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# **AeroVironment, Inc. Overview for the 21<sup>st</sup> Annual Needham Growth Conference**

January 16, 2019

# Safe Harbor Statement

- Certain statements in this presentation may constitute "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; our ability to perform under existing contracts and obtain new contracts; 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; 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, including our most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, which are available at [www.sec.gov](http://www.sec.gov). 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.

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# AeroVironment Overview

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# AeroVironment is a Technology Solutions Provider at the Intersection of Future-Defining Capabilities

We Provide More Actionable Intelligence So You Can *Proceed With Certainty*



# A Success Story of Serial Innovation Since Our Founding in 1971



**1977**  
**Gossamer Condor**  
 1<sup>st</sup> controlled human powered flight



**1981**  
**Solar Challenger**  
 World Records: Longest, highest, farthest solar powered flights



**1986**  
**Pointer**  
 1<sup>st</sup> backpack portable small UAS



**1995**  
**Pathfinder/ Pathfinder Plus**  
 Solar platform for HALE flight



**2001**  
**Helios**  
*World Record:*  
 Highest flying airplane in history



**2005**  
**Global Observer Prototype**  
 1<sup>st</sup> liquid hydrogen powered UAS



**2010**  
**Global Observer®**  
 Test flight program begins



**2012**  
**Switchblade®**  
 1<sup>st</sup> operational deployment of back-packable tactical missile system



**2016**  
**Blackwing™**  
 1<sup>st</sup> submarine-launched loitering ISR system for US Navy



**2017**  
**Snipe™**  
 1<sup>st</sup> dual-sensor, military-grade, pocketable UAS

1977

2007  
 IPO

2018



**1979**  
**Gossamer Albatross**  
 1<sup>st</sup> human powered flight across English Channel



**1985**  
**Pterosaur**  
 Featured in IMAX film, On The Wing



**1987**  
**Sunraycer**  
 Winner 1<sup>st</sup> solar car race



**2003**  
**Dragon Eye**  
 1<sup>st</sup> U.S. DoD Small UAS Program of Record



**2005**  
**Raven®**  
 1<sup>st</sup> to deploy 1000s of backpack portable UAVs to U.S. Forces in a single year



**2008**  
**Small UAS Digital Data Link (DDL™)**  
 A wireless communications link that provides greater security, range and utility than analog links



**2011**  
**Nano Air Vehicle**  
 1<sup>st</sup> flapping wing nano UAV with tri-axis control



**2013**  
**Long Endurance Puma™**  
 1<sup>st</sup> small UAS extended solar flight: nine hours



**2014**  
**Commercial UAS**  
 1<sup>st</sup> FAA-approved commercial services over land



**2018**  
**Quantix™ & AVDSS™**  
 1<sup>st</sup> integrated drone, sensor, analytics solution as an app

# AeroVironment Investment Thesis

1. A profitable, pure-play unmanned robotics company
2. The global leader in selected markets, at the forefront of multiple large, global growth opportunities
3. Strong financial position and performance enabling our growth strategy
4. Demonstrated track record of capitalizing on growth opportunities

# Small Unmanned Aircraft Systems



62%

of fiscal 2018  
company revenue

86%

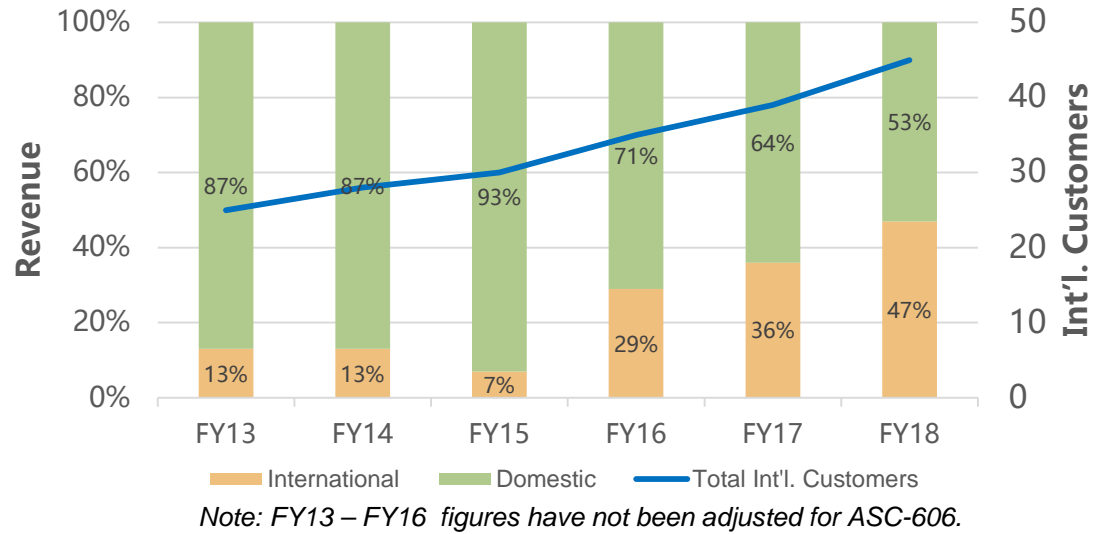
of all unmanned aircraft in U.S.  
Dept. of Defense inventory<sup>1</sup>

