



March 8, 2016

## **AeroVironment, Inc. Announces Fiscal 2016 Third Quarter Results**

SIMI VALLEY, Calif.--(BUSINESS WIRE)-- [AeroVironment, Inc.](#) (NASDAQ: AVAV) today reported financial results for its third quarter ended January 30, 2016.

"Our continued focus on effectively serving our customers drove AeroVironment's third quarter results, including gross margin of 39 percent, revenue of \$68 million and funded backlog of \$80 million," said Tim Conver, AeroVironment chairman and chief executive officer. "In our growth portfolio, the unique advantages of Switchblade and its four emerging variants within our family of Tactical Missile Systems continued to build traction with customers during the quarter. The addition of a line item for Lethal Miniature Aerial Missile Systems in the fiscal 2017 federal budget request demonstrates the increasing value of our solutions to our troops and our country."

Conver added, "Our strategic investments in commercial unmanned aircraft systems continued to strengthen our long-term growth prospects across multiple promising avenues. In EES, our focus on innovation enabled the company to expand its EV charging footprint in North America and introduce PosiCharge ProCore charging systems for industrial electric vehicles early in the fourth quarter."

### **FISCAL 2016 THIRD QUARTER RESULTS**

Revenue for the third quarter of fiscal 2016 was \$67.6 million, a decline from third quarter fiscal 2015 revenue of \$68.4 million. The decrease in revenue resulted from a decrease in sales in our Efficient Energy Systems (EES) segment of \$3.9 million, partially offset by an increase in sales in our Unmanned Aircraft Systems (UAS) segment of \$3.1 million.

Gross margin for the third quarter of fiscal 2016 was \$26.6 million, a decline from third quarter fiscal 2015 gross margin of \$27.0 million. The decrease in gross margin was due to a decrease in product margin of \$2.0 million, partially offset by an increase in service margin of \$1.6 million. As a percentage of revenue, gross margin decreased from 39.5% to 39.4%.

Income from operations for the third quarter of fiscal 2016 was \$5.1 million, consistent with third quarter fiscal 2015. Year over year income from operations was a result of a decrease in gross margin of \$0.4 million, largely offset by a decrease in research and development (R&D) expense of \$0.3 million.

Other expense, net, for the third quarter of fiscal 2016 was \$34,000 compared to \$0.1 million for the third quarter of fiscal 2015.

Net income for the third quarter of fiscal 2016 was \$6.2 million, including a \$1.1 million tax benefit, compared to net income for the third quarter of fiscal 2015 of \$2.3 million.

Earnings per diluted share for the third quarter of fiscal 2016 were \$0.27 compared to earnings per diluted share for the third quarter of fiscal 2015 of \$0.10.

### **FISCAL 2016 YEAR-TO-DATE RESULTS**

Revenue for the first nine months of fiscal 2016 was \$179.3 million, up 4% from the first nine months of fiscal 2015 revenue of \$172.9 million. The increase in revenue resulted from an increase in sales in our UAS segment of \$15.6 million, partially offset by a decrease in sales in our EES segment of \$9.2 million.

Gross margin for the first nine months of fiscal 2016 was \$74.2 million, up 26% from the first nine months of fiscal 2015 gross margin of \$58.9 million. The increase in gross margin was due to an increase in service margin of \$9.8 million and an increase in product margin of \$5.4 million, both of which were impacted by a reserve reversal of \$3.5 million for the settlement of prior year government incurred cost audits recorded during the second fiscal quarter of 2016. As a percentage of revenue, gross margin increased to 41% from 34%.

Income from operations for the first nine months of fiscal 2016 was \$2.9 million compared to a loss from operations for the first nine months of fiscal 2015 of \$5.5 million. The increase in income from operations was a result of an increase in gross margin of \$15.3 million, partially offset by an increase in R&D expense of \$3.7 million and an increase in selling, general & administrative (SG&A) expense of \$3.2 million.

Other expense, net, for the first nine months of fiscal 2016 was \$2.1 million compared to other income, net, for the first nine months of fiscal 2015 of \$0.4 million. The increase in expense is primarily due to the recording of an other-than-temporary impairment loss on our CybAero equity securities during the first quarter of fiscal 2016.

Net income for the first nine months of fiscal 2016 was \$3.6 million, including a \$2.8 million tax benefit, compared to a net loss for the first nine months of fiscal 2015 of \$4.2 million.

Net income per diluted share for the first nine months of fiscal 2016 was \$0.16 compared to a loss per share for the first nine months of fiscal 2015 of \$0.18. Net income per diluted share for the first nine months of fiscal 2016 was decreased by \$0.06 due to both the impairment loss and loss on sale of our CybAero equity securities. Loss per share for the first nine months of fiscal 2015 decreased by \$0.01 due to the increase in fair value of the conversion option of our convertible bond investment and related sales of stock.

