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AeroVironment, Inc. Overview for Canaccord Genuity Growth Conference

August 9, 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. 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 More Actionable Intelligence So You Can Proceed With Certainty

Technology solutions that deliver **INSIGHTS** for better decisions



More than 40-year track record of breakthrough **INNOVATION** and **CUSTOMER SUCCESS**

Expertise and experience that deliver **RELIABILITY** and **RESULTS**

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

Profitable Growth through Technology-Based Innovation

- 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
- High-Altitude Pseudo-Satellites (HAPS): global broadband telecommunications platform and business
- 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, HAPS, Commercial Drone Solutions

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

									
1977 Gossamer Condor 1 st controlled human powered flight	1981 Solar Challenger World Records: Longest, highest, farthest solar powered flights	1986 Pointer 1 st 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 st liquid hydrogen powered UAS	2010 Global Observer® Test flight program begins	2012 Switchblade® 1 st operational deployment of back-packable tactical missile system	2014 Commercial UAS 1 st FAA-approved commercial services over land	2017 Snipe™ 1 st dual-sensor, military-grade, pocketable UAS
									

1977

2007
IPO

2018

									
1979 Gossamer Albatross 1 st human powered flight across English Channel	1985 Pterosaur Featured in IMAX film, On The Wing	1987 Sunracer Winner 1 st solar car race	2003 Dragon Eye 1 st U.S. DoD Small UAS Program of Record	2005 Raven® 1 st 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 st flapping wing nano UAV with tri-axis control	2013 Long Endurance Puma™ 1 st small UAS extended solar flight: nine hours	2016 Blackwing™ 1 st submarine-launched loitering ISR system for US Navy	2018 Quantix™ and AVSS™ 1 st integrated drone, sensor, analytics solution as an app
									

Key Messages

1. AeroVironment is a pure-play unmanned solutions company focused on robotics, sensors, analytics and connectivity technologies
2. We are at the forefront of multiple large, promising global value creation opportunities
3. Our strong financial position enables our growth strategy
4. Excellent fiscal 2018 results - demonstrated track record of capitalizing on growth opportunities

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



Small UAS - Embedded in the Fabric of U.S. Security

61%

**Of fiscal 2018
company revenue**

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

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

25%

**Of fiscal 2018
company revenue**

\$110 million+

**Switchblade hardware and
services orders in fiscal 2018**

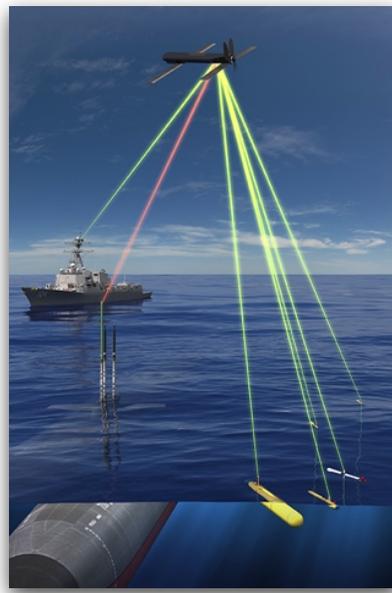
\$113 million

**Funding for LMAMS in U.S. Government
fiscal 2019 budget request**



Switchblade®

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



Blackwing™

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

**Additional Switchblade Variants in
development**

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

5G set to massively boost IT infrastructure spending of \$326B by 2025.

- Forbes, February 2018

U.S. mobile operators will spend \$100B on 5G by 2020, study says.

- GSMA, March 2018

- HAPSMobile, Inc. joint venture with SoftBank Corp. to create global broadband telecommunications business
- Last mile connectivity solution for rapid and flexible global telecom infrastructure build-out
- Joint venture funding \$70+ million AeroVironment solar HAPS UAS development & demonstration project
- 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

Dish Could Spend Up to \$1B on NB-IoT Network, \$10B on Nationwide 5G.

- Wirelessweek, May 2018

Upgrade to 5G costs \$200 Billion a year...

