



August 29, 2017

AeroVironment, Inc. Announces Fiscal 2018 First Quarter Results

MONROVIA, Calif.--(BUSINESS WIRE)-- [AeroVironment, Inc.](#) (NASDAQ: AVAV) today reported financial results for its first quarter ended July 29, 2017.

"The AeroVironment team successfully executed our plan in the first quarter, delivering \$43.8 million in revenue, a 21 percent increase over first quarter fiscal 2017, and loss per share of \$0.19, a 63 percent improvement over fiscal 2017," said Wahid Nawabi, AeroVironment president and chief executive officer. "A nine percent increase in funded backlog enhances our visibility and positions us to deliver on our fiscal 2018 goals. We remain focused on making continued progress on our long-term growth initiatives as we work to deliver results, capitalize on opportunities and create value for customers, employees and stockholders."

FISCAL 2018 FIRST QUARTER RESULTS

Revenue for the first quarter of fiscal 2018 was \$43.8 million, an increase of 21% from first quarter fiscal 2017 revenue of \$36.2 million. The increase in revenue resulted from an increase in sales in our Unmanned Aircraft Systems (UAS) segment of \$5.8 million and an increase in sales in our Efficient Energy Systems (EES) segment of \$1.8 million.

Gross margin for the first quarter of fiscal 2018 was \$11.6 million, an increase from first quarter fiscal 2017 gross margin of \$6.7 million. The increase in gross margin was primarily due to an increase in product margin of \$6.4 million, partially offset by a decrease in service margin of \$1.4 million. As a percentage of revenue, gross margin increased to 27% from 18%. The increase in gross margin percentage was primarily due to a decrease in warranty related costs and an increase in the proportion of product sales to total revenue.

Loss from operations for the first quarter of fiscal 2018 was \$8.2 million compared to first quarter fiscal 2017 loss from operations of \$15.6 million. The decrease in the year over year loss from operations was primarily a result of an increase in gross margin of \$4.9 million and a decrease in research and development (R&D) expense of \$2.1 million.

Other income, net, for the first quarter of fiscal 2018 was \$0.5 million compared to other income, net of \$0.1 million for the first quarter of fiscal 2017.

Benefit for income taxes for the first quarter of fiscal 2018 was \$3.2 million compared to a benefit for income taxes of \$3.9 million for the first quarter of fiscal 2017. The decrease in benefit for income taxes was primarily due to a decrease in loss before income taxes, partially offset by an increase in the full year estimated effective tax rate. The quarter ended July 29, 2017 included a discrete income tax benefit of \$1.0 million for excess tax benefits arising from vesting of restricted stock awards and stock option exercises.

Net loss attributable to AeroVironment for the first quarter of fiscal 2018 was \$4.4 million compared to net loss for the first quarter of fiscal 2017 of \$11.6 million.

Loss per share for the first quarter of fiscal 2018 was \$0.19 compared to loss per share for the first quarter of fiscal 2017 of \$0.51.

BACKLOG

As of July 29, 2017, funded backlog (unfilled firm orders for which funding is currently appropriated to us under a customer contract) was \$85.3 million compared to \$78.0 million as of April 30, 2017.

FISCAL 2018 — OUTLOOK FOR THE FULL YEAR

For fiscal 2018, the company continues to expect to generate revenue of between \$280 million and \$300 million, and earnings per diluted share of between \$0.45 and \$0.65.