## **BACKLOG**

As of January 30, 2016, funded backlog (unfilled firm orders for which funding is currently appropriated to us under a customer contract) was \$79.7 million compared to \$64.7 million as of April 30, 2015.

## **FISCAL 2016 — OUTLOOK FOR THE FULL YEAR**

For fiscal 2016, the company continues to expect revenue of between \$260 million and \$280 million and is raising its gross profit margin guidance range to between 38 percent and 39.5 percent. Planned increases in strategic R&D and SG&A investments for Commercial UAS in fiscal 2016 may largely offset operating profit in the current fiscal year.

The foregoing estimates are forward looking and reflect management's view of current and future market conditions, including certain assumptions with respect to our ability to obtain and retain government contracts, changes in the timing and/or amount of government spending, changes in the demand for our products and services, activities of competitors, changes in the regulatory environment, and general economic and business conditions in the United States and elsewhere in the world. Investors are reminded that actual results may differ materially from these estimates.

## **CONFERENCE CALL**

In conjunction with this release, AeroVironment, Inc. will host a conference call today, Tuesday, March 8, 2016, at 1:30 p.m. Pacific Time that will be broadcast live over the Internet. Timothy E. Conver, chairman and chief executive officer, Wahid Nawabi, president and chief operating officer, Raymond D. Cook, chief financial officer and Steven A. Gitlin, vice president of investor relations, will host the call.

4:30 PM ET  
3:30 PM CT  
2:30 PM MT  
1:30 PM PT

Investors may dial into the call at (877) 561-2749 (U.S.) or (678) 809-1029 (international) five to ten minutes prior to the start time to allow for registration.

Investors with Internet access may listen to the live audio webcast via the Investor Relations page of the AeroVironment, Inc. website, <http://investor.avinc.com>. Please allow 15 minutes prior to the call to download and install any necessary audio software.

## **Audio Replay Options**

An audio replay of the event will be archived on the Investor Relations page of the company's website, at <http://investor.avinc.com>. The audio replay will also be available via telephone from Tuesday, March 8, 2016, at approximately 4:30 p.m. Pacific Time through Tuesday, March 15, 2016, at 9:00 p.m. Pacific Time. Dial (855) 859-2056 and enter the passcode 52024061. International callers should dial (404) 537-3406 and enter the same passcode number to access the audio replay.

## ABOUT AEROVIRONMENT, INC.

AeroVironment is a technology solutions provider that designs, develops, produces, supports and operates an advanced portfolio of [Unmanned Aircraft Systems \(UAS\)](#) and electric transportation solutions. The company's electric-powered, hand-launched UAS generate and process data to deliver powerful insight, on-demand, to people engaged in military, public safety and commercial activities around the world. AeroVironment's electric transportation solutions include a comprehensive suite of [electric vehicle \(EV\) charging systems, installation and network services](#) for consumers, automakers, utilities and government agencies, [power cycling and test systems](#) for EV developers and [industrial EV charging systems](#) for commercial fleets. More information about AeroVironment is available at [www.avinc.com](http://www.avinc.com).

## FORWARD-LOOKING STATEMENTS

This press release contains "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain words such as "believe," "anticipate," "expect," "estimate," "intend," "project," "plan," or words or phrases with similar meaning. Forward-looking statements are based on current expectations, forecasts and assumptions that involve risks and uncertainties, including, but not limited to, economic, competitive, governmental and technological factors outside of our control, that may cause our business, strategy or actual results to differ materially from the forward-looking statements. Factors that could cause actual results to differ materially from the forward-looking statements include, but are not limited to, reliance on sales to the U.S. government; availability of U.S. government funding for defense procurement and R&D programs; changes in the timing and/or amount of government spending; potential need for changes in our long-term strategy in response to future developments; unexpected technical and marketing difficulties inherent in major research and product development efforts; changes in the supply and/or demand and/or prices for our products and services; the activities of competitors and increased competition; failure of the markets in which we operate to grow; failure to remain a market innovator and create new market opportunities; changes in significant operating expenses, including components and raw materials; failure to develop new products; the extensive regulatory requirements governing our contracts with the U.S. government; product liability, infringement and other claims; changes in the regulatory environment; and general economic and business conditions in the United States and elsewhere in the world. For a further list and description of such risks and uncertainties, see the reports we file with the Securities and Exchange Commission. We do not intend, and undertake no obligation, to update any forward-looking statements, whether as a result of new information, future events or otherwise.

