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# **AeroVironment, Inc. Overview for Baird 2018 Global Industrials Conference**

November 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; 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



# 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

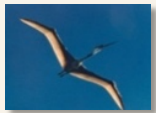
1977

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

- A profitable, pure-play unmanned solutions company
- At the forefront of multiple large, global growth opportunities
- Strong financial position and performance enabling our growth strategy
- Demonstrated track record of capitalizing on growth opportunities



# Small Unmanned Aircraft Systems



**62%**

**of fiscal 2018  
company revenue**



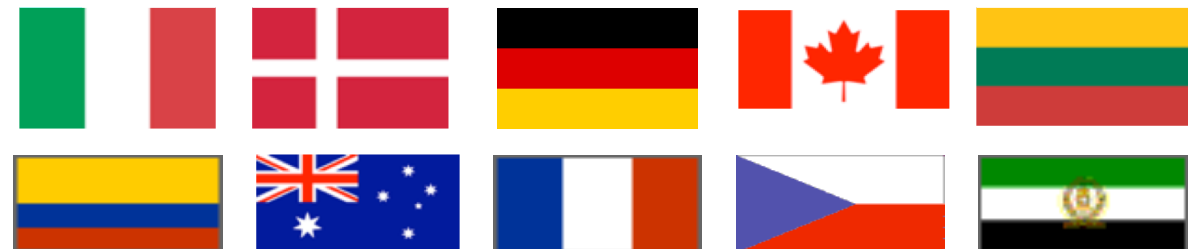
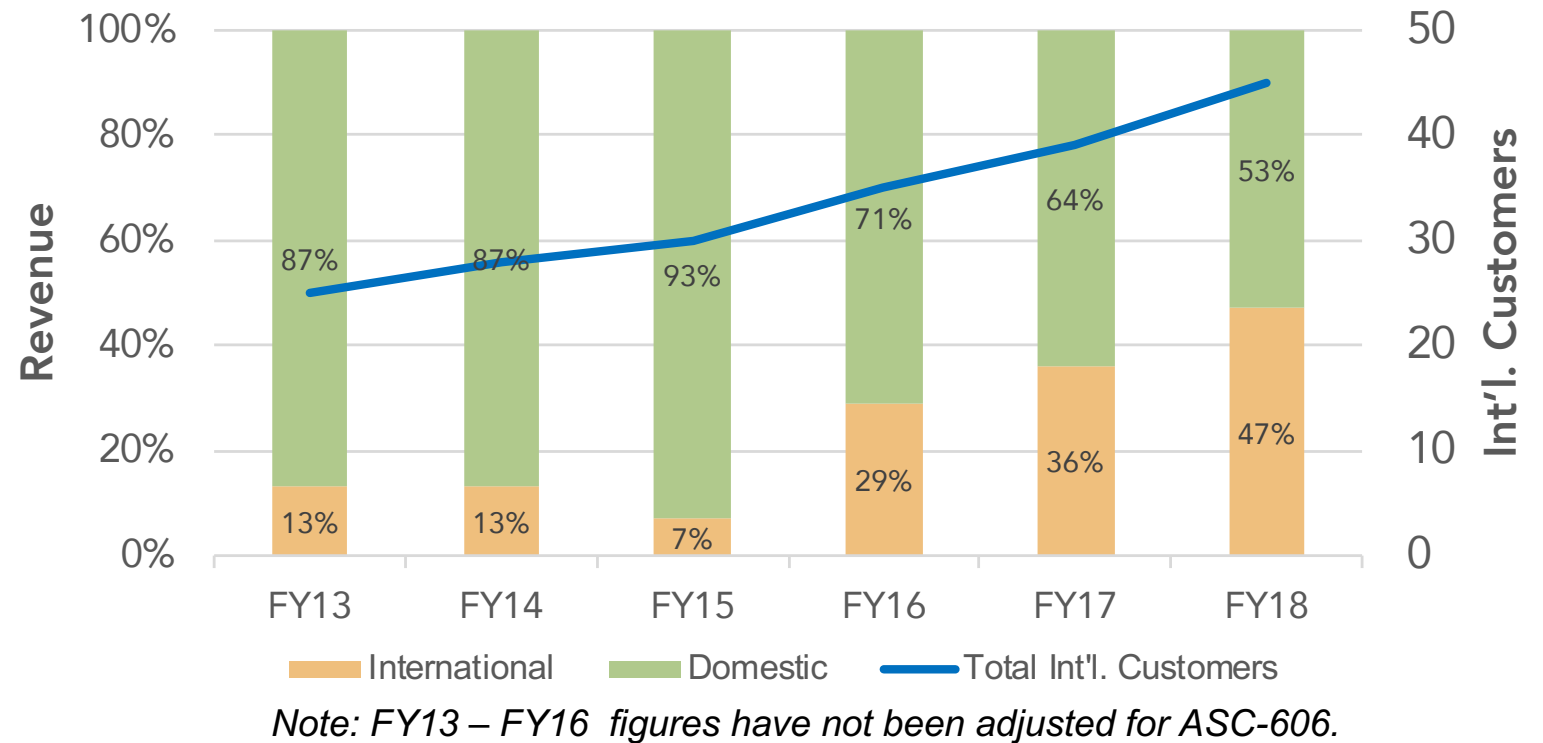
**86%**