<sup>1</sup> Source: United States Department of Defense Unmanned Systems Roadmap 2013-2038, page 5



# Growing & Diversified International Revenue

- More than 45 countries as UAS customers - most with additional procurement potential
- Driven by small UAS and in FY18 by HAPS



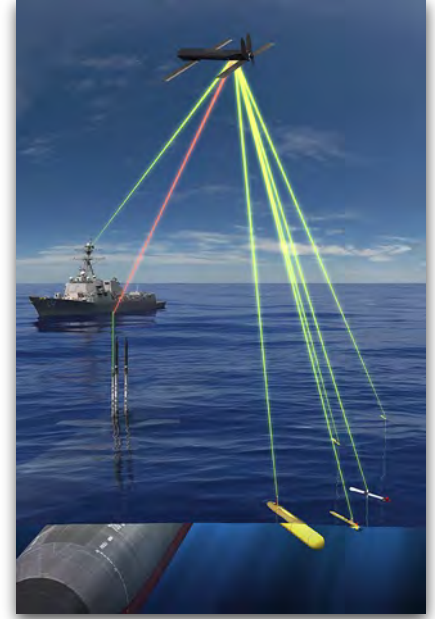
# Tactical Missile Systems



## Switchblade®

- Lethal, high-precision, rapidly deployed munition
- In use by United States forces
- Current solution for Army LMAMS requirement

- 24% of FY18 revenue
- +\$110M Orders in FY18
- \$110M approved funding for LMAMS in GFY19
- Additional Switchblade variants in development
- Pursuing integration with armored combat vehicles



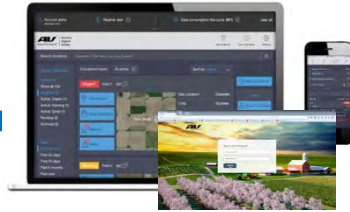
## Blackwing™

- Intelligence, surveillance, reconnaissance and communications solution
- Deploying on U.S. Navy submarines and positioned for Program of Record

# Commercial Information Solutions (CIS) – Potential in Multiple Large Verticals



Quantix™ Drone with integrated sensors



AV Decision Support Software Analytics



Tablet with Connectivity



- ✓ Integrated Drone, Sensors, Software Analytics & Connectivity Solution
- ✓ Simple & easy to operate
- ✓ Automated solution



## Multi-billion dollar global market opportunity



***“The Commercial segment holds the most potential for growth, in our view, with a triple-digit CAGR over the next five years and a \$21bn TAM.”***  
– Goldman Sachs, “Drones: Flying into the Mainstream”, March 2016



***“PwC estimates the addressable market of drone powered solutions in agriculture industry at \$32.4bn.”***  
– PwC, “Clarity from Above”, May 2016