**AeroVironment, Inc.**  
**Consolidated Statements of Operations (Unaudited)**  
**(In thousands except share and per share data)**

|                                     | Three Months Ended  |                     | Nine Months Ended   |                     |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                     | January 30,<br>2016 | January 31,<br>2015 | January 30,<br>2016 | January 31,<br>2015 |
| Revenue:                            |                     |                     |                     |                     |
| Product sales                       | \$ 53,305           | \$ 56,308           | \$ 129,436          | \$ 141,993          |
| Contract services                   | 14,255              | 12,089              | 49,905              | 30,934              |
|                                     | 67,560              | 68,397              | 179,341             | 172,927             |
| Cost of sales:                      |                     |                     |                     |                     |
| Product sales                       | 31,910              | 32,901              | 73,477              | 91,477              |
| Contract services                   | 9,025               | 8,503               | 31,683              | 22,532              |
|                                     | 40,935              | 41,404              | 105,160             | 114,009             |
| Gross margin:                       |                     |                     |                     |                     |
| Product sales                       | 21,395              | 23,407              | 55,959              | 50,516              |
| Contract services                   | 5,230               | 3,586               | 18,222              | 8,402               |
|                                     | 26,625              | 26,993              | 74,181              | 58,918              |
| Selling, general and administrative | 13,313              | 13,268              | 43,302              | 40,141              |
| Research and development            | 8,247               | 8,577               | 27,975              | 24,232              |
| Income (loss) from operations       | 5,065               | 5,148               | 2,904               | (5,455)             |
| Other (expense) income:             |                     |                     |                     |                     |
| Interest income, net                | 181                 | 224                 | 673                 | 629                 |
| Other (expense), net                | (215)               | (284)               | (2,796)             | (276)               |
| Income (loss) before income taxes   | 5,031               | 5,088               | 781                 | (5,102)             |

|                                      |                 |                 |                 |                   |
|--------------------------------------|-----------------|-----------------|-----------------|-------------------|
| (Benefit) provision for income taxes | (1,133)         | 2,763           | (2,821)         | (917)             |
| Net Income (loss)                    | <u>\$ 6,164</u> | <u>\$ 2,325</u> | <u>\$ 3,602</u> | <u>\$ (4,185)</u> |
| Earnings (loss) per share data:      |                 |                 |                 |                   |
| Basic                                | \$ 0.27         | \$ 0.10         | \$ 0.16         | \$ (0.18)         |
| Diluted                              | \$ 0.27         | \$ 0.10         | \$ 0.16         | \$ (0.18)         |
| Weighted average shares outstanding: |                 |                 |                 |                   |
| Basic                                | 22,890,484      | 22,890,502      | 22,941,354      | 22,856,962        |
| Diluted                              | 23,083,816      | 23,109,354      | 23,139,981      | 22,856,962        |

**AeroVironment, Inc.**  
**Reconciliation of Earnings (Loss) per Share (Unaudited)**

|                                                                      | <u>Three Months Ended</u>   |                             | <u>Nine Months Ended</u>    |                             |
|----------------------------------------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                                                      | <u>January 30,<br/>2016</u> | <u>January 31,<br/>2015</u> | <u>January 30,<br/>2016</u> | <u>January 31,<br/>2015</u> |
| Earnings (loss) per diluted share as adjusted                        | \$ 0.27                     | \$ 0.10                     | \$ 0.22                     | \$ (0.19)                   |
| Other-than-temporary impairment loss and loss on sale of stock       | —                           | —                           | (0.06)                      | —                           |
| Increase in fair value of convertible bond and related sale of stock | —                           | —                           | —                           | 0.01                        |
| Earnings (loss) per diluted share as reported                        | <u>\$ 0.27</u>              | <u>\$ 0.10</u>              | <u>\$ 0.16</u>              | <u>\$ (0.18)</u>            |

