

AeroVironment, Inc. Overview for Raymond James Defense & Government Services Conference

May 30, 2018

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; 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, including our most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, which are available at 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

We Provide Customers More Actionable Intelligence So They Can Proceed With Certainty



Investment Thesis: Focused on Near and Long-Term Value Creation

Profitable Growth through Technology-Based Innovation

- 14% Revenue CAGR FY '04 – '17
- Proprietary IP portfolio underpins success
- Proven and experienced management team

Significant Optionality from Multiple High-Value Growth Opportunities

- Small UAS: continued evolution in U.S. military market, accelerating adoption in international military markets
- Tactical Missile Systems: accelerating adoption, high volume potential
- Commercial UAS information solutions: emerging market opportunity

Strong Financial Foundation

- Consistent cash generation
- Strong, efficient, growth-oriented balance sheet
- Managing investments carefully to capitalize on significant multimarket growth opportunities

History of Creating Differentiated and Industry Leading Solutions

- Pioneer & market leader in small UAS, Tactical Missile Systems
- Pioneer & market leader in Electric Vehicle (EV) test and charging solutions

A Success Story of Serial Innovation and Entrepreneurship Since Our Founding in 1971



Technology Innovation Across Multiple Industries and Applications, Focused on Key Global Trends

- Creating value by identifying, developing, investing in and providing innovative technology-based solutions for high-value market opportunities



- Profitable Core Business Enables Investment-Driven Growth Portfolio

UAS Segment – Small UAS Embedded in the Fabric of U.S. Security; TMS Emerging as Key Capability

86%

of total FY 2017
company
revenue

17%

revenue
CAGR
FY'04 – '17

86%

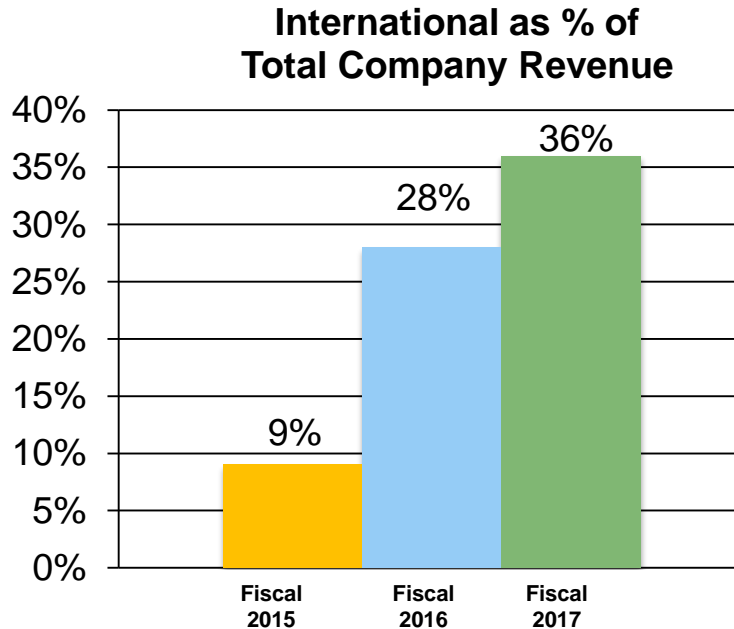
of all unmanned
aircraft in U.S. Dept.
of Defense inventory¹



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

Growing International Small UAS Business Drives Overall International Revenue Growth

- + 40 international AeroVironment UAS customers, most with additional procurement potential, and many other countries evaluating small UAS



Sample Customers



EES Segment - Products and Services Supporting EVs

14% of total FY 2017 company revenue

Leading
test systems for EV and
advanced battery
development



Leading
advanced charging systems
for industrial EVs



Leading
provider of EV charging
solutions



Increasing Adoption of EVs Could Stimulate Significant Demand for Charging Systems