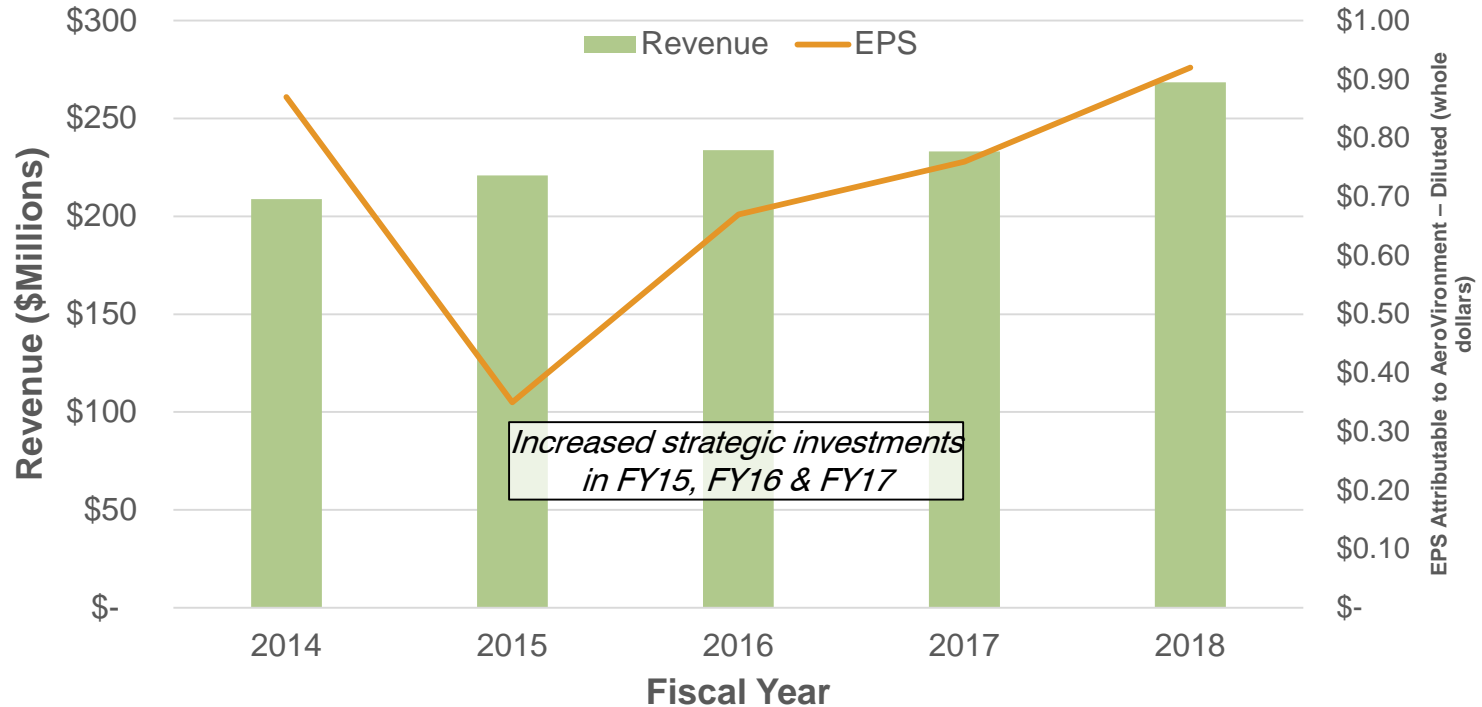
# Fiscal 2019 Drivers

- Continued focus on executing our growth strategy
- Strength in international end markets
- Progress on our HAPS opportunity
- Ongoing evaluation of strategic investments

# Financial Summary

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# Profitability Driven by Innovation & Strategic Investments



# Fiscal Year 2019 Quarterly Results (Continuing Operations)

In \$ Millions (except EPS)	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	YTD
<b>Revenue</b>	\$78.0	\$73.0	-	-	\$151.0
<b>Gross Margin</b>	\$32.6	\$28.4	-	-	\$61.0
Gross Margin %	42%	39%	-	-	40%
<b>Operating Income before Income Taxes</b>	\$23.5 <sup>1</sup>	\$9.0	-	-	\$32.5
Operating Margin%	30%	12%	-	-	21%
<b>Net Income Attributable to AeroVironment</b>	\$27.3 <sup>1</sup>	\$6.1	-	-	\$33.4
Net Income Attributable to AeroVironment Margin %	35%	8%	-	-	22%
<b>Diluted Earnings Per Share (EPS) Attributable to AeroVironment</b>	\$0.85	\$0.29	-	-	\$1.14

<sup>1</sup> First Quarter results include one-time income of \$0.26 from legal settlement

# A Strong Balance Sheet is Essential to our Growth Strategy: Confidence, Speed, Conviction

AeroVironment, Inc. Consolidated Balance Sheets (In thousands except share and per share data)		
	October 27, 2018 (Unaudited)	April 30, 2018
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 151,255	\$ 143,517
Short-term investments	138,536	113,649
Accounts receivable, net of allowance for doubtful accounts of \$1,054 at October 27, 2018 and \$1,080 at April 30, 2018	34,639	56,813
Unbilled receivables and retentions (inclusive of related party unbilled receivables of \$7,764 at October 27, 2018 and \$3,145 at April 30, 2018)	45,654	16,872
Inventories, net	46,096	37,425
Prepaid expenses and other current assets	5,732	5,103
Current assets of discontinued operations	—	25,668
<b>Total current assets</b>	<b>421,912</b>	<b>399,047</b>
Long-term investments	30,459	40,656
Property and equipment, net	20,460	19,219
Deferred income taxes	12,108	11,494
Other assets	1,628	3,002
<b>Total assets</b>	<b>\$ 486,567</b>	<b>\$ 473,418</b>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 14,149	\$ 21,340
Wages and related accruals	11,071	16,851
Income taxes payable	4,851	4,085
Customer advances	2,449	3,564
Other current liabilities	6,971	6,954
Current liabilities of discontinued operations	—	9,294
<b>Total current liabilities</b>	<b>39,491</b>	<b>62,088</b>
Deferred rent	1,478	1,536
Other non-current liabilities	1,306	622
Deferred tax liability	67	67
Liability for uncertain tax positions	49	49
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.0001 par value:		
Authorized shares—10,000,000; none issued or outstanding at October 27, 2018 and April 30, 2018	—	—
Common stock, \$0.0001 par value:		
Authorized shares—100,000,000		
Issued and outstanding shares—23,928,373 shares at October 27, 2018 and 23,908,736 at April 30, 2018	2	2
Additional paid-in capital	171,867	170,139
Accumulated other comprehensive income (loss)	5	(21)
Retained earnings	272,300	238,913
<b>Total AeroVironment stockholders' equity</b>	<b>444,174</b>	<b>409,033</b>
Noncontrolling interest	2	23
<b>Total equity</b>	<b>444,176</b>	<b>409,056</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 486,567</b>	<b>\$ 473,418</b>

See accompanying notes to consolidated financial statements (unaudited).

\$320 million in cash, short and long term investments

No debt





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