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, August 29, 2017, at 1:30 pm Pacific Time that will be broadcast live over the Internet. Wahid Nawabi, president and chief executive officer, Teresa P. Covington, 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 (888) 771-4371 (U.S.) and enter the passcode 45482291 or (847) 585-4405 (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, August 29, 2017, at approximately 4:00 p.m. Pacific Time through Tuesday, September 5, 2017, at 11:59 p.m. Pacific Time. Dial (888) 843-7419 and enter the passcode 45482291. International callers should dial (630) 652-3042 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; risks related to our international business, including compliance with export control laws; 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; the impact of potential security and cyber threats; 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; uncertainty in the customer adoption rate of commercial use unmanned aircraft systems and electric vehicles; 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 | |
|--|---------------------------|--------------------------|
| | July 29, 2017 | July 30, 2016 |
| Revenue: | | |
| Product sales | \$ 31,091 | \$ 15,737 |
| Contract services | 12,673 | 20,481 |
| | 43,764 | 36,218 |
| Cost of sales: | | |
| Product sales | 24,217 | 15,222 |
| Contract services | 7,917 | 14,313 |
| | 32,134 | 29,535 |
| Gross margin: | | |
| Product sales | 6,874 | 515 |
| Contract services | 4,756 | 6,168 |
| | 11,630 | 6,683 |
| Selling, general and administrative | 13,331 | 13,663 |
| Research and development | 6,461 | 8,600 |
| Loss from operations | (8,162) | (15,580) |
| Other income (expense): | | |
| Interest income, net | 512 | 375 |
| Other income (expense), net | 4 | (300) |
| Loss before income taxes | (7,646) | (15,505) |
| Benefit for income taxes | (3,180) | (3,863) |
| Net loss | (4,466) | (11,642) |
| Net loss attributable to noncontrolling interest | 23 | — |
| Net loss attributable to AeroVironment | \$ (4,443) | \$ (11,642) |
| Loss per share attributable to AeroVironment: | | |
| Basic | \$ (0.19) | \$ (0.51) |
| Diluted | \$ (0.19) | \$ (0.51) |
| Weighted average shares outstanding: | | |
| Basic | 23,336,305 | 22,956,607 |
| Diluted | 23,336,305 | 22,956,607 |

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

| | July 29, 2017 | April 30, 2017 |
|---|--------------------------|---------------------------|
| | (Unaudited) | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 117,473 | \$ 79,904 |
| Short-term investments | 107,831 | 119,971 |
| Accounts receivable, net of allowance for doubtful accounts of \$469 at July 29, 2017 and \$291 at April 30, 2017 | 30,685 | 74,361 |
| Unbilled receivables and retentions | 10,753 | 14,120 |
| Inventories, net | 72,017 | 60,076 |
| Income tax receivable | 2,969 | — |
| Prepaid expenses and other current assets | 5,266 | 5,653 |

| | | |
|---|-------------------|------------------|
| Total current assets | 346,994 | 354,085 |
| Long-term investments | 35,844 | 42,096 |
| Property and equipment, net | 20,317 | 19,220 |
| Deferred income taxes | 15,646 | 15,089 |
| Other assets | 1,938 | 2,010 |
| Total assets | <u>\$ 420,739</u> | <u>\$432,500</u> |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 13,966 | \$ 20,283 |
| Wages and related accruals | 10,608 | 12,966 |
| Income taxes payable | — | 1,418 |
| Customer advances | 4,593 | 3,317 |
| Other current liabilities | 8,530 | 10,079 |
| Total current liabilities | <u>37,697</u> | <u>48,063</u> |
| Deferred rent | 1,673 | 1,719 |
| Capital lease obligations - net of current portion | 104 | 161 |
| Other non-current liabilities | 184 | 184 |
| Deferred tax liability | 79 | 116 |
| Liability for uncertain tax positions | 64 | 64 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, \$0.0001 par value: | | |
| Authorized shares—10,000,000; none issued or outstanding at July 29, 2017 and April 30, 2017 | — | — |
| Common stock, \$0.0001 par value: | | |
| Authorized shares—100,000,000 | | |
| Issued and outstanding shares—23,840,300 shares at July 29, 2017 and 23,630,419 at April 30, 2017 | 2 | 2 |
| Additional paid-in capital | 165,359 | 162,150 |
| Accumulated other comprehensive loss | (125) | (127) |
| Retained earnings | 215,486 | 219,929 |
| Total AeroVironment stockholders' equity | <u>380,722</u> | <u>381,954</u> |
| Noncontrolling interest | 216 | 239 |
| Total equity | <u>380,938</u> | <u>382,193</u> |
| Total liabilities and stockholders' equity | <u>\$ 420,739</u> | <u>\$432,500</u> |

