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JANUARY 2012 INVESTMENT DISCUSSION -- GY

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GENCORP

Ticker: "GY"

Stock Price: $5.50

- GenCorp is a supplier of propulsion technologies to the aerospace and defense industries
  - Longstanding reputation as a highly regarded supplier
  - Founded in the 1950s by Cal Tech scientists
  - Technologies used on NASA missions since inception of U.S. space program
- Capitalization:
  - Equity market value: $325 million
  - Enterprise Value: $475 million
- Operating Statistics:
  - LTM Revenue: $892 million
  - LTM EBITDAP(1): $109 million
  - LTM CapEx: $24 million
  - LTM Free Cash Flow: $52 million
- Valuation Multiples:
  - EV / EBITDAP(1): 4.4x
  - EV / EBITDAP(1) – CapEx: 5.6x
  - FCF Yield: 16.0%

Source: Company and other public documents

(1) Earnings before interest, taxes, depreciation & amortization, and non-cash pension expenses

Why Do We Like GenCorp(GY)?

- Core Business is Well-Positioned and Growing
- Accounting Complexity
  - GAAP Net Income Understates Free Cash Flow
  - Balance Sheet Liabilities Overstate Long-Term Obligations
- Excess Real Estate Assets
- Attractive Valuation

Core Business is Well-Positioned and Growing

GenCorp's Core Business is Well-Positioned

Aerojet, GY's core operating business, is one of three suppliers of propulsion technologies to the aerospace and defense industries

- Only supplier able to deliver each of the four major propulsion systems
  - Solid, liquid, air-breathing, electric
- End products include rocket, satellite, missile defense, and in-space propulsion systems
- Customers include Lockheed, Raytheon, Boeing
- End users are the DoD, NASA, foreign governments

LOCKHEED MARTIN
We never forget who we're working for™

Raytheon

BOEING

NORTHROP GRUMMAN

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GenCorp's Core Business is Well-Positioned (cont'd)

Many of Aerojet's systems are embedded in aerospace and defense programs that have life cycles of a decade or more

- Propulsion systems are typically sole-sourced from a single vendor
- When a contract for a weapon system is bid and won, the vendors on that contract will produce that system for the life of the program
- Switching costs are very high

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High Mix of Cost-Plus Contracts Results in Margin Stability

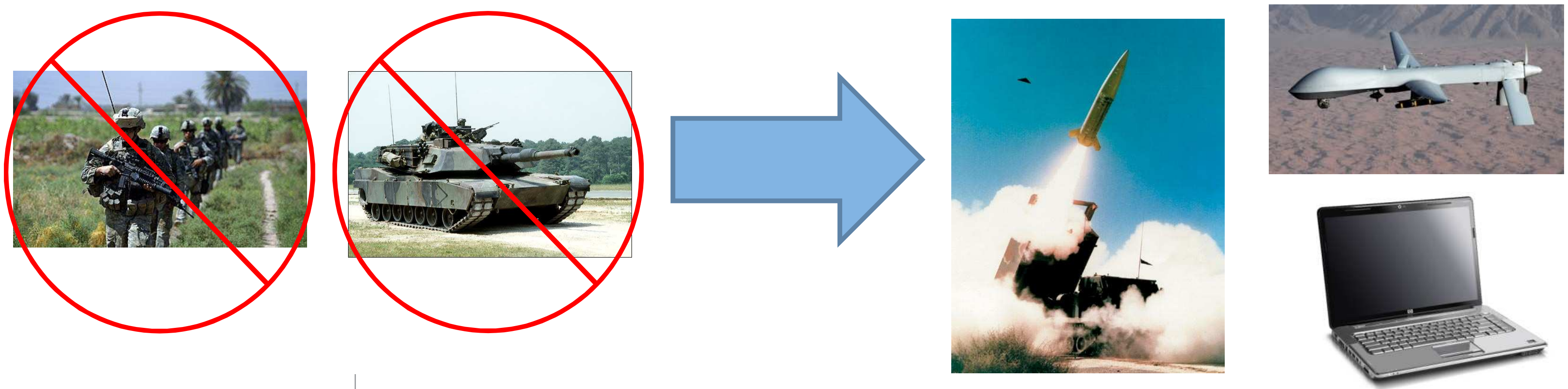
- With half of revenue from cost-plus contracts, pre-corporate EBIT margins in GY's aerospace segment have consistently been between 9.8% and 11.7% for the past 8 years

	2004	2005	2006	2007	2008	2009	2010	LTM
Aerospace Sales	489.1	615.8	$614.6	$739.1	$725.5	$787.2	$850.7	$885.2
% Growth		*25.9%*	*(0.2%)*	*20.3%*	*(1.8%)*	*8.5%*	*8.1%*	
Aerospace EBIT	56.6	60.2	61.2	84.8	78.0	84.4	99.6	94.9
% Margin	***11.6%***	***9.8%***	***10.0%***	***11.5%***	***10.8%***	***10.7%***	***11.7%***	***10.7%***

Source: Company documents

Unlike many large defense prime contractors, Aerojet is likely to experience healthy growth over the next several years in spite of DoD budget pressures