**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



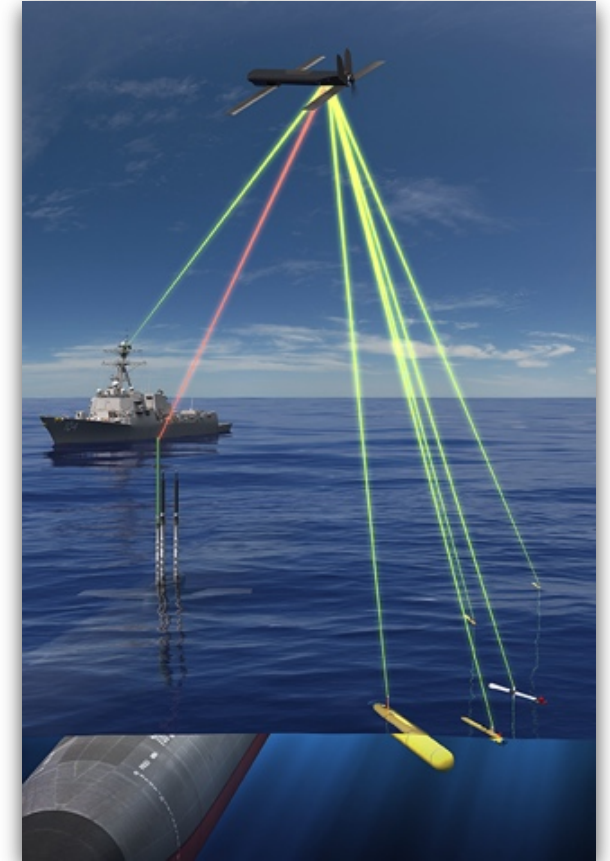
# Tactical Missile Systems



## 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™

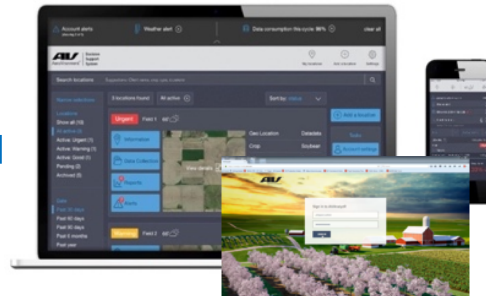
- Intelligence, surveillance, reconnaissance and communications solution
- Deploying on U.S. Navy submarines and positioned for Program of Record



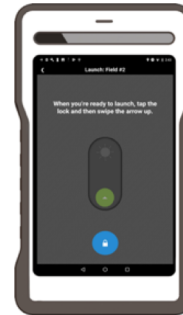
# Commercial Information Solutions (CIS) – Potential in Multiple Large Verticals



