



June 28, 2016

AeroVironment, Inc. Announces Fiscal 2016 Fourth Quarter and Full Year Results

MONROVIA, Calif.--(BUSINESS WIRE)-- [AeroVironment, Inc.](#) (NASDAQ: AVAV) today reported financial results for its fourth quarter ended April 30, 2016.

"Fiscal 2016 fully diluted earnings per share increased 200 percent from the prior year to \$0.39, we delivered revenue within our guidance range and exceeded gross profit margin guidance, including a favorable one-time government contract reserve reduction," said Wahid Nawabi, AeroVironment president and chief executive officer. "International small UAS revenue grew significantly in fiscal 2016 and we expect it to remain a major contributor to fiscal 2017 revenue. We also made significant progress in developing the right solution for what we believe is a very large emerging market opportunity for commercial UAS applications, where early adopter customers are evaluating new hardware prototypes and pre-release software."

"Our team maintained leading market positions in small UAS and Tactical Missile Systems for defense applications, and in electric vehicle charging and test solutions for commercial and consumer applications throughout 2016. We believe we are well positioned for long-term growth potential in our core and growth markets by staying focused on helping our customers proceed with certainty," Mr. Nawabi added.

FISCAL 2016 FOURTH QUARTER RESULTS

Revenue for the fourth quarter of fiscal 2016 was \$84.8 million, a decrease of 2% from fourth quarter fiscal 2015 revenue of \$86.5 million. The decrease in revenue resulted from a decrease in sales in our Unmanned Aircraft Systems (UAS) segment of \$2.8 million, partially offset by an increase in sales in our Efficient Energy Systems (EES) segment of \$1.1 million.

Gross margin for the fourth quarter of fiscal 2016 was \$37.9 million, a decrease of 16% from fourth quarter fiscal 2015 gross margin of \$45.4 million. The decrease in gross margin was due to a decrease in product margin of \$8.1 million, partially offset by an increase in service margin of \$0.7 million. As a percentage of revenue, gross margin decreased to 45% from 52%.

Income from operations for the fourth quarter of fiscal 2016 was \$6.8 million compared to income from operations for the fourth quarter of fiscal 2015 of \$7.5 million. The decrease in income from operations was a result of a decrease in gross margin of \$7.4 million and an increase in selling, general & administrative (SG&A) expense of \$1.2 million, partially offset by a decrease in research and development (R&D) of \$7.9 million.

Other income, net, for the fourth quarter of fiscal 2016 was \$0.5 million compared to other expense, net, for the fourth quarter of fiscal 2015 of \$0.5 million. The increase in other income, net was primarily due to losses on our CybAero equity securities recorded during the fourth quarter of fiscal 2015. The CybAero equity securities were sold during the second quarter of fiscal 2016.

Net income for the fourth quarter of fiscal 2016 was \$5.4 million compared to net income for the fourth quarter of fiscal 2015 of \$7.1 million.

Earnings per diluted share for the fourth quarter of fiscal 2016 were \$0.23 compared to earnings per diluted share for the fourth quarter of fiscal 2015 of \$0.31. Earnings per diluted share for the fourth quarter of fiscal 2015 included a loss of \$0.01 per share due to losses on our equity investment.

FISCAL 2016 FULL-YEAR RESULTS

Revenue for fiscal 2016 was \$264.1 million, up 2% from fiscal 2015 revenue of \$259.4 million. The increase in revenue resulted from an increase in sales in our UAS segment of \$12.8 million, partially offset by a decrease in sales in our EES segment of \$8.1 million.

Gross margin for fiscal 2016 was \$112.1 million, up 8% from fiscal 2015 gross margin of \$104.3 million. The increase in gross margin was due to an increase in service margin of \$10.5 million, partially offset by a decrease in product margin of

\$2.7 million, both of which were impacted by a reserve reversal of \$3.6 million for the settlement and resolution of prior year government incurred cost audits during 2016. As a percentage of revenue, gross margin increased to 42% from 40%.

Income from operations for fiscal 2016 was \$9.7 million compared to income from operations for fiscal 2015 of \$2.0 million. The increase in income from operations was a result of an increase in gross margin of \$7.8 million and a decrease in R&D of \$4.2 million, partially offset by an increase in SG&A of \$4.3 million.

Other expense, net, for fiscal 2016 was \$1.7 million compared to other expense, net, for fiscal 2015 of \$0.1 million. The increase in other expense, net was 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 fiscal 2016 was \$9.0 million compared to net income for fiscal 2015 of \$2.9 million.