- Conversations with industry participants confirm that missile defense is becoming an increasing national priority
- Although overall defense budget growth will be limited, money will flow out of certain subsectors (e.g., tanks, submarines) into other subsectors, such as missile defense



GenCorp's Core Business is Growing (cont'd)

As a niche supplier of specialized technology to specific programs, Aerojet's business prospects are relatively easy to diligence

- DoD budget documents show 6.9% average growth for Aerojet's most important programs
- Flagship program (Raytheon's Standard Missile, 26% of revenue) will see 19% growth

		YoY Growth in DoD Budget Request	
GY Program	% of Revenue	FY11	FY12
Standard Missile	26%	15.8%	19.1%
GMLRS		-9.8%	16.7%
PAC-3		37.5%	43.0%
GBMCD		31.7%	-13.8%
Tactical Tomahawk		6.0%	0.4%
THAAD		16.8%	-9.3%
Javelin		-32.8%	2.4%
JAGM		28.2%	6.2%
Aegis BMD		-5.1%	-2.3%
Total	**> 70%**	**9.8%**	**6.9%**

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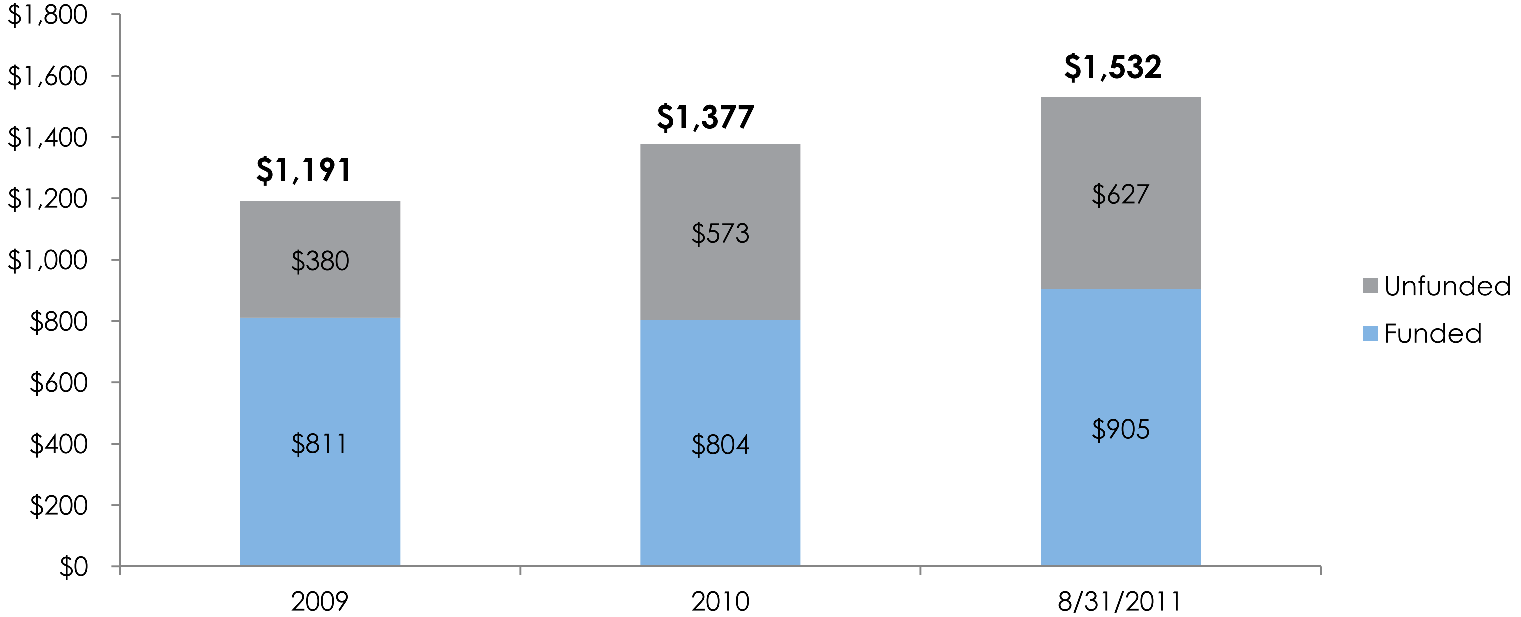
Source: United States Department of Defense Fiscal Year 2012 Budget Request, "Program Acquisition Cost by Weapon System", February 2011

Company Backlog



%Growth		15.7%	27.5%

Note: The 2010 shift from "funded" (ie, money has been directly appropriated by Congress) into "unfunded" (ie, firm orders for which funding has not been appropriated) was a result of the Continuing Resolution under which the government was operating for large parts of the year

GenCorp: New CEO Making Impact

Scott Seymour took over as CEO of GenCorp in January, 2010

- CEO has 40 years of operating experience in the aerospace & defense industry, including 25 years at Northrop Grumman, retiring as Corporate Vice President and President of Integrated Systems
- He has indicated that he sees opportunities to improve efficiencies and drive margin expansion at Aerojet even in the absence of top-line growth
- With the help of Kathy Redd (CFO since January, 2009), management has already made substantial progress in leaning out working capital to historically low levels, which management believes are sustainable

