, along with automated mixing, casting, curing, x-ray inspection cells, all with AI overlaid, improving yields and reducing cost. The workforce has been trained in these new tools and is excited about our ramp-up. Our new highly automated GMLRS operation will allow us to more than double capacity while reducing manufacturing times by 50%. The conversations we're having with the Pentagon are no longer about whether we can deliver, but how many can we produce and how fast we can go, a complete turnaround from a year ago. Our strategic decision 3 years ago, alongside our operational turnaround has put us on a clear path to success.

Let me share an update on our missile business IPO. We have built an exceptionally strong, well-positioned franchise, and we are more confident than ever in the extraordinary value we are creating through continued execution and the acceleration of the business. Market conditions have evolved and do not reflect the tremendous value we are building. With capacity expansion underway and the momentum accelerating, we are poised to deliver even greater value as we ramp production to support our nation's urgent and critical needs for our Missile Solutions. The demand signals are outstanding.

We are actively negotiating more than $20 billion in new contracts, potentially tripling our backlog and positioning us for meaningful and sustained revenue and profit growth, both in the near term as well in

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the future. We expect to revisit the IPO mid-2027. Until then, our team is intensely focused on what we do best, contracting the demand, building the capacity and delivering for our customers. In summary, we have built an attractive and increasingly differentiated portfolio with capabilities in air, maritime, cyber, EW and resilient communications, just to name a few. By anticipating the future of warfare, winning new and emerging markets, strengthening our leadership positions in core franchises, expanding our international sales and securing important long-term franchise wins, the future is bright for L3Harris.

We intend to keep earning both halves of the Trusted Disruptor title. Trust is earned by meeting commitments, and we have done that consistently. Disruption is earned through innovation, speed and a willingness to challenge the status quo while taking calculated risks, and we have done that as well. We know there is more we can do, and we intend to do it.

With that, let me turn the call over to Ken to walk you through the financials.

Kenneth P. Sharp
Senior VP & CFO

Thank you, Chris. I'm a big fan of the Trusted Disruptor model as it's about putting the warfighter first, taking calculated risks, delivering innovation at pace and meeting our commitments to our customers as well as meeting our financial commitments to our shareholders. It all starts with winning in the market, and we continue to do that.

Orders were $7.3 billion, yielding a book-to-bill of 1.2x. Our trailing 12-month book-to-bill was 1.3x. Backlog increased by more than $1 billion to $42 billion, positioning us well for sustained growth. Revenue for the quarter was $5.9 billion, up $455 million or 8% year-over-year. Growth was broad-based with all 3 segments contributing. Based on our strong positioning, international sales increased $254 million, up over 20%. International sales mix in the last year or so increased by about 250 basis points to 23% of our total revenue. Segment operating income increased $79 million or 9% and segment operating margin was 16%, up 10 basis points. The increase was driven by strong revenue growth, improved program performance and a net gain on segment investments, partially offset by higher research and development costs.

As you think about the comparison, the prior year quarter included $92 million gain related to a product line asset sale. GAAP and earnings per share for the quarter are $3.13, up 28%. The $0.69 improvement was due to higher revenue volume, $0.36, improved program performance, $0.20, lower corporate and other expense, including the noncash preferred deemed dividend, $0.24, offset by $0.11 of net product line sales and investment gains. Operating cash flow was $879 million. Free cash flow was $771 million, up both 37%. Year-to-date, free cash flow was $584 million, $124 million ahead of the prior year by 27%.

Investments in capital expenditures and research and development increased over 20% in the quarter as we invested in both capability and capacity in our space, ISR, missiles and communications businesses. In our missiles business, we are investing in capacity through both capital expenditures and finance leases. Finance leases are not reflected in our balance sheet until related assets are placed in service. In the quarter, our total missile capacity investments, including finance lease activities were $136 million. Our commitments made for missile capacity, including facilities, equipment and supply chain totaled $2 billion and are being deployed rapidly to support missile and interceptor delivery.

Turning to our segments. All segments grew revenue and increased their operating income. Space & Mission Systems grew 7% to about $3 billion, revenue increased across the portfolio, including higher volume on ISR, missionized aircraft, classified space, F-35 control systems and air traffic control modernization. Space & Mission Systems segment operating margin was 9.8%, down 60 basis points from the prior year. The decrease primarily reflects a $75 million product line sale gain in the prior year that did not repeat, partially offset by improved program performance and a $23 million net gain on segment investments.