	New Light Vehicle Sales Forecast ¹	Assumed Cost of Home Charging System (with Installation)	Potential Market Value (Based on 5% EV adoption)
North America 2017 sales projection	21 million	\$1,000	\$1 billion
2017 Global sales projection (ex-NA)	72.5 million	\$500	\$1.8 billion
<ul style="list-style-type: none">Plug-in penetration rates of 5% for North America and global light auto sales would yield a large EV charging market opportunity			

More Global Automakers Select AeroVironment Charging Systems



¹ Source: IHS forecast, <http://news.ihsmarkit.com/press-release/global-auto-sales-set-reach-935-million-2017-risk-greater-ever-ihs-markit-says>

Growth Portfolio

Tactical Missile Systems – Accelerating U.S. Government Adoption of Expanding Family of Loitering Systems

- + \$75 million in AeroVironment Fiscal 2017 revenue
- 56% Compound Annual (Revenue) Growth Rate: Fiscal 2011 to 2017
- + \$1 billion market opportunity¹



Switchblade®

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



Blackwing™

- Intelligence, surveillance and reconnaissance solution with longer flight time
- Deploying on U.S. Navy submarines and positioned for Program of Record

Multiple Switchblade Variants

- New solutions for new customers, applications
- Delivering air, sea and land-based capabilities

¹Based on fiscal 2017 U.S. Department of Defense budget request for procurement of existing weapon systems used to deliver similar effects

Commercial Information Solutions – Global Potential in Multiple Large Industry Segments

Drone, Sensors, Software & Analytics as an App



Quantix™ Drone



AV Decision Support System

Multi-Billion Dollar 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



High-Altitude, Pseudo-Satellite (HAPS) UAS – Global Potential for Commercial Telecom Market



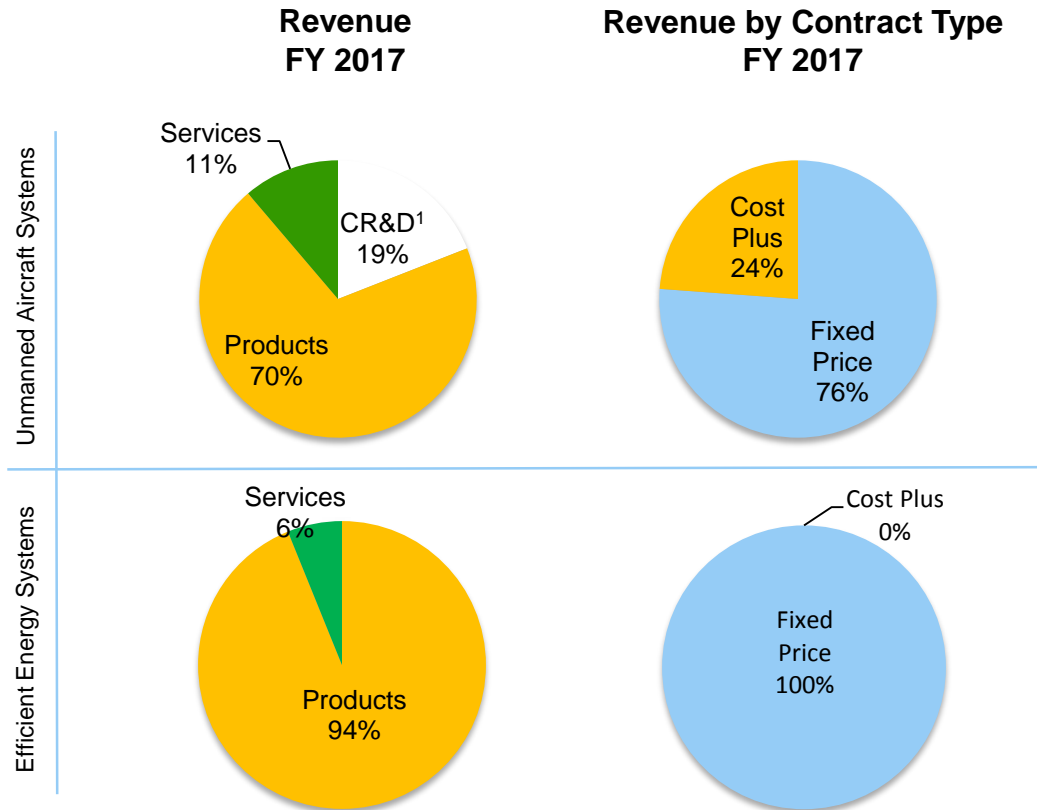
- Established HAPSMobile Inc. joint venture with SoftBank Corp. to fund \$65 million solar HAPS UAS design & development project
- Last mile connectivity solution for rapid and flexible global telecom infrastructure build-out requiring tens of \$billions in anticipated investments over the next decade for 5G
- AeroVironment to develop, manufacture and supply solar HAPS UAS to HAPSMobile Inc. on an exclusive basis, subject to joint venture agreement terms
- AeroVironment possesses exclusive rights to non-commercial markets for HAPS UAS ex-Japan