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Accounting Complexity:
GAAP Net Income Understates Free Cash Flow

Free Cash Flow Significantly Exceeds GAAP Net Income

GY's Free Cash Flow significantly exceeds its reported GAAP Net Income, for four separate reasons

- 1) Minimal cash taxes
- 2) Substantial non-cash GAAP pension charges
- 3) D&A > Ongoing cash Capital Expenditures
- 4) Non-cash interest expense

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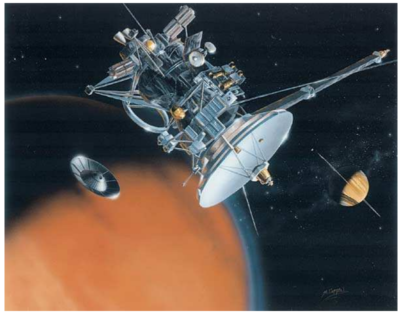
1) Minimal Cash Taxes

The Company does not expect to pay material cash taxes for at least the next 5 years

- Partly due to NOLs (the Company has $235m of gross deferred tax assets from operating losses in the early 2000s, when it also owned automotive and chemicals businesses)
- Partly due to various tax-planning strategies (eg, Section 59-E elections, which will allow deduction of previously spent R&D costs in the future)



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2) Non-Cash Pension Charges

The Company has non-cash GAAP charges on its income statement from a discontinued pension program

- The magnitude of the non-cash pension charges is substantial, as cash EBITDAP of $109m is more than 70% higher than reported EBITDA:

	LTM
Revenue	$892.2
EBITDA	$63.5
% Margin	*7.1%*
Non-Cash Pension Charge	45.2
EBITDAP	**$108.7**
% Margin	***12.2%***

- We estimate the Company may never have any cash funding obligations to its discontinued pension program (see next section for discussion)

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Source: Company documents, Marcato estimates

3) D&A > CapEx

- The company's D&A of $27m exceeds its ongoing cash Capital Expenditures of ~$20m

	LTM
D&A	$26.9
CapEx	$19.1
Difference	**$7.8**

Source: Company documents

4) Non-Cash Interest

- The Company has ~$11m of non-cash interest expense running through its income statement due to amortization of debt discounts and financing fees
- Further, the Company is in the process of a Balance Sheet restructuring that should lower its Pro Forma interest by another ~$10m
  - $60m of 2.25% convertible subordinated notes (strike = $20) were put to the Company in November; Company used cash on hand
  - Company has opportunity to call at par $75m of 9.5% senior subordinated notes, also using cash on hand

Free Cash Flow Significantly Exceeds GAAP Net Income

Adjusting for the combined effects of all of these dynamics, it becomes clear that <u>GY is trading at under 4.5x the recurring cash earnings power of its aerospace and defense business</u>

	GAAP	Adj.	PF Cash	Comment
Revenue	$892		$892	
OpEx (incl Pension)	(829)	45	(784)	Addback Non-Cash Pension
D&A	(27)	7	(20)	Replace D&A w/ Cash CapEx
EBIT	$37	$52	$89	
Unusual Items	2	(2)	0	
Interest	(31)	21	(10)	Addback Non-Cash, PF for Refi
Taxes	(5)		(5)	
Net Income	$3	$71	$74	

P / E Multiple	**101.9x**		**4.4x**

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Source: Company documents, Marcato estimates

Accounting Complexity:
Balance Sheet Liabilities Overstate Long-Term Obligations

Investors Easily Distracted by Two Optically Large Liabilities

- We believe many investors and analysts who look at GY are confused by two optically large liabilities on the Company's balance sheet, neither of which we actually believe to be a material future net cash obligation of the Company

Long-Term Liabilities	
Pension Liability	$159.0
Environmental Reserves	210.5

Source: Company documents

Pension Obligation Not as Bad as It Looks

GY discontinued its pension plan in 2009, and we estimate it may never have any cash funding obligations

- While the GAAP pension assets ($1.4bn), liabilities ($1.6bn), and underfunded obligation ($160m) are large relative to the size of the Company, these numbers are misleading – only the ERISA[1] accounting numbers determine cash obligations of the Company
    - The plan is currently 96% funded under ERISA accounting, above the threshold required to be maintained [2]
- Were the funded level to fall, the Company has $63m of prepayment credits it is allowed to contribute to the plan before contributing cash
- Due to the 2010 Pension Relief Act, any potential shortfall would also be allowed to be amortized over a 15-year period

The Company has said it does not expect to make significant contributions to the pension plan in the foreseeable future [3]

(1) The Employment Retirement Income Security Act of 1974 (ERISA) sets minimum standards for pension plan sponsors' funding requirements in private industry