**AeroVironment, Inc.**  
**Consolidated Balance Sheets**  
**(In thousands except share data)**

|                                                                                                                      | <u>January 30,<br/>2016</u> | <u>April 30,<br/>2015</u> |
|----------------------------------------------------------------------------------------------------------------------|-----------------------------|---------------------------|
|                                                                                                                      | <u>(Unaudited)</u>          |                           |
| <b>Assets</b>                                                                                                        |                             |                           |
| Current assets:                                                                                                      |                             |                           |
| Cash and cash equivalents                                                                                            | \$ 122,706                  | \$143,410                 |
| Short-term investments                                                                                               | 97,692                      | 85,381                    |
| Accounts receivable, net of allowance for doubtful accounts of \$191 at January 30, 2016 and \$606 at April 30, 2015 | 38,991                      | 33,607                    |
| Unbilled receivables and retentions                                                                                  | 10,440                      | 17,356                    |
| Inventories, net                                                                                                     | 46,434                      | 39,414                    |
| Income tax receivable                                                                                                | 3,901                       | —                         |
| Deferred income taxes                                                                                                | 5,247                       | 5,265                     |
| Prepaid expenses and other current assets                                                                            | 4,219                       | 4,599                     |
| Total current assets                                                                                                 | <u>329,630</u>              | <u>329,032</u>            |
| Long-term investments                                                                                                | 38,175                      | 46,769                    |
| Property and equipment, net                                                                                          | 14,313                      | 13,499                    |
| Deferred income taxes                                                                                                | 6,720                       | 7,426                     |
| Other assets                                                                                                         | 653                         | 741                       |
| Total assets                                                                                                         | <u>\$ 389,491</u>           | <u>\$397,467</u>          |
| <b>Liabilities and Stockholders' Equity</b>                                                                          |                             |                           |
| Current liabilities:                                                                                                 |                             |                           |
| Accounts payable                                                                                                     | \$ 9,786                    | \$ 19,243                 |
| Wages and related accruals                                                                                           | 13,463                      | 13,395                    |
| Income taxes payable                                                                                                 | —                           | 692                       |
| Customer advances                                                                                                    | 3,213                       | 4,235                     |
| Other current liabilities                                                                                            | 6,408                       | 9,170                     |
| Total current liabilities                                                                                            | <u>32,870</u>               | <u>46,735</u>             |

|                                                                                                 |                   |                  |
|-------------------------------------------------------------------------------------------------|-------------------|------------------|
| Deferred rent                                                                                   | 1,223             | 1,381            |
| Capital lease obligations - net of current portion                                              | 388               | —                |
| Liability for uncertain tax positions                                                           | 439               | 439              |
| Commitments and contingencies                                                                   |                   |                  |
| Stockholders' equity:                                                                           |                   |                  |
| Preferred stock, \$0.0001 par value:                                                            |                   |                  |
| Authorized shares — 10,000,000; none issued or outstanding                                      | —                 | —                |
| Common stock, \$0.0001 par value:                                                               |                   |                  |
| Authorized shares — 100,000,000                                                                 |                   |                  |
| Issued and outstanding shares — 23,358,981 at January 30, 2016 and 23,314,640 at April 30, 2015 | 2                 | 2                |
| Additional paid-in capital                                                                      | 152,942           | 148,293          |
| Accumulated other comprehensive loss                                                            | (194)             | (1,358)          |
| Retained earnings                                                                               | 201,821           | 201,975          |
| Total stockholders' equity                                                                      | <u>354,571</u>    | <u>348,912</u>   |
| Total liabilities and stockholders' equity                                                      | <u>\$ 389,491</u> | <u>\$397,467</u> |

**AeroVironment, Inc.**  
**Consolidated Statements of Cash Flows (Unaudited)**  
(In thousands)

|                                                                                                | <b>Nine Months Ended</b>    |                             |
|------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
|                                                                                                | <b>January 30,<br/>2016</b> | <b>January 31,<br/>2015</b> |
| <b>Operating activities</b>                                                                    |                             |                             |
| Net income (loss)                                                                              | \$ 3,602                    | \$ (4,185)                  |
| Adjustments to reconcile net income (loss) to cash (used in) provided by operating activities: |                             |                             |
| Depreciation and amortization                                                                  | 4,547                       | 6,368                       |
| Impairment of available-for-sale securities                                                    | 2,186                       | —                           |
| Loss from equity method investments                                                            | 248                         | 152                         |
| Provision for doubtful accounts                                                                | (252)                       | (101)                       |
| Deferred income taxes                                                                          | 18                          | (202)                       |
| Loss (gain) on sale of equity securities                                                       | 219                         | (182)                       |
| Stock-based compensation                                                                       | 3,170                       | 2,714                       |
| Foreign currency losses                                                                        | 63                          | 361                         |
| Increase in fair value of conversion feature of convertible bonds                              | —                           | (73)                        |
| Tax benefit from exercise of stock options                                                     | 302                         | 13                          |
| Excess tax benefit from stock-based compensation                                               | —                           | (343)                       |
| Gain on sale of property and equipment                                                         | (32)                        | —                           |
| Amortization of held-to-maturity investments                                                   | 3,086                       | 3,388                       |
| Changes in operating assets and liabilities:                                                   |                             |                             |
| Accounts receivable                                                                            | (5,052)                     | (5,994)                     |
| Unbilled receivables and retentions                                                            | 6,916                       | 2,584                       |
| Inventories                                                                                    | (7,020)                     | 1,900                       |
| Income tax receivable                                                                          | (3,952)                     | 4,644                       |
| Other assets                                                                                   | 455                         | 57                          |
| Accounts payable                                                                               | (9,457)                     | 2,309                       |
| Other liabilities                                                                              | (4,746)                     | 3,806                       |
| Net cash (used in) provided by operating activities                                            | <u>(5,699)</u>              | <u>17,216</u>               |
| <b>Investing activities</b>                                                                    |                             |                             |
| Acquisitions of property and equipment                                                         | (4,259)                     | (2,326)                     |
| Equity method investments                                                                      | (295)                       | (285)                       |
| Purchases of held-to-maturity investments                                                      | (75,740)                    | (88,074)                    |
| Redemptions of held-to-maturity investments                                                    | 67,402                      | 62,107                      |
| Acquisitions of intangible assets                                                              | —                           | (150)                       |
| Sales of available-for-sale investments                                                        | <u>987</u>                  | <u>9,498</u>                |