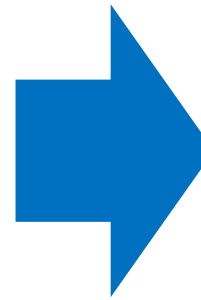
Quantix™ Drone with integrated sensors



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

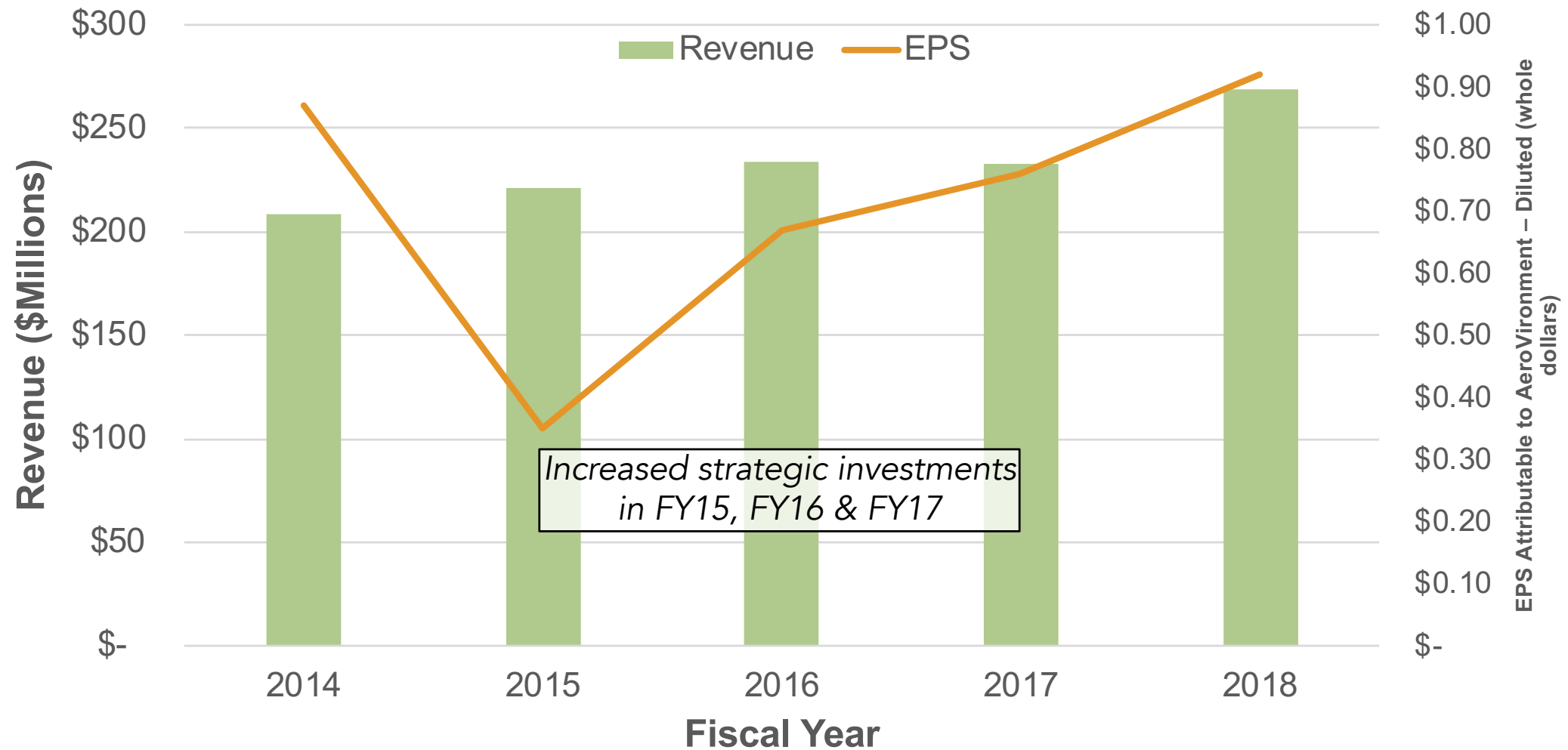
# Fiscal 2019 Drivers

- Continued focus on executing our growth strategy
- Strength in domestic and international demand
- Progress on our HAPS opportunity
- Ongoing evaluation of strategic investments



# Financial Summary

# 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
Revenue	\$78.0	-	-	-	\$78.0
Gross Margin	\$32.6	-	-	-	\$32.6
Gross Margin %	42%	-	-	-	42%
Profit	\$23.5	-	-	-	\$23.5
Profit Margin %	30%	-	-	-	30%
Net Income Attributable to AeroVironment	\$27.3	-	-	-	\$27.3
Net Income Attributable to AeroVironment Margin %	35%	-	-	-	35%
Diluted Earnings Per Share (EPS) Attributable to AeroVironment	\$0.85	-	-	-	\$0.85

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

	July 28, 2018 (Unaudited)	April 30, 2018
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 170,788	\$ 143,517
Short-term investments	118,303	113,649
Accounts receivable, net of allowance for doubtful accounts of \$1,033 at July 28, 2018 and \$1,080 at April 30, 2018	13,802	56,813
Unbilled receivables and retentions (inclusive of related party unbilled receivables of \$9,504 at July 28, 2018 and \$3,145 at April 30, 2018)	59,870	16,872
Inventories, net	42,244	37,425
Prepaid expenses and other current assets	5,196	5,103
Current assets of discontinued operations	—	25,668
Total current assets	410,203	399,047
Long-term investments	36,712	40,656
Property and equipment, net	19,347	19,219
Deferred income taxes	11,800	11,494
Other assets	2,299	3,002
Total assets	\$ 480,361	\$ 473,418
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 12,939	\$ 21,340
Wages and related accruals	10,624	16,851
Income taxes payable	8,898	4,085
Customer advances	1,627	3,564
Other current liabilities	6,664	6,954
Current liabilities of discontinued operations	—	9,294
Total current liabilities	40,752	62,088
Deferred rent	1,476	1,536
Other non-current liabilities	958	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 July 28, 2018 and April 30, 2018	—	—
Common stock, \$0.0001 par value:		
Authorized shares—100,000,000		
Issued and outstanding shares—23,923,342 shares at July 28, 2018 and 23,908,736 at April 30, 2018	2	2
Additional paid-in capital	170,789	170,139
Accumulated other comprehensive income (loss)	16	(21)
Retained earnings	266,243	238,913
Total AeroVironment stockholders' equity	437,050	409,033
Noncontrolling interest	9	23
Total equity	437,059	409,056
Total liabilities and stockholders' equity	\$ 480,361	\$ 473,418

See accompanying notes to consolidated financial statements (unaudited).

\$325 million in cash, short and long term investments

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



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