(2) Most recent measurement date – 11/30/2010

(3) Comments made 9/29/2011

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Source: Company documents

Pension: GAAP vs. ERISA

- While we can only see the GAAP accounting numbers for pension plan assets and liabilities, only the ERISA accounting numbers actually determine whether the Company will have any cash obligations
- GAAP and ERISA accounting can result in **very different** pension obligation amounts
  - Plan assets can be smoothed under ERISA, but not under GAAP
  - Plan liabilities are calculated using different discount rates under GAAP and ERISA, and ERISA gives companies many more choices about which discount rates they can use each time they do the calculations
- GY's plan is 96% funded under ERISA, implying the underfunded liability is closer to ~$60m than $160m
  - $1.4bn of plan assets / 96% = ~$1.46bn of plan liabilities under ERISA
  - No cash funding needed if 96% threshold is maintained [1]

(1) And again, if funding level falls below 96%, the Company 1) has $63m of prepayment credits it can use before contributing cash, and 2) could make up the shortfall over a 15-year period

Source: Pension expert Eric Palley

Purely Illustrative GAAP Pension Modeling Suggests ~6.5% Return Required

- While the GAAP numbers do not matter in determining cash funding obligations, analysis suggests that a 6.5% return on plan assets going forward would maintain the same GAAP pension funding level as at 11/30/2010

FYE 11/30	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
BOP Plan Assets	$1,694	$1,706	$1,712	$1,543	$1,336	$1,374	$1,333	$1,291	$1,250	$1,208
Gain / (Loss) on Plan Assets	146	146	(30)	(47)	172	89	87	84	81	79
Employer Contributions	4	2	2	6	1	0	0	0	0	0
Divestitures	(4)	0	0	0	0	0	0	0	0	0
Benefits Paid	(134)	(141)	(141)	(167)	(135)	(131)	(128)	(126)	(123)	(120)
EOP Plan Assets	**$1,706**	**$1,712**	**$1,543**	**$1,336**	**$1,374**	**$1,333**	**$1,291**	**$1,250**	**$1,208**	**$1,167**
BOP Benefit Obligation	$1,717	$1,678	$1,623	$1,482	$1,562	$1,567	$1,519	$1,471	$1,424	$1,377
Service Cost	18	17	20	11	4	5	5	5	5	5
Interest Cost	113	96	97	113	86	78	76	74	71	69
Actuarial Losses (Gains)	(31)	(27)	(89)	123	49	0	0	0	0	0
Amendments	0	0	3	0	0	0	0	0	0	0
Curtailments	0	0	(36)	0	0	0	0	0	0	0
Divestitures	(5)	0	0	0	0	0	0	0	0	0
Impact of Shareholder Agreement	0	0	5	0	0	0	0	0	0	0
Benefits Paid	(134)	(141)	(141)	(167)	(135)	(131)	(128)	(126)	(123)	(120)
EOP Benefit Obligation	**$1,678**	**$1,623**	**$1,482**	**$1,562**	**$1,567**	**$1,519**	**$1,471**	**$1,424**	**$1,377**	**$1,331**
Net Funded Status	**$28**	**$89**	**$62**	**($226)**	**($192)**	**($186)**	**($180)**	**($174)**	**($169)**	**($165)**
% Funded	***101.7%***	***105.5%***	***104.2%***	***85.5%***	***87.7%***	***87.8%***	***87.8%***	***87.8%***	***87.7%***	***87.6%***
$ Needed to Maintain 2010 Funded Level (Cumulative)						**($1)**	**($1)**	**($1)**	**$0**	**$1**
						87.7%	***87.7%***	***87.7%***	***87.7%***	***87.7%***

6.5%

Note: Plan assets are roughly 35% equities, 30% fixed income, 17% alternatives, 17% cash

Note: "Service Cost" now represents purely administrative costs of the plan, as the plan has been discontinued for employees

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Source: Company documents, Marcato estimates

