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AeroVironment First Quarter Fiscal 2020 Investor Overview

September 4, 2019

Safe Harbor Statement

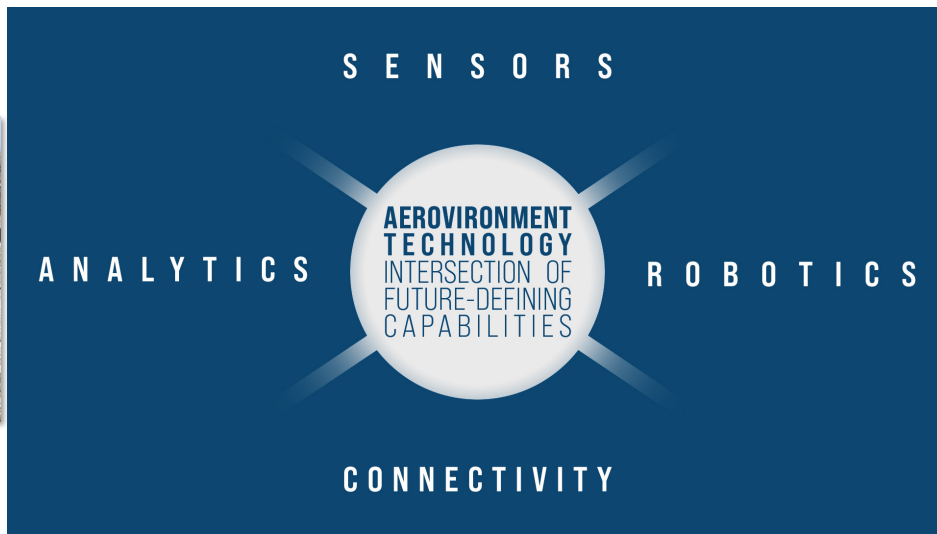
- Certain statements in this presentation may constitute "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance 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; the extensive regulatory requirements governing our contracts with the U.S. Government and international customers; the consequences to our financial position, business and reputation that could result from failing to comply with such regulatory requirements; 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; risk of litigation, including but not limited to pending litigation arising from the sale of our EES business; the impact of our recent acquisition of Pulse Aerospace, LLC and our ability to successfully integrate it into our operations; 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.
- 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 or on our website at www.investor.avinc.com/financial-information. 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

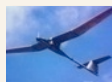
A Success Story of Serial Innovation Since Our Founding in 1971



1977
Gossamer Condor
1st controlled human powered flight



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



1986
Pointer
1st 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
1st liquid hydrogen powered UAS



2010
Global Observer®
Test flight program begins



2012
Switchblade®
1st operational deployment of back-packable tactical missile system



2016
Blackwing™
1st submarine-launched loitering ISR system for US Navy



2019
HAWK30
Next generation solar HAPS for global connectivity and defense

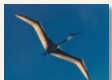
1977

2007
IPO

2019



1979
Gossamer Albatross
1st human powered flight across English Channel



1985
Pterosaur
Featured in IMAX film, On The Wing



1987
Sunracer
Winner 1st solar car race



2003
Dragon Eye
1st U.S. DoD Small UAS Program of Record



2005
Raven®
1st to deploy 1000s of backpack portable UAVs to U.S. Armed 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
1st flapping wing nano UAV with tri-axis control



2013
Long Endurance Puma™
1st small UAS extended solar flight: nine hours



2014
Commercial UAS
1st FAA-approved commercial services over land



2018
Quantix™ & AVDSS™
1st 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

Tactical Unmanned Aircraft Systems



58%

of fiscal 2019
company revenue

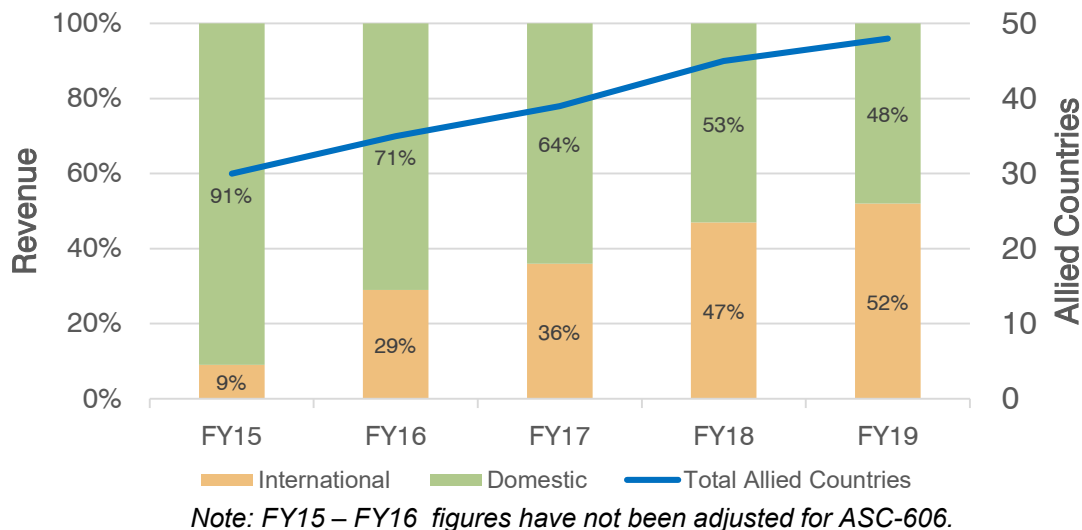
Majority Share

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 & Diversified International Revenue

- More than 45 countries as small UAS customers - most with additional procurement potential
- Revenue driven by small UAS and in Fiscal Year 2018-2019 by HAPS



Sample
International
Customers



High-Altitude Pseudo-Satellite (HAPS) Systems

- Builds on decades of AeroVironment HAPS experience
- Assembled and rolled-out first HAWK30 system in April 2019
- 5% owner of HAPSMobile Inc. with SoftBank Corp
- Addressing large, global market for 5G and IoT connectivity



Tactical Missile Systems



21%

of fiscal year 2019
company revenue

Switchblade®

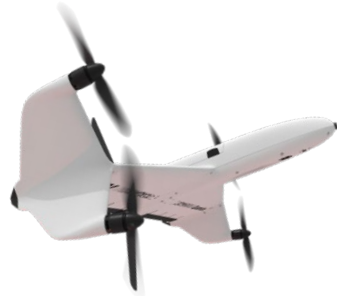
- Lethal, high-precision, rapidly deployed munition
- In use by United States armed forces
- Current solution for Army LMAMS requirement
- Developing larger variant capable of longer flight time and greater effects



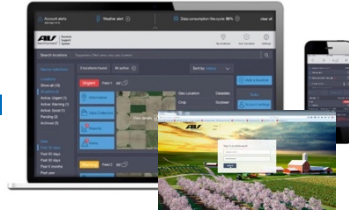
Ground and Air Vehicle Integration

- Working with General Dynamics Land Systems to integrate Switchblade into next generation armored vehicles
- Working with Kratos to integrate Switchblade into unmanned jet for long-distance, precision missions

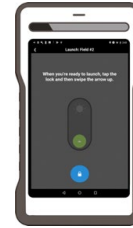
Commercial Information Solutions (CIS) – Potential in Multiple Large Verticals



Quantix™ Drone with integrated sensors



AV Decision Support Software Analytics



Tablet with Connectivity