Earnings per diluted share for fiscal 2016 were \$0.39 compared to earnings per diluted share for fiscal 2015 of \$0.13. Net income per diluted share for fiscal 2016 increased by \$0.10 due to the reserve reversal for the settlement and resolution of prior year government incurred cost audits, increased by \$0.05 due to R&D tax credits related to prior fiscal years, primarily as a result of the reenactment of the federal R&D tax credit, and decreased by \$0.06 due to both the impairment loss and loss on sale of our CybAero equity securities during the first quarter.

BACKLOG

As of April 30, 2016, funded backlog (unfilled firm orders for which funding is currently appropriated to us under a customer contract) was \$65.8 million compared to \$64.7 million as of April 30, 2015.

FISCAL 2017 — OUTLOOK FOR THE FULL YEAR

For fiscal 2017, the company expects to generate revenue of between \$260 million and \$280 million, and earnings per fully diluted share of between \$0.20 and \$0.35.

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, June 28, 2016, at 1:30 pm Pacific Time that will be broadcast live over the Internet. Wahid Nawabi, president and chief executive 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, June 28, 2016, at approximately 4:30 p.m. Pacific Time through Tuesday, July 5, 2016, at 9:00 p.m. Pacific Time. Dial (855) 859-2056 and enter the passcode 22090043. International callers should dial (404) 537-3406 and enter the same passcode number to access the audio replay.

ABOUT AEROVIRONMENT, INC.

AeroVironment (NASDAQ: AVAV) provides customers with more actionable intelligence so they can proceed with certainty. Based in California, AeroVironment is a global leader in unmanned aircraft systems, tactical missile systems and electric vehicle charging and test systems, and serves militaries, government agencies, businesses and consumers. For more information visit 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 Income
(In thousands except share and per share data)

| | Three Months Ended | | Twelve Months Ended | |
|--------------------------------------|--------------------|-------------------|---------------------|-------------------|
| | April 30, 2016 | April 30, 2015 | April 30, 2016 | April 30, 2015 |
| | (Unaudited) | | | |
| Revenue: | | | | |
| Product sales | \$ 60,040 | \$ 63,034 | \$ 189,476 | \$ 205,027 |
| Contract services | 24,717 | 23,437 | 74,622 | 54,371 |
| | 84,757 | 86,471 | 264,098 | 259,398 |
| Cost of sales: | | | | |
| Product sales | 32,510 | 27,357 | 105,987 | 118,834 |
| Contract services | 14,325 | 13,764 | 46,008 | 36,296 |
| | 46,835 | 41,121 | 151,995 | 155,130 |
| Gross margin: | | | | |
| Product gross margin | 27,530 | 35,677 | 83,489 | 86,193 |
| Contract gross margin | 10,392 | 9,673 | 28,614 | 18,074 |
| | 37,922 | 45,350 | 112,103 | 104,268 |
| Selling, general and administrative | 16,775 | 15,622 | 60,077 | 55,763 |
| Research and development | 14,316 | 22,259 | 42,291 | 46,491 |
| Income from operations | 6,831 | 7,469 | 9,735 | 2,014 |
| Other income (expense): | | | | |
| Interest income, net | 359 | 253 | 1,032 | 882 |
| Other income (expense), net | 97 | (727) | (2,699) | (1,003) |
| Income before income taxes | 7,287 | 6,995 | 8,068 | 1,893 |
| Provision (benefit) for income taxes | 1,923 | (85) | (898) | (1,002) |
| Net income | \$ 5,364 | \$ 7,080 | \$ 8,966 | \$ 2,895 |
| Earnings per share data: | | | | |

| | | | | | | | | |
|--------------------------------------|----|------------|----|------------|----|------------|----|------------|
| Basic | \$ | 0.23 | \$ | 0.31 | \$ | 0.39 | \$ | 0.13 |
| Diluted | \$ | 0.23 | \$ | 0.31 | \$ | 0.39 | \$ | 0.13 |
| Weighted average shares outstanding: | | | | | | | | |
| Basic | | 22,921,480 | | 22,905,235 | | 22,936,413 | | 22,868,733 |
| Diluted | | 23,143,504 | | 23,148,256 | | 23,153,493 | | 23,145,997 |