Environmental Cleanup Costs Incorporated Into Cost-Plus Contract Revenue

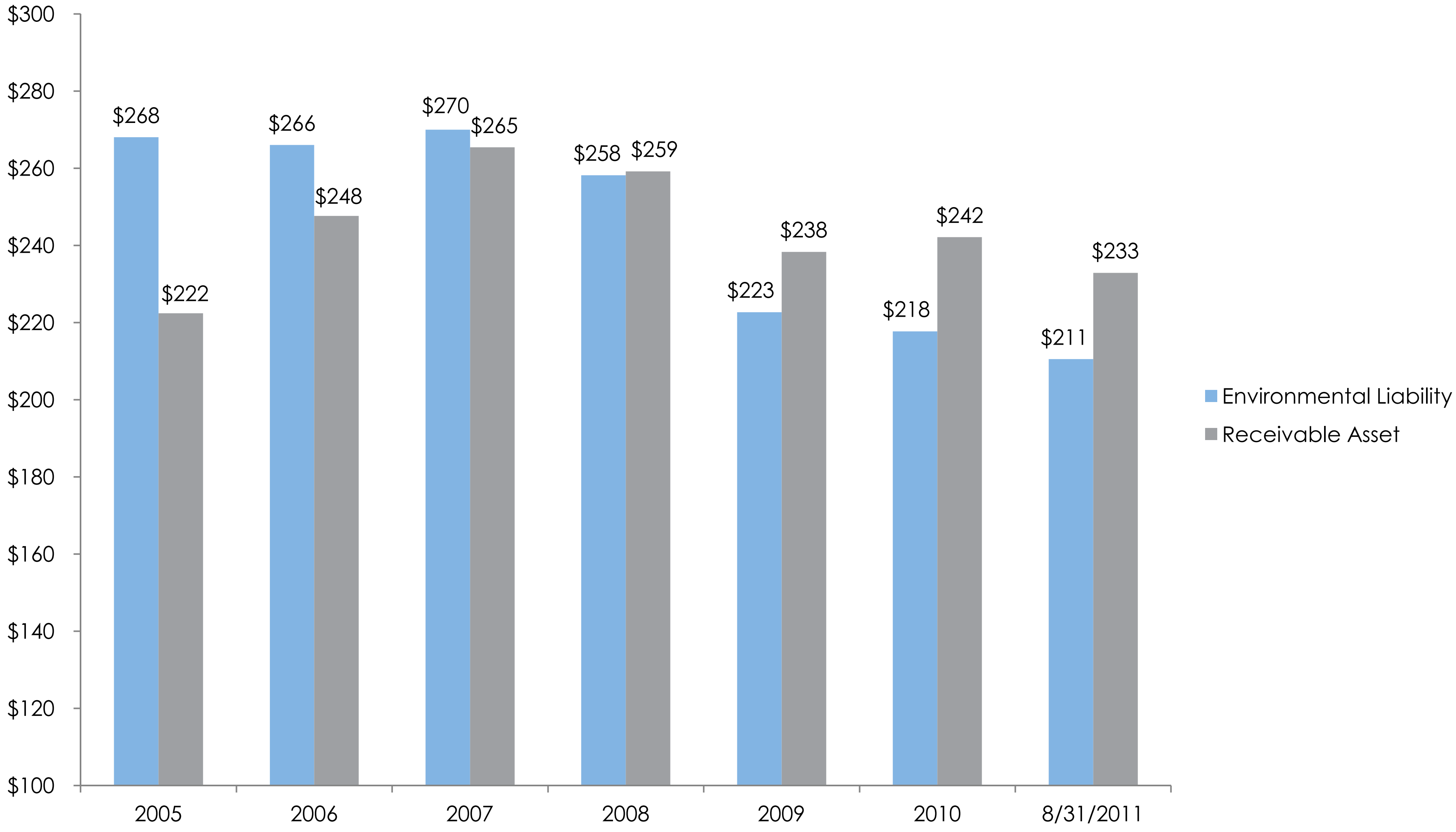
- The Company's ~$211m environmental reserve liability arises from propulsion system tests it conducted at its Sacramento facilities since the 1950s
  - Aerojet disposed of used rocket fuel (eg, ammonium perchlorate) on the land <u>in accordance with accepted regulations and standards at the time</u>
  - In the early '90s, it was designated a Superfund site as authorities recognized the pollution
- Under a 1997 Global Settlement, Aerojet agreed to clean up the land, and **<u>the federal government agreed to reimburse Aerojet by allowing the cleanup costs to be incorporated into overhead costs associated with cost-plus government contracts</u>**
  - The cleanup costs are effectively a pass-through, showing up in both revenue and costs
  - Implicitly contingent on Aerojet maintaining a base of business with the government
  - Equates to roughly 88% reimbursement of remediation expenditures

GY Currently Reports a Net Receivable from Environmental Activity

- The Company carries receivable assets on its Balance Sheet, representing future expected reimbursements, to offset the liability representing future expected cleanup costs
- The timing of certain reimbursements is subject to annual caps, which the Company has recently exceeded
  - The Company is now owed for previously spent cleanup costs, in addition to future cleanup costs

As a result, the Company now has Balance Sheet receivable assets (~$233m) exceeding its Balance Sheet environmental liabilities (~$211m)

GY Currently Reports a Net Receivable from Environmental Activity (cont'd)



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Source: Company documents

Excess Real Estate Assets

GY Owns Several Excess Real Estate Assets

In addition to the cash flow-generating aerospace business, GY owns several excess real estate assets

- 12,000 acres of contiguous, developable raw land adjacent to a major highway in Sacramento
  - GY has plans to turn 6,000 clean acres into a Master-Planned Community ("MPC") called Easton, currently in different stages of zoning and development
- 310k square feet of excess Sacramento office space leased to third parties
- 580 acres in Chino Hills, CA