Communications & Spectrum Dominance delivered revenue of $1.9 billion, up 4% year-over-year, driven by increased international volume and higher electronic warfare and links revenue. Communications & Spectrum Dominance operating margin was 26.9%, up 230 basis points, driven by stronger international

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revenue, partially offset by increased investments in research and development. Missile Solutions delivered 14% year-over-year revenue growth. Revenue increased 16% in the business we are retaining, partially offset by lower growth in the commercial space propulsion business we are divesting. Missile Solutions segment operating margin was substantially similar to the prior year.

With that, let me turn the call back to Chris.

Christopher E. Kubasik
Chairman & CEO

Thanks, Ken. We're at a critical time in history in terms of the geopolitical environment. The threats are rising in seriousness and sophistication, placing tremendous demand on the military and our allies overseas. This is why the budgets are increasing both in the U.S. and internationally.

Now let me focus on the future and how we see things playing out the rest of the year. You'll see us ramp up operations on AMDT3 and classified satellite awards. We will continue to drive more international orders for greater international revenue, continuing our positive momentum. We will continue to book orders internationally with our smart software-defined radios as we upgrade capability and interoperability. We will build on our NGC2 orders that we received in Q1 and Q2 of this year and continue to bid and win in the second half. While it's early on NGC2, our products resonate, and we are winning more than our fair share.

We will execute on our newly awarded $4 billion FAA contract, which could run through 2046 if options are exercised. We will lead a nationwide effort to rebuild and modernize the FAA's telecommunications infrastructure backbone, connecting every tower, radar facility and air traffic control center across the United States, including modernizing more than 700 ground stations. We will work with our international partners to close VAMPIRE counter-UAS system opportunities and have targeted $500 million of new orders, building on the momentum from our Q2 U.S. Army $100 million contract award.

We will continue advancing the software capabilities of our smart software-defined radios, including our Wraith Shield Counter-UAS jamming solution. Wraith Shield is an emerging Trusted Disruptor success story. Our engineers understood what the warfighter needed and invested in software applications that can be loaded onto our smart radios, enabling them to sense, detect and jam incoming drones in the last mile without adding new equipment or weight to the soldier. I recently saw a live demo, and I have to admit it was quite satisfying to see the drone fall out of the sky. This is proof that the capabilities of software-defined products are endless. This will contribute to our licensing revenue in the years ahead.

We will continue to accelerate missile production while investing in affordable mass, including Red Wolf, a low-cost modular cruise missile that we are developing with the United States Marine Corps for precision strike missions. At the same time, we are well positioned in the emerging low-cost interceptor market with a proven propulsion and in-house seeker capabilities that can reduce the cost per kill equation. Shortly after quarter end, we signed a framework agreement for 7 years of THAAD and PAC-3 production, representing approximately $12 billion of future production revenue and $2 billion of future profit. This clearly demonstrates the scale and durability of demand for our capabilities. We are working with Lockheed to quadruple THAAD production, delivering all solid rocket motors and Divert and Attitude Control Systems for this program.

We're also making progress to nearly triple production on PAC-3 for solid rocket motors, Attitude Control Motors and Lethality Enhancers. As the only company producing these solid rocket motors at scale on PAC-3 today and with the continued sole-source positions on Attitude Control Motors and Lethality Enhancers, we see the opportunity to deliver solid rocket motor quantities above the 80% framework agreement to cover any potential shortfall from competitors and to address international demand sooner. Our new modern automated PAC-3 facility is expected to come online in late 2027, ensuring we have the capacity to meet the demand at the scale that no one else can.

Let me touch on the budget as I know it's a leading indicator of growth. It's probably reasonable to expect debate on the Department of War budgets. We are on a wartime footing. Therefore, I would expect that we'll have the highest defense budget in our country's history and a supplemental budget to fund

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multiyear munition contracts. But let's be clear, while there's uncertainty, our nation's defense has always been bipartisan. Irrespective of where the budget ultimately ends up, our outlook is positive. We have strong and accelerating market-leading positions. We have been successfully penetrating new markets, developing franchise positions and delivering on our commitments.

Let me turn it back to Ken to discuss our outlook and guidance.