Financial Summary

Focused on Successfully Executing Business Model

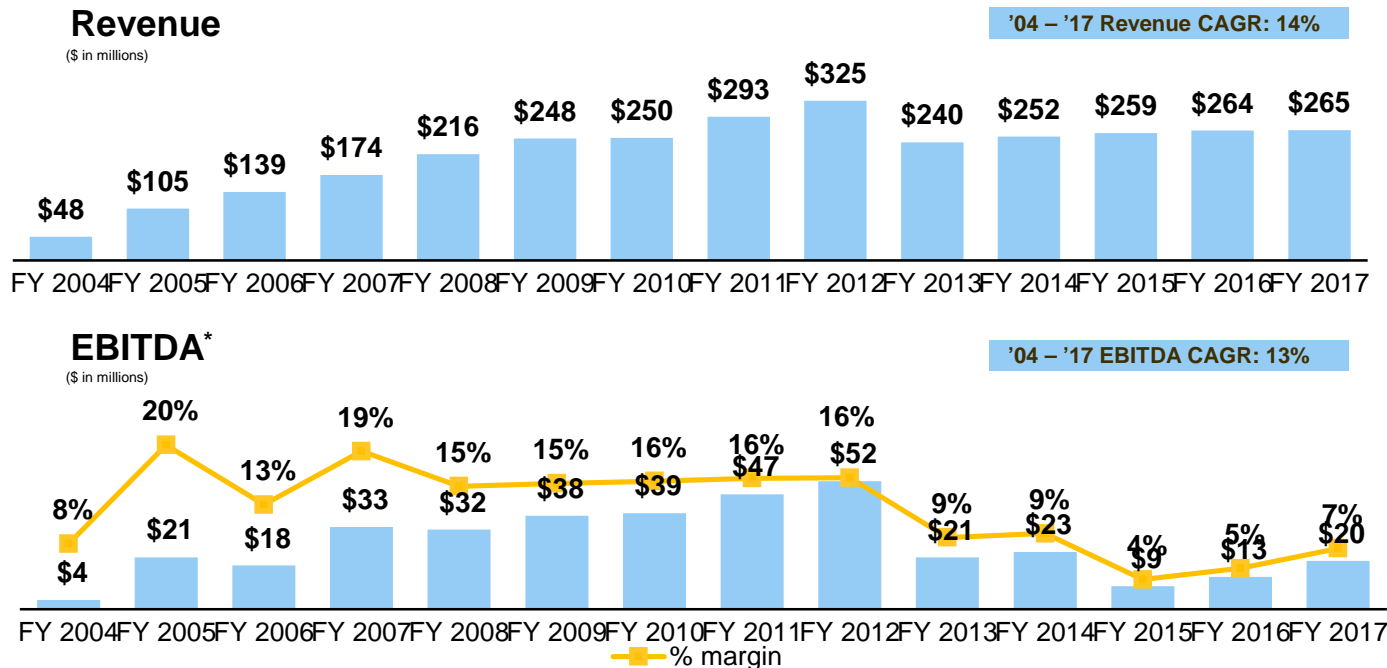
- Strong, profitable, core business across a diversifying customer base
- Dynamic and attractive solutions portfolio consisting of mature cash generation and new innovations for growth
- Balance sheet provides flexibility to act decisively to support adoption of AeroVironment solutions