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Source: Company documents

Sacramento Raw Land

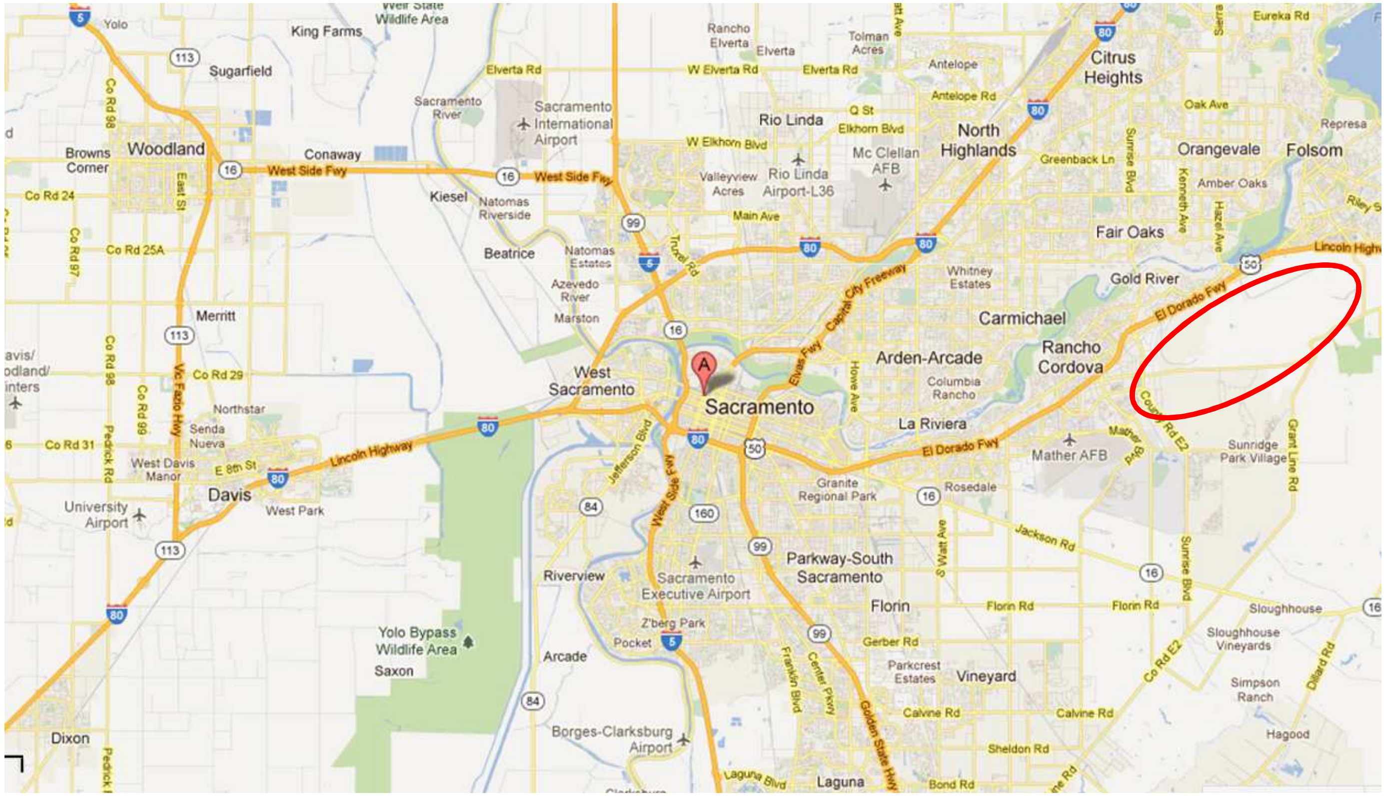
Aerojet originally acquired this land in the 1950s to test its propulsion systems, but stopped all tests there over a decade ago

- 6,000 acres are environmentally restricted
- 6,000 are clean and were never used for testing, but were a buffer between the test sites and civilization
- Because the land was acquired in the 1950s, its book value is low (~$33m)