Kenneth P. Sharp
Senior VP & CFO

Based on our strong first half performance and continued momentum, we are raising our full year 2026 revenue and earnings per share guidance. Our 2026 guidance update also reflects the Department of War preferred stock investment, noncash deemed dividend cost of $55 million and the sale of a majority interest in our commercial space propulsion business that we expect to close in August. We now expect the full year revenue of $23.2 billion to $23.7 billion, yielding organic revenue growth of 8% to 10%. This increases both the bottom end and the top end of our range by $200 million. The revenue guidance increase reflects stronger performance in our Space & Mission Systems business and the excellent work our team did by winning AMDT3 Constellation, which is part of the Golden Dome for America.

We are maintaining our segment operating margin guidance of low 16%. We are reducing net interest expense by $30 million to approximately $560 million, reflecting our higher cash balance. We are increasing both the low and high ends of our diluted earnings per share guidance by $0.40 to a range of $11.80 to $12. Notably, this increase comes even after absorbing an approximate $0.20 headwind associated with the divestiture of the commercial space propulsion business. The composition of the $0.40 earnings per share increase includes higher revenue volume, $0.15; lower interest expense, $0.15; net investment gains inclusive of noncash preferred stock deemed dividend cost of $0.10.

We are reaffirming our free cash flow guidance of $3 billion. At the segment level, Space & Mission Systems full year revenue increased $200 million to $11.7 billion. Communications & Spectrum Dominance, we expect revenue to ramp up in the second half due to strong demand for our smart software-defined radios and VAMPIRE counter-UAS System. Segment margin increased to mid-25% from approximately 25%. Missile Solutions, we adjusted full year revenue and segment margin guidance to reflect the commercial space propulsion transaction closing in August as the business will no longer be consolidated as part of L3Harris.

Our commercial space propulsion business generated revenue of $571 million and segment profit of $82 million in 2025 and revenue of $312 million and segment profit of $57 million Q2 year-to-date 2026. With the divestiture proceeds, together with our current cash balance and forecasted free cash flow for the remainder of the year, we expect to have approximately $4 billion of cash on hand before any potential debt paydown or additional share repurchases. That financial flexibility positions us well to invest in the business, return capital to shareholders and/or further reduce leverage.

Over the next 5 months, I have had -- over the last 5 months, I've had a great opportunity to visit several of our operations, deepen my understanding of the business and work closely with Chris and his team, which has only furthered my confidence in the business and our ability to deliver our 2026 guidance. With that, Jade, please open the line for Q&A.

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Question and Answer

Operator

[Operator Instructions]

Your first question comes from the line of Robert Stallard from Vertical Research.

Robert Alan Stallard
Vertical Research Partners, LLC

Chris, my quick math on the numbers you gave on the missile framework agreement suggests you're going to make around a 17% margin on this work, assuming everything goes to plan. Is that the ceiling you expect on this contract? Or is there an opportunity to go higher than that?

Christopher E. Kubasik
Chairman & CEO

Thanks for the question, Rob. That would be a pretty good return. It's a 7-year number and probably a little bit of rounding, but we're thinking something in the 15%, 17%, 18% range is something to strive for, especially as we ramp up with volume and get the supply chain lined up with longer-term agreements. So can always do more, but that's a pretty good start, in my opinion.

Operator

Your next question comes from the line of Myles Walton from Wolfe Research.

Myles Alexander Walton
Wolfe Research, LLC

Chris, I think you talked about pushing the IPO to mid-2027. Can you just give us some of the puts and takes behind that decision? I noticed the retention agreements you have extensions for a couple of senior management teams. And then why mid-2027 is the right time if fourth quarter or second half '26 is not?

Christopher E. Kubasik
Chairman & CEO

I mean, Myles, the market conditions do not reflect the value we're building. I think we have a great business. We have land, we have operating factories, backlog, great financials, a great workforce, and we're actually making money. And I think, unfortunately, a lot of the recent IPOs are obviously missing some or all of those key elements to a business and the market is adjusting to valuation. I think we're kind of caught in that process a little bit. So I want to let everything settle down. We'll reevaluate it.

Team will keep building buildings, delivering SRMs. And I think the value gets greater each and every day. The majority of the cash that we were going to need from the IPO starts to hit in late '27, '28 and '29. So it just seemed like a prudent business decision. And it's always exciting to go public, but the team unanimously agrees. We got to do what's right for our shareholders and all shareholders and stakeholders. And that's to stand down, focus on the business and wait for the market to recover, which I have no doubt it will at the right time. A lot of headwinds out there. Budget, CR, reconciliation, election, executive orders. These things will get resolved, and I think the market will appreciate our valuation.