- Bloomberg, December 2017

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

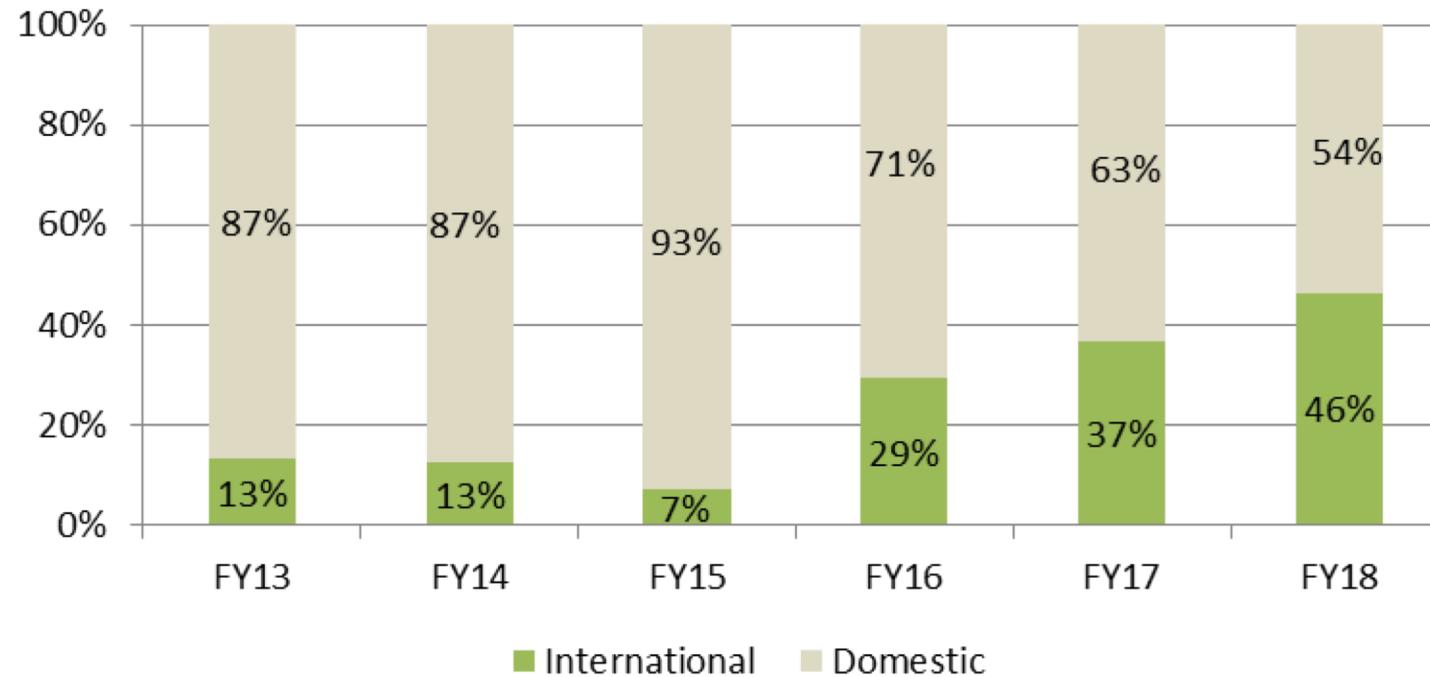
“PwC estimates the addressable market of drone powered solutions in agriculture industry at \$32.4bn.”
 – PwC, “Clarity from Above”, May 2016



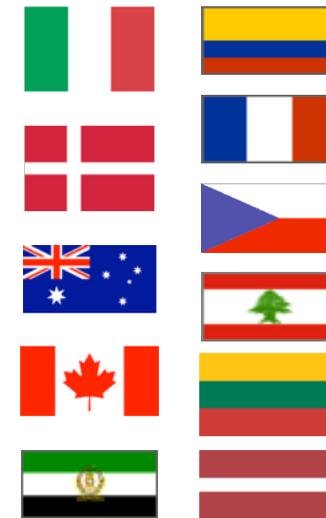
International Revenue Growth Since Fiscal 2015 Driven by Small UAS; by HAPS in Fiscal 2018