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

| | Three Months Ended | | Twelve Months Ended | |
|---|--------------------|----------------|---------------------|----------------|
| | April 30, 2016 | April 30, 2015 | April 30, 2016 | April 30, 2015 |
| Earnings per diluted share as adjusted | \$ 0.23 | \$ 0.32 | \$ 0.30 | \$ 0.13 |
| Other-than-temporary impairment loss and loss on sale of stock | — | — | (0.06) | — |
| Reserve reversal for the settlement and resolution of prior year government incurred cost audits | — | — | 0.10 | — |
| R&D tax credits related to prior fiscal years, related to the reenactment of the federal R&D tax credit | — | — | 0.05 | — |
| Decrease in fair value of convertible bond and related sale of stock | — | (0.01) | — | — |
| Earnings per diluted share as reported | \$ 0.23 | \$ 0.31 | \$ 0.39 | \$ 0.13 |

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

| | April 30, | |
|--|-----------|-----------|
| | 2016 | 2015 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$124,287 | \$143,410 |
| Short-term investments | 103,404 | 85,381 |
| Accounts receivable, net of allowance for doubtful accounts of \$262 at April 30, 2016 and \$606 at April 30, 2015 | 56,045 | 33,607 |
| Unbilled receivables and retentions | 18,899 | 17,356 |
| Inventories, net | 37,486 | 39,414 |
| Deferred income taxes | 5,432 | 5,265 |
| Prepaid expenses and other current assets | 4,150 | 4,599 |
| Total current assets | 349,703 | 329,032 |
| Long-term investments | 33,859 | 46,769 |
| Property and equipment, net | 16,762 | 13,499 |
| Deferred income taxes | 9,319 | 7,426 |
| Other assets | 750 | 741 |
| Total assets | \$410,393 | \$397,467 |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 17,712 | \$ 19,243 |
| Wages and related accruals | 13,973 | 13,395 |
| Income taxes payable | 943 | 692 |
| Customer advances | 2,544 | 4,235 |
| Other current liabilities | 11,173 | 9,170 |
| Total current liabilities | 46,345 | 46,735 |

| | | |
|--|-----------|-----------|
| Deferred rent | 1,714 | 1,381 |
| Capital lease obligations - net of current portion | 449 | — |
| Other non-current liabilities | 184 | — |
| Liability for uncertain tax positions | 441 | 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—23,359,925 shares at April 30, 2016 and 23,314,640 at April 30, 2015 | 2 | 2 |
| Additional paid-in capital | 154,274 | 148,293 |
| Accumulated other comprehensive loss | (201) | (1,358) |
| Retained earnings | 207,185 | 201,975 |
| Total stockholders' equity | 361,260 | 348,912 |
| Total liabilities and stockholders' equity | \$410,393 | \$397,467 |

AEROVIRONMENT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

| | <u>Year ended April 30,</u> | | |
|---|-----------------------------|-------------|-------------|
| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| Operating activities | | | |
| Net income | \$ 8,966 | \$ 2,895 | \$ 13,718 |
| Adjustments to reconcile net income to cash provided by operating activities: | | | |
| Depreciation and amortization | 6,074 | 8,366 | 9,155 |
| Loss from equity method investments | 138 | 240 | 30 |
| Impairment of available-for-sale securities | 2,186 | - | - |
| Impairment of long-lived assets | - | 438 | 3,317 |
| Provision for doubtful accounts | (178) | (106) | (6) |
| Losses on foreign currency transactions | 63 | 580 | 21 |
| Loss (gain) on sale of equity securities | 219 | 209 | (4) |
| Deferred income taxes | (2,912) | (3,382) | (3,110) |
| Change in fair value of conversion feature of convertible bonds | - | (73) | (1,773) |
| Stock-based compensation | 4,562 | 3,768 | 3,622 |
| Tax benefit from exercise of stock options | 161 | 52 | 2,305 |
| Excess tax benefit from stock-based compensation | (39) | (162) | (648) |
| (Gain) loss on disposition of property and equipment | (22) | 3,661 | — |
| Amortization of held-to-maturity investments | 3,875 | 4,532 | 5,037 |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | (22,260) | (1,762) | (11,963) |
| Unbilled receivables and retentions | (1,543) | (6,427) | 375 |
| Inventories | 1,928 | 11,285 | 11,862 |
| Income tax receivable | — | 6,584 | 5,193 |
| Prepaid expenses and other assets | 517 | (339) | 157 |
| Accounts payable | (2,705) | 5,337 | (2,238) |
| Other liabilities | 1,521 | 3,717 | (1,045) |
| Net cash provided by operating activities | 551 | 39,413 | 34,005 |
| Investing activities | | | |
| Acquisition of property and equipment | (6,829) | (5,279) | (7,143) |
| Equity method investment | (295) | (395) | (105) |
| Redemptions of held-to-maturity investments | 84,433 | 69,387 | 75,022 |