Operator

Your next question comes from the line of Sheila Kahyaoglu from Jefferies.

Sheila Karin Kahyaoglu
Jefferies LLC, Research Division

Maybe just a follow-up on Myles' question and your comments just right there on missiles. How do we think about growth for the Missiles segment from here as the frameworks are being pulled together

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and maybe some folks are a bit behind or a little ahead of you. How do you think about the frameworks materializing into revenues, just the ability to have incremental margins on that and the CapEx build-out?

Christopher E. Kubasik
Chairman & CEO

Yes. Let me ask Ken to run through the numbers. You obviously see the Missile segment, but the actual missile piece is obviously greater than the segment results.

Kenneth P. Sharp
Senior VP & CFO

Wonderful, Sheila. So just kind of as we think about the business, we kind of expect growth in the high teens over the next, call it, couple of years at a minimum, I would say, kind of for the foreseeable future. So we're very excited about the business. I think the business will perform well. We have really significant demand stacking up. I think Chris talked about $20 billion of backlog we're negotiating. That triples our backlog. It will give us incredibly great visibility into the revenue generation.

We're standing up a number of factories. I think it's about 60 in total. So as they come online and think about '28 -- well, '27, '28, '29 time line, it will accelerate revenue even faster. So I think we're in a really good position. Chris mentioned the propulsion business specifically, and that business will grow, let's call it, 20% plus, and it's actually been growing around there. That's just one of the pieces of the missiles business.

Christopher E. Kubasik
Chairman & CEO

And Sheila, I'll just chime in. There's been a lot of questions about the $1 billion investment, but I want to reemphasize that gave us the confidence to invest probably 12 to 18 months earlier than we would have, had we waited for the framework agreements or something to go put a shovel in the ground, we'd be doing it today. We did this starting well over a year ago. We're opening the GMLRS building next month. The brand-new PAC-3 building, we just literally started building earlier this year when we got the demand signal, changed our strategy a little bit, and that will be open in late 2027.

And as Ken said, many other buildings are going up real time, and it's quite exciting. So this ramp will probably take a couple of years before you start to see the real significant spike in profitability and revenue. But in the interim, it's still growing 20%, which I think is hard to beat.

Operator

Your next question comes from the line of Kristine Liwag from Morgan Stanley.

Kristine Tan Liwag
Morgan Stanley, Research Division

Maybe switching topics. It's been 4 years now since you've announced your strategic relationship with Shield Capital to engage with emerging dual-use technologies. Can you provide an update on how the partnership has evolved? Specifically, how much have you committed to the fund? How do you define a successful outcome? And ultimately, should we expect investment income as a recurring component of operating earnings going forward?

Christopher E. Kubasik
Chairman & CEO

All right. Thank you. Great question. I was hoping someone would ask me about Shield. It was a little over 4 years ago. I think first quarter of '22, we made a big announcement. We were the first movers into this concept, in my opinion. I think for those 4 years and maybe even earlier than that, we've always embraced and encouraged venture-backed tech companies to join the defense ecosystem, and they are all over, and we're proud to be part of helping them get started. So we had about 3 goals when we announced it and probably most -- they're maybe of equal importance, but maybe a little more important

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was to pull through this new technology. These are all dual-use technologies, meaning commercial and defense.

And we wanted to get these offerings into our products, so our customers had newer, more innovative products, whether it was the use of metadata, AI or some of the things we're doing in autonomy and space. It was also a way for us to accelerate R&D instead of us spending a few million bucks in a year or so to develop something, obviously, these companies already had it. So it was easy to go ahead and team up with them in that regard. And then ultimately, we'd like it to create shareholder value, not only through winning more business as a result of working with these companies and their technologies, but also through good old-fashioned investment gains. And these companies are starting to appreciate in value.

And I'll let Ken talk a little bit about the numbers, but we're in 2 of their funds. We're the strategic partners. They're kind of both about $50 million commitments. I don't think I've disclosed that before, but there you go. So like any VC fund, you make contributions. Fund I is probably 70%, 80% drawn and Fund II is maybe 10% or 20%. But it's something we're quite proud of, and I'm glad it's working. And the most important thing is it helps with our culture of going fast. We get a quick turn on some of these investments and decisions, and the team is excited to work 24 straight hours and make a yes, no decision.