Diverse Product and Services Revenue Mix



¹ CR&D: Customer Funded Research and Development

Profitability Driven by Technological Innovation and Investment



Strategic R&D investments in fiscal 2015, 2016 and 2017 reduced earnings but we believe these investments have improved our positioning for long-term value creation

* See reconciliation in Appendix A

FY 2018 Quarterly Results

In \$ Millions (except EPS)	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	YTD
Revenue	\$43.8	\$73.8	\$63.9	NA	\$181.5
Gross Margin	\$11.6	\$31.0	\$20.6	NA	\$63.2
Gross Margin %	27%	42%	32%	NA	35%
Profit (Loss) from Operations	(\$8.2)	\$9.3	(\$0.2)	NA	\$0.9
Profit (Loss) from Operations Margin %	(19%)	13%	0%	NA	0%
Net Profit (Loss) Attributable to AeroVironment	(\$4.4)	\$7.0	(\$0.8)	NA	\$1.7
Net Profit (Loss) Margin %	(10%)	10%	(1%)	NA	1%
Earnings (Loss) per share (EPS)	(\$0.19)	\$0.29	(\$0.04)	NA	\$0.07

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)		
	January 27, 2018 (Unaudited)	April 30, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 112,304	\$ 79,904
Short-term investments	109,543	119,971
Accounts receivable, net of allowance for doubtful accounts of \$1,366 at January 27, 2018 and \$291 at April 30, 2017	25,690	74,361
Unbilled receivables and retentions	24,961	14,120
Inventories, net	77,327	60,076
Income taxes receivable	292	—
Prepaid expenses and other current assets	5,138	5,653
Total current assets	355,255	354,085
Long-term investments	38,822	42,096
Property and equipment, net	21,625	19,220
Deferred income taxes	14,837	15,089
Other assets	2,305	2,010
Total assets	\$ 432,845	\$ 432,500
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 13,249	\$ 20,283
Wages and related accruals	15,090	12,966
Income taxes payable	—	1,418
Customer advances	3,555	3,317
Other current liabilities	8,651	10,079
Total current liabilities	40,545	48,063
Deferred rent	1,589	1,719
Capital lease obligations - net of current portion	7	161
Other non-current liabilities	184	184
Deferred tax liability	67	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 January 27, 2018 and April 30, 2017	—	—
Common stock, \$0.0001 par value:		
Authorized shares—100,000,000		
Issued and outstanding shares—23,906,043 shares at January 27, 2018 and 23,630,419 at April 30, 2017	2	2
Additional paid-in capital	168,735	162,150
Accumulated other comprehensive loss	(25)	(127)
Retained earnings	221,675	219,525
Total AeroVironment stockholders' equity	390,388	381,654
Noncontrolling interest	1	239
Total equity	390,389	382,193
Total liabilities and stockholders' equity	\$ 432,845	\$ 432,500

See accompanying notes to consolidated financial statements (unaudited).

\$261 million in cash,
short and long term
investments

No debt (other than
\$0.2 million IT capital
leases)

Focused on Executing Our Fiscal 2018 Plan to Drive Long-Term Value

- Profitable Growth through Technology-Based Innovation
- Significant Optionality from Multiple High-Value Growth Opportunities
- Strong Financial Foundation
- History of Creating Differentiated and Industry Leading Solutions



PROCEED
WITH
CERTAINTY

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