| | | | |
|--|------------------|------------------|------------------|
| Purchases of held-to-maturity investments | (94,954) | (97,464) | (56,946) |
| Acquisition of intangible assets | - | (150) | (750) |
| Proceeds from the sale of property and equipment | 80 | - | - |
| Sales of available-for-sale investments | 987 | 10,081 | 360 |
| | <u>(16,578)</u> | <u>(23,820)</u> | <u>10,438</u> |
| Financing activities | | | |
| Excess tax benefit from stock-based compensation | 39 | 162 | 648 |
| Principal payments of capital lease obligations | (472) | - | - |
| Purchase and retirement of common stock | (3,756) | - | - |
| Tax withholding payment related to net settlement of equity awards | (29) | (36) | (163) |
| Exercise of stock options | 1,122 | 722 | 6,709 |
| | <u>(3,096)</u> | <u>848</u> | <u>7,194</u> |
| Net cash (used in) provided by financing activities | (3,096) | 848 | 7,194 |
| Net (decrease) increase in cash and cash equivalents | (19,123) | 16,441 | 51,637 |
| Cash and cash equivalents at beginning of year | 143,410 | 126,969 | 75,332 |
| | <u>\$124,287</u> | <u>\$143,410</u> | <u>\$126,969</u> |
| Cash and cash equivalents at end of year | | | |

Supplemental disclosures of cash flow information

Cash paid during the year for:

Income taxes

\$ 1,576 \$ 700 \$ 2,556

Non-cash activities

Unrealized change in fair value of long-term investments recorded in accumulated other comprehensive income (loss), net of tax expense (benefit) of \$18, \$(730) and \$295 for the fiscal years ended April 30, 2016, April 30, 2015 and April 30, 2014, respectively

\$ 27 \$ (1,095) \$ 442

Reclassification from share-based liability compensation to equity

\$ 228 \$ — \$ —

Forfeiture of vested stock-based compensation

\$ 86 \$ 23 \$ —

Acquisitions of property and equipment financed with capital lease obligations

\$ 932 \$ — \$ —

Acquisitions of property and equipment included in accounts payable

\$ 1,174 \$ — \$ —

Accrued acquisition of intangible assets

\$ — \$ 250 \$ —

Reportable Segment Results are as Follows: (In thousands)

| | Three Months Ended | | Twelve Months Ended | |
|-------------------------------------|--------------------|-------------------|---------------------|-------------------|
| | April 30, 2016 | April 30, 2015 | April 30, 2016 | April 30, 2015 |
| | <u>(Unaudited)</u> | | | |
| Revenue: | | | | |
| UAS | \$ 75,896 | \$ 78,693 | \$ 233,738 | \$ 220,950 |
| EES | 8,861 | 7,778 | 30,360 | 38,448 |
| Total | <u>84,757</u> | <u>86,471</u> | <u>264,098</u> | <u>259,398</u> |
| Cost of sales: | | | | |
| UAS | 40,941 | 36,384 | 132,209 | 128,233 |
| EES | 5,894 | 4,737 | 19,786 | 26,897 |
| Total | <u>46,835</u> | <u>41,121</u> | <u>151,995</u> | <u>155,130</u> |
| Gross margin: | | | | |
| UAS | 34,955 | 42,309 | 101,529 | 92,717 |
| EES | 2,967 | 3,041 | 10,574 | 11,551 |
| Total | <u>37,922</u> | <u>45,350</u> | <u>112,103</u> | <u>104,268</u> |
| Selling, general and administrative | 16,775 | 15,622 | 60,077 | 55,763 |
| Research and development | 14,316 | 22,259 | 42,291 | 46,491 |

| | | | | |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|
| Income from operations | 6,831 | 7,469 | 9,735 | 2,014 |
| Other income (expense): | | | | |
| Interest income, net | 359 | 253 | 1,032 | 882 |
| Other income (expense), net | 97 | (727) | (2,699) | (1,003) |
| Income before income taxes | <u>\$ 7,287</u> | <u>\$ 6,995</u> | <u>\$ 8,068</u> | <u>\$ 1,893</u> |

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