Source: Company documents

Civilization Has Encroached on the Sacramento Raw Land

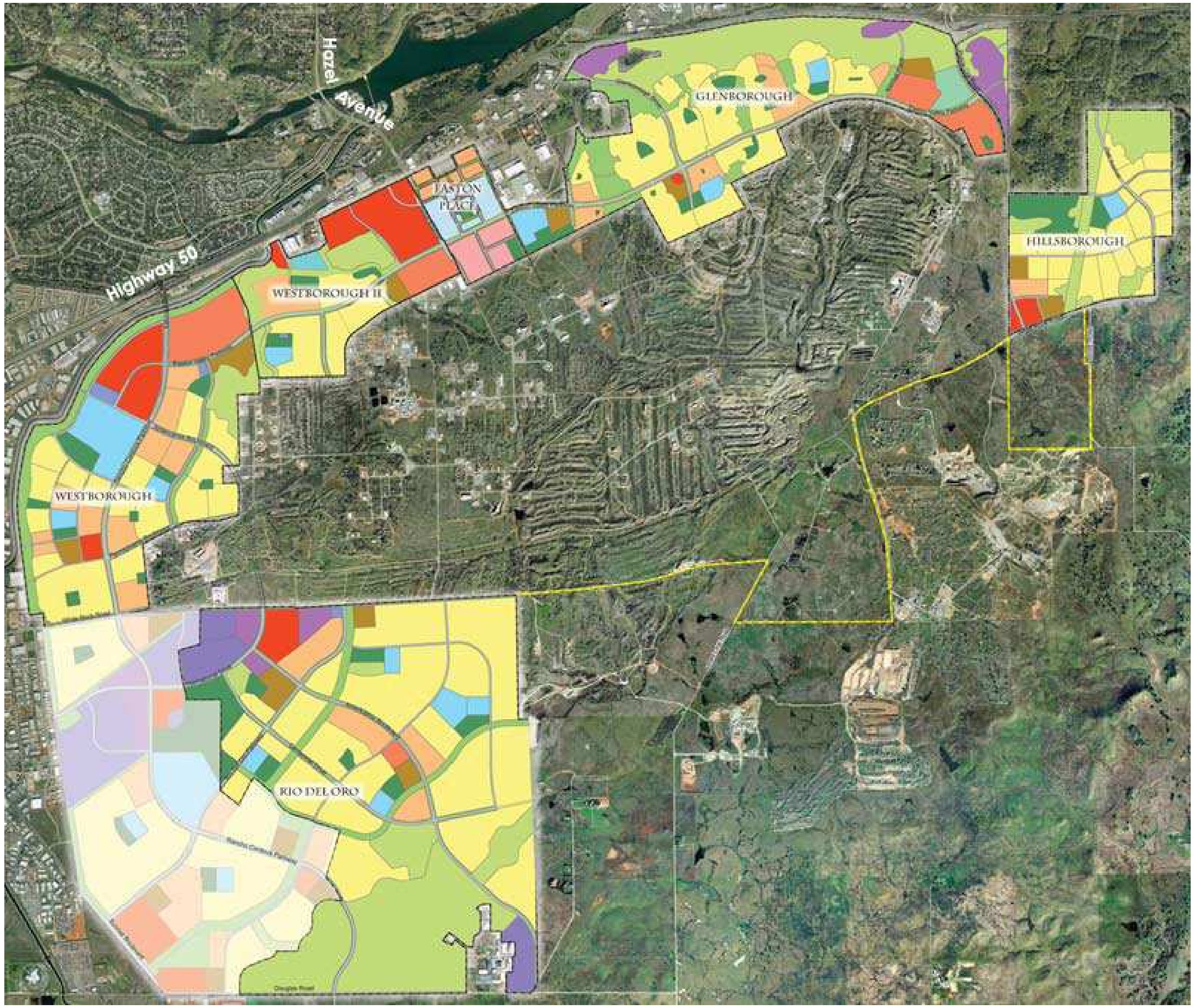
- In the 55 years since Aerojet acquired the land, civilization has encroached such that it is now in a very desirable location, adjacent to a main highway, adjacent to public transportation, and close to schools and retail and commercial districts



Easton Development in Progress

GY has extensive plans to turn the 6,000 clean acres into a master planned community called Easton, in five separate phases

Entitlement and zoning are in place for the first 1,400 acres (Glenborough and Easton Place), with detailed plans for residential, commercial, and office property development



Source: http://easton-ca.com

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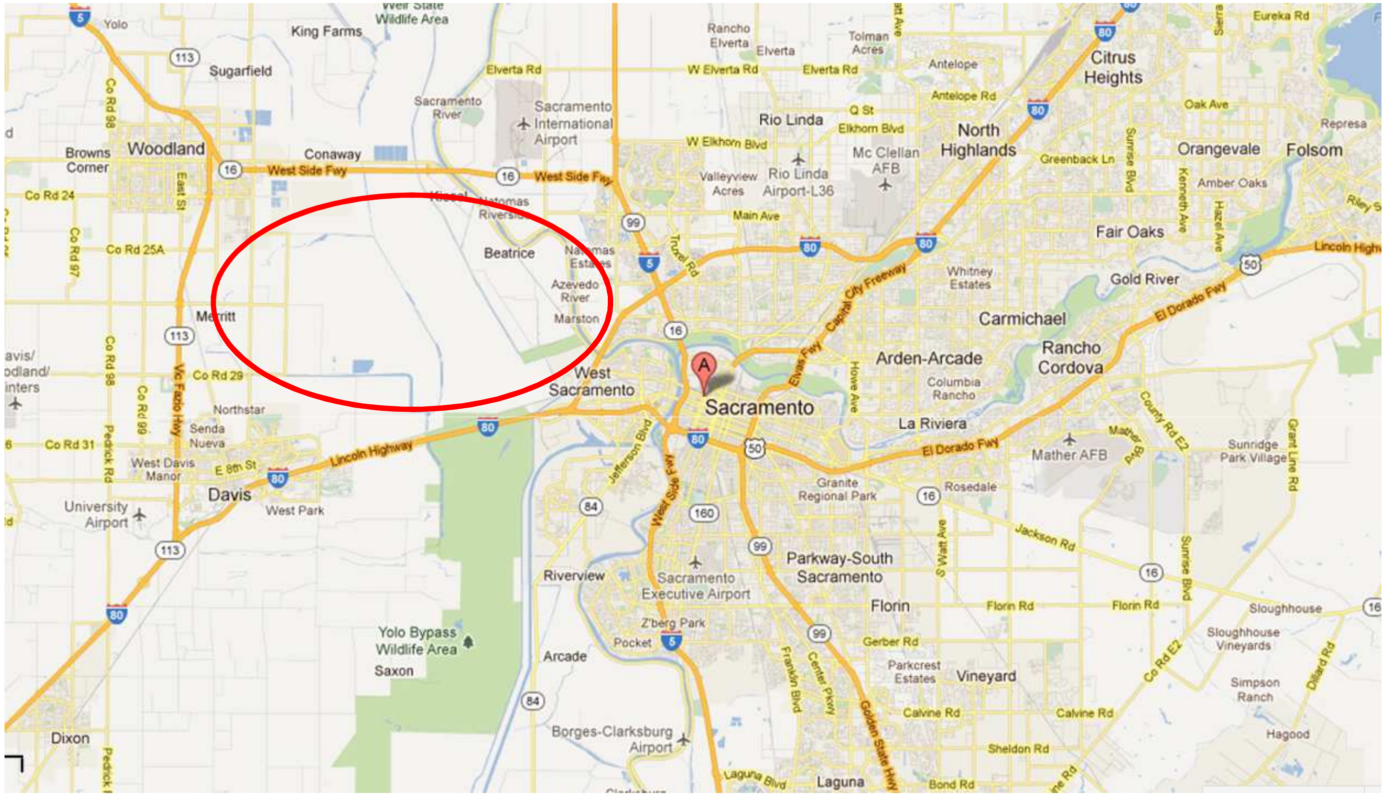
In late 2010, prominent Sacramento developer AKT paid $49,000 / acre for 17,000 acres of comparable raw land, in a less desirable location