You don't have time to do your more traditional corporate months of reviews. We make decisions in hours or days, and they're great partners. I'm glad we connected, and I'm glad it's working out and looking forward to their Fund III when they finish with Fund II.

Ken, do you want to give a little more?

Kenneth P. Sharp
Senior VP & CFO

Yes, sure, absolutely, Chris. And it is that -- we are seeing some kind of great benefits of the relationship. We did have some gains this quarter. I would characterize them as below-operating-income gains. So they tend to impact or positively benefit the EPS. So we did call out the benefits in our EPS walk. So you can pick them up there.

Operator

[Operator Instructions]

Your next question comes from the line of Matthew Akers from BNP Paribas.

Matthew Carl Akers
BNP Paribas, Research Division

I wanted to ask about capital deployment. As you mentioned, you're going to have a fair amount of cash on the balance sheet at the end of the year. I think you mentioned share buybacks. You've done a fair amount of share buybacks year-to-date. Just your appetite to continue doing that given kind of some of the political pressure we've seen on it.

Kenneth P. Sharp
Senior VP & CFO

Sure. So let me just first say that our goal is to be very disciplined capital allocators. And clearly, today, our first focus is investing in the business. We talked about $2 billion of commitments we've made to build out our missile capability and prime the supply chain, which I think the team is doing an amazing job. That will drive significant revenue growth.

Second, we think about debt -- well, I should just add to investing in the business. Certainly, if there's assets that made sense to tuck into our business, we would look at that. Right now, there's nothing in our process that we're looking at intensely to say it makes strategic sense. I mean the valuations have to be right at the end of the day. I think that's really important.

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Second, I would categorize as debt paydown would also be a sensible play to go. I think our -- we have about $1.8 billion coming due. Our total leverage is, I think, in pretty good shape. But at the end of the day, I mean, we're down to 2.3x. We've almost reduced the turn from last quarter. And then share repurchases, I also think are something really important to consider. And I probably should add to the share repurchase line. We're in 24 years of dividend growth. So making sure that we get the Dividend Aristocrat, I think, is important to us. So we'll continue to look at that. But certainly, the $4 billion of excess cash gives us significant flexibility. We're very comfortable making investments with our missile capacity and capability and the business holistically.

Christopher E. Kubasik
Chairman & CEO

Yes. I think I'll just chime in a little bit here. I talked about the venture capital, so that's another source of cash. We kind of throw CapEx out there as a general category, but it's a lot of detail in there. We've been modernizing our IT systems over the past few years, and there's more we're going to do there. But in parallel, we're also transforming the company and really focusing on a digitization ecosystem, which is a little different than just modernizing the infrastructure and staying current. So we have some exciting products that we're using there and developing, working with some world-class companies. This includes embedding AI, and it's a pretty exciting opportunity.

And then the more traditional. I think we have more than enough land. But as Ken said, we're building 60 buildings for missiles alone. We built a couple for space a few years back. Those are operational and contributed to the wins. And then, of course, we need a lot of equipment, and we're using more and more modernized equipment as we grow the business. So it's great to have that extra cash. It's kind of a point in time. So we'll obviously do what makes sense. And as I said earlier, the CapEx ramp picks up a little bit more, as you would expect, as we're starting to get through these buildings.

So it's my understanding that, that was the last question of the evening. So let me wrap it up here. I'll start by thanking Tony for his time in Investor Relations. With his business acumen and multiple engineering degrees, he's going to be promoted to run one of our sectors. I have no doubt he'll do a great job, and I wish him the best in his new role. Welcome. We'll miss you.

I also want to recognize and thank our employees for their commitment and execution throughout the first half of the year. Their efforts have supported the warfighter while reinforcing the critical role we are playing in enabling our customers' most important missions. I also want to thank the Department of War leadership for transforming the department and changing the way capabilities are acquired. We are fully aligned and supportive of your efforts to get the entire ecosystem on a wartime footing.

So thank you all for joining us today, and we look forward to talking to you in the months ahead. Have a good evening. Thanks.

Operator
This concludes today's call. Thank you all for attending. You may now disconnect.

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