- More than 45 international AeroVironment UAS customers, most with additional procurement potential, and many other countries evaluating small UAS

Revenue Mix by Geography



Sample Customers



Financial Summary

Focused on Successfully Executing Business Model

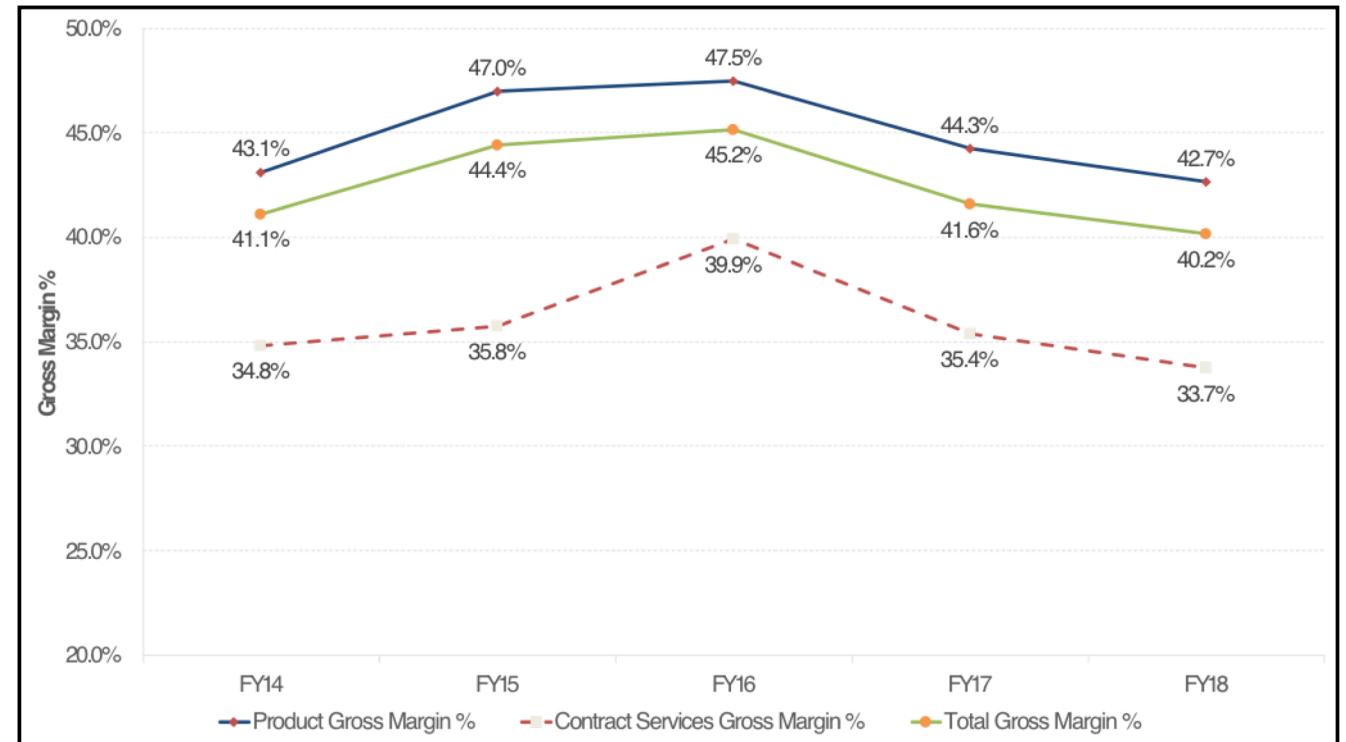
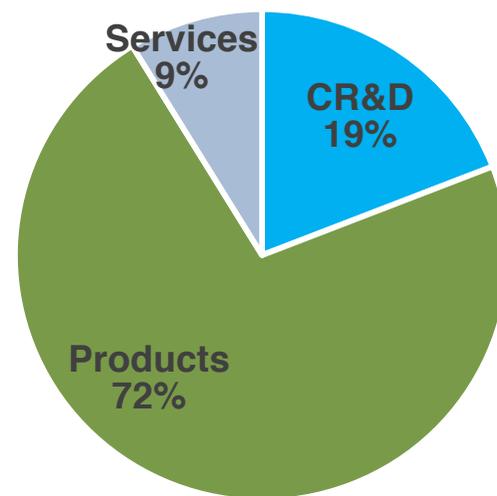
- Strong financial position
- Increasingly diverse revenue streams
- Margin sensitivity to revenue mix and volume
- Increasing focus on strategic investments
- Anticipating continued growth