Source: Sacramento Business Journal

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Recent Land Sale Comps Available (cont'd)

- In 2001, GenCorp sold 1,100 of its acres to Elliott Homes, Inc. for $25,000 / acre
  - The Company regrets selling at this price
- Other recent smaller deals in the area confirm the range of $25,000 - $50,000 / acre

Source: Public documents, www.loopnet.com

Sacramento Office Space Generating ~$5m of NOI

- In addition to the Sacramento raw land, GY also owns 310,000 square feet of excess Sacramento office space that it leases to third parties
- This leasing activity generated $5m of operating income in the LTM (and has generated as much as $10m before the financial crisis)

	2008	2009	2010	LTM
Sacramento Office Space NOI	$10.3	$4.4	$5.3	$4.8

Source: Company documents

We believe GY's excess real estate is worth $200 - $350m today, and potentially much more as real estate markets recover and the Company makes progress on its development plans

Excess Real Estate Valuation

Asset	Value	Methodology
Sacramento Land	$140 - 290	6,000 acres @ $20k - $50k / acre
Sacramento Office Space	60	LTM NOI @ 8% cap rate
Chino Hills Land	0	Conservatism (1)
Total	**$200 - 350**	

Source: Marcato estimates

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(1) This site is in the process of environmental remediation

Attractive Valuation

23% Free Cash Flow Yield On the Operating Business Alone

- At its current share price of $5.50, GY is trading at a 23% Free Cash Flow yield to the equity, before ascribing any value to the real estate, which we believe is worth 60 – 100% of the Company's market cap today

Share Price	$5.50
FD Shares Out	59.3
Market Cap	$326
Total Debt	388
Cash and Equiv.	(238)
TEV	$477
Excess Real Estate	$200 - 350

	LTM	2011E	2012E
Revenue	$892	$901	$946
% Growth		*5.0%*	*5.0%*
EBITDAP	$109	$110	$115
Multiple	*4.4x*	*4.3x*	*4.1x*
EBITDAP - CapEx	$90	$91	$96
Multiple	*5.3x*	*5.3x*	*5.0x*
Free Cash Flow	$51	$53	$75
% Yield	***15.8%***	***16.1%***	***23.0%***

We believe this is an unusual value for a dominant market leader in an important national security niche, with consistent profitability and double-digit growth in backlog

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Source: Marcato estimates

What is it Worth?

We believe GY is worth $12 - $16 per share today, a significant premium to the recent share price of $5.50

Cash Earnings	$74		$74
Multiple	10x	-	12x
Implied Equity Value	$740	-	$888
plus: Excess Real Estate	200	-	350
plus: Net Cash (1)	50	-	50
Total Equity Value	$990	-	$1,288
FD Shares Out (1)	81.5	-	81.5
Implied Share Price	**$12.14**	**-**	**$15.79**
Recent Share Price	**5.50**	**-**	**5.50**
% Premium	***121%***	**-**	***187%***

Source: Marcato estimates

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(1) Assuming full dilution from the $200m outstanding 4 1/16% convertible subordinated notes (strike price = $9 / share)

Summary Conclusion

- Attractive core aerospace & defense business
  - Dominant supplier in a critically important niche
  - Healthy growth for next several years
- Accounting complexity obscuring attractiveness
  - Free Cash Flow significantly higher than Net Income
  - Balance Sheet liabilities overstate true cash obligations
- Excess Real Estate holdings
- Compelling Valuation
  - 23% FCF yield to the equity on the operating business alone
  - Excess Real Property worth 60 – 100% of the market cap today