|                                                                    |                   |                   |
|--------------------------------------------------------------------|-------------------|-------------------|
| Net cash used in investing activities                              | (11,905)          | (19,230)          |
| <b>Financing activities</b>                                        |                   |                   |
| Purchase and retirement of common stock                            | (3,756)           | —                 |
| Principal payments on capital lease obligations                    | (341)             | —                 |
| Tax withholding payment related to net settlement of equity awards | (29)              | (36)              |
| Excess tax benefit from exercise of stock options                  | —                 | 343               |
| Exercise of stock options                                          | 1,026             | 715               |
| Net cash (used in) provided by financing activities                | (3,100)           | 1,022             |
| Net decrease in cash and cash equivalents                          | (20,704)          | (992)             |
| Cash and cash equivalents at beginning of period                   | 143,410           | 126,969           |
| Cash and cash equivalents at end of period                         | <u>\$ 122,706</u> | <u>\$ 125,977</u> |

Supplemental disclosure:

|                                                                                                                                                     |        |          |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|--------|----------|
| Unrealized change in fair value of investments recorded in other comprehensive income (loss), net of deferred taxes of \$23 and \$785, respectively | \$ 34  | \$ 1,178 |
| Accrued acquisition of intangible assets                                                                                                            | \$ —   | \$ 250   |
| Forfeiture of vested stock-based compensation                                                                                                       | \$ —   | \$ 23    |
| Acquisitions of property and equipment financed with capital lease obligations                                                                      | \$ 694 | \$ —     |
| Reclassification from share-based liability compensation to equity                                                                                  | \$ 228 | \$ —     |

**AeroVironment, Inc.**  
**Reportable Segment Results are as Follows (Unaudited):**  
(In thousands)

|                                     | Three Months Ended  |                     | Nine Months Ended   |                     |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                     | January 30,<br>2016 | January 31,<br>2015 | January 30,<br>2016 | January 31,<br>2015 |
| Revenue:                            |                     |                     |                     |                     |
| UAS                                 | \$ 61,086           | \$ 58,026           | \$ 157,842          | \$ 142,257          |
| EES                                 | 6,474               | 10,371              | 21,499              | 30,670              |
| Total                               | 67,560              | 68,397              | 179,341             | 172,927             |
| Cost of sales:                      |                     |                     |                     |                     |
| UAS                                 | 36,488              | 33,259              | 91,268              | 91,849              |
| EES                                 | 4,447               | 8,145               | 13,892              | 22,160              |
| Total                               | 40,935              | 41,404              | 105,160             | 114,009             |
| Gross margin:                       |                     |                     |                     |                     |
| UAS                                 | 24,598              | 24,767              | 66,574              | 50,408              |
| EES                                 | 2,027               | 2,226               | 7,607               | 8,510               |
| Total                               | 26,625              | 26,993              | 74,181              | 58,918              |
| Selling, general and administrative | 13,313              | 13,268              | 43,302              | 40,141              |
| Research and development            | 8,247               | 8,577               | 27,975              | 24,232              |
| Income (loss) from operations       | 5,065               | 5,148               | 2,904               | (5,455)             |
| Other (expense) income:             |                     |                     |                     |                     |
| Interest income, net                | 181                 | 224                 | 673                 | 629                 |
| Other (expense), net                | (215)               | (284)               | (2,796)             | (276)               |
| Income (loss) before income taxes   | \$ 5,031            | \$ 5,088            | \$ 781              | \$ (5,102)          |

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