Product and Services Revenue Mix Drives Gross Margin

Revenue by Contract Type
FY 2018

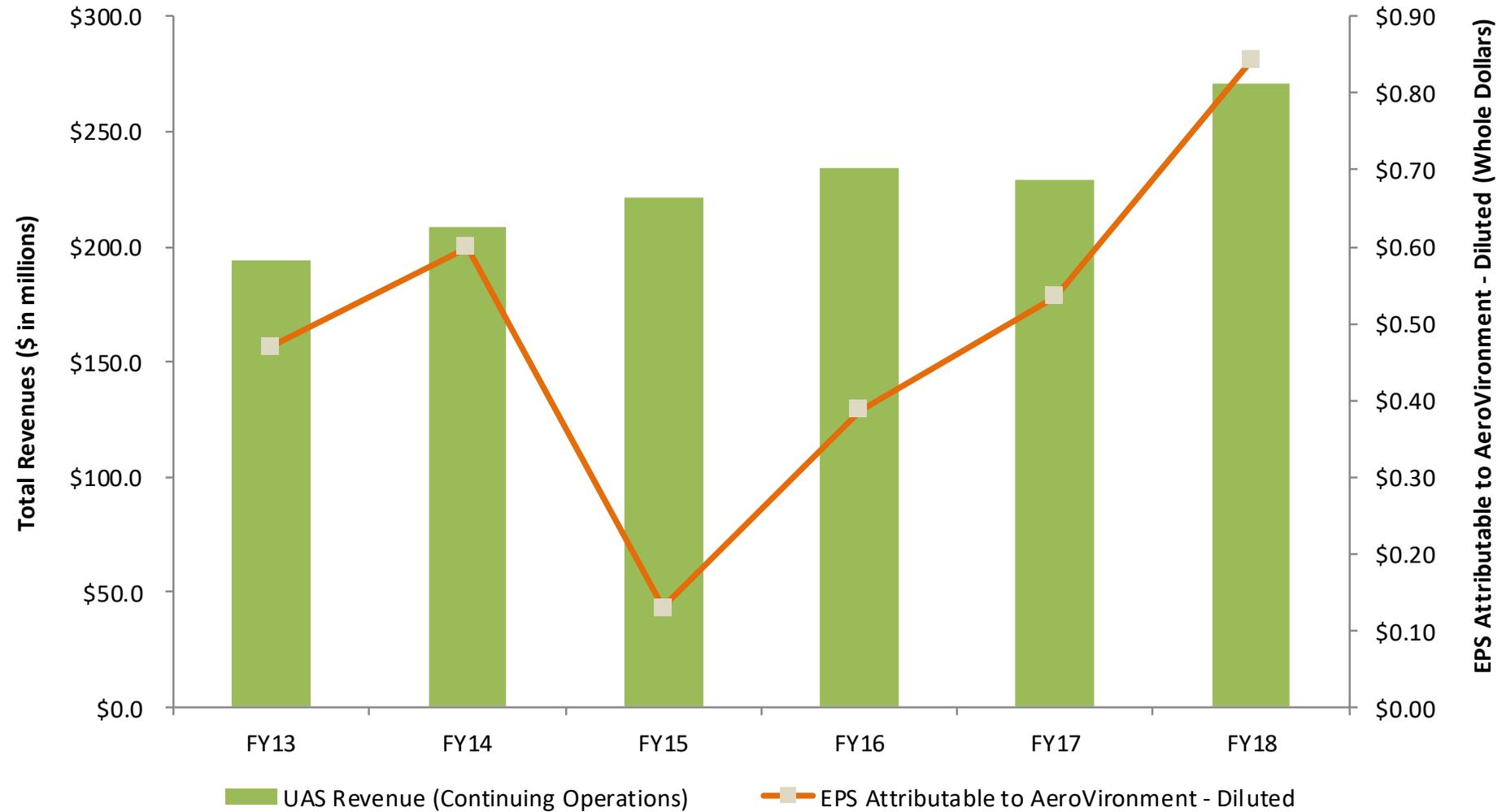


Revenue by Source
FY 2018



¹ CR&D: Customer Funded Research and Development

Profitability Driven by Innovation and Strategic Investments



FY 2018 Quarterly Results

In \$ Millions (except EPS)	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	YTD
Revenue	\$36.3	\$70.0	\$53.4	\$117.4	\$271.1
Gross Margin	\$10.1	\$28.7	\$17.9	\$52.2	\$108.9
Gross Margin %	28%	45%	34%	44%	40%
Profit (Loss) from Continuing Operations	(\$6.7)	\$9.1	(\$0.2)	\$29.5	\$31.6
Profit (Loss) from Continuing Operations Margin %	(19%)	14%	0%	25%	12%
Net Income (Loss) Attributable to AeroVironment	(\$4.4)	\$7.0	(\$0.8)	\$18.3	\$20.1
Net Income (Loss) Attributable to AeroVironment Margin %	(12%)	11%	(2%)	16%	7%
Diluted Earnings (Loss) Per Share (EPS) Attributable to AeroVironment	(\$0.19)	\$0.29	(\$0.04)	\$0.77	\$0.84

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

AEROVIRONMENT, INC. CONSOLIDATED BALANCE SHEETS (In thousands except share data)		
	April 30,	
	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 143,517	\$ 79,904
Short-term investments	113,649	119,971
Accounts receivable, net of allowance for doubtful accounts of \$1,080 at April 30, 2018 and \$104 at April 30, 2017	56,813	68,719
Unbilled receivables and retentions (inclusive of related party unbilled receivables of \$3,145 at April 30, 2018)	13,076	14,120
Inventories, net	38,640	40,908
Prepaid expenses and other current assets	5,103	5,533
Current assets of discontinued operations	28,349	24,930
Total current assets	399,147	354,085
Long-term investments	40,656	42,096
Property and equipment, net	19,219	15,962
Deferred income taxes	11,168	15,089
Other assets	2,721	2,010