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

| | <u>Three Months Ended</u> | |
|---|--------------------------------|--------------------------------|
| | <u>July 29,</u> <u>2017</u> | <u>July 30,</u> <u>2016</u> |
| Operating activities | | |
| Net loss | \$ (4,466) | \$ (11,642) |
| Adjustments to reconcile net loss to cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 1,862 | 1,653 |
| Loss from equity method investments | — | 72 |
| Impairment of long-lived assets | 9 | — |
| Provision for doubtful accounts | 211 | 171 |
| (Gains) losses on foreign currency transactions | (106) | 226 |
| Deferred income taxes | (596) | — |
| Stock-based compensation | 1,397 | 992 |
| Tax benefit from exercise of stock options | — | 22 |
| Gain on disposition of property and equipment | — | (7) |
| Amortization of held-to-maturity investments | 474 | 661 |
| Changes in operating assets and liabilities: | | |

| | | |
|---|-------------------|-------------------|
| Accounts receivable | 43,577 | 23,019 |
| Unbilled receivables and retentions | 3,367 | 4,406 |
| Inventories | (11,941) | (6,619) |
| Income tax receivable | (2,969) | (4,250) |
| Prepaid expenses and other assets | 377 | (17) |
| Accounts payable | (6,238) | (6,336) |
| Other liabilities | (3,676) | (3,594) |
| Net cash provided by (used in) operating activities | 21,282 | (1,243) |
| Investing activities | | |
| Acquisition of property and equipment | (2,973) | (2,634) |
| Redemptions of held-to-maturity investments | 59,280 | 28,820 |
| Purchases of held-to-maturity investments | (41,806) | (27,487) |
| Proceeds from the sale of property and equipment | — | 7 |
| Sales and redemptions of available-for-sale investments | 450 | 400 |
| Net cash provided by (used in) investing activities | 14,951 | (894) |
| Financing activities | | |
| Principal payments of capital lease obligations | (92) | (95) |
| Tax withholding payment related to net settlement of equity awards | (212) | — |
| Exercise of stock options | 1,640 | 258 |
| Net cash provided by financing activities | 1,336 | 163 |
| Net increase (decrease) in cash and cash equivalents | 37,569 | (1,974) |
| Cash and cash equivalents at beginning of period | 79,904 | 124,287 |
| Cash and cash equivalents at end of period | <u>\$ 117,473</u> | <u>\$ 122,313</u> |
| Supplemental disclosures of cash flow information | | |
| Cash paid during the period for: | | |
| Income taxes | \$ 1,803 | \$ 1,786 |
| Non-cash activities | | |
| Unrealized gain on investments, net of deferred tax expense of \$4 and \$12, respectively | \$ 2 | \$ 18 |
| Reclassification from share-based liability compensation to equity | \$ 384 | \$ 307 |
| Acquisitions of property and equipment included in accounts payable | \$ 644 | \$ 321 |

AeroVironment, Inc.

Reportable Segment Results are as Follows (Unaudited)
(In thousands)

| | Three Months Ended | |
|-------------------------------------|---------------------------|--------------------------|
| | July 29, 2017 | July 30, 2016 |
| Revenue: | | |
| UAS | \$ 36,250 | \$ 30,497 |
| EES | 7,514 | 5,721 |
| Total | 43,764 | 36,218 |
| Cost of sales: | | |
| UAS | 26,408 | 25,083 |
| EES | 5,726 | 4,452 |
| Total | 32,134 | 29,535 |
| Gross margin: | | |
| UAS | 9,842 | 5,414 |
| EES | 1,788 | 1,269 |
| Total | 11,630 | 6,683 |
| Selling, general and administrative | 13,331 | 13,663 |
| Research and development | 6,461 | 8,600 |
| Loss from operations | (8,162) | (15,580) |
| Other income (expense): | | |
| Interest income, net | 512 | 375 |
| Other income (expense), net | 4 | (300) |

Loss before income taxes \$ (7,646) \$ (15,505)

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