Long-term assets of discontinued operations	—	3,258
Total assets	\$ 472,911	\$ 432,500
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 21,340	\$ 15,896
Wages and related accruals	16,851	10,947
Income taxes payable	4,085	1,418
Customer advances	2,145	2,057
Other current liabilities	6,892	8,444
Current liabilities of discontinued operations	9,184	9,301
Total current liabilities	60,497	48,063
Deferred rent	1,536	1,719
Capital lease obligations - net of current portion	—	161
Other non-current liabilities	622	184
Deferred tax liability	67	116
Liability for uncertain tax positions	49	64
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.0001 par value:		
Authorized shares—10,000,000; none issued or outstanding at April 30, 2018 and April 30, 2017	—	—
Common stock, \$0.0001 par value:		
Authorized shares—100,000,000		
Issued and outstanding shares—23,908,736 shares at April 30, 2018 and 23,630,419 at April 30, 2017	2	2
Additional paid-in capital	170,139	162,150
Accumulated other comprehensive loss	(21)	(127)
Retained earnings	239,997	219,929
Total AeroVironment stockholders' equity	410,117	381,954
Noncontrolling interest	23	239
Total equity	410,140	382,193
Total liabilities and stockholders' equity	\$ 472,911	\$ 432,500

See accompanying notes to consolidated financial statements.

\$298 million in cash, short and long term investments

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

Fiscal 2019 Plan to Drive Long-Term Value

- Continued strength in Small UAS and Tactical Missile Systems businesses
- Continue to execute on new growth opportunities: HAPS and Commercial Information Solutions
- Complete divestiture of EES business segment
- Identify strategic inorganic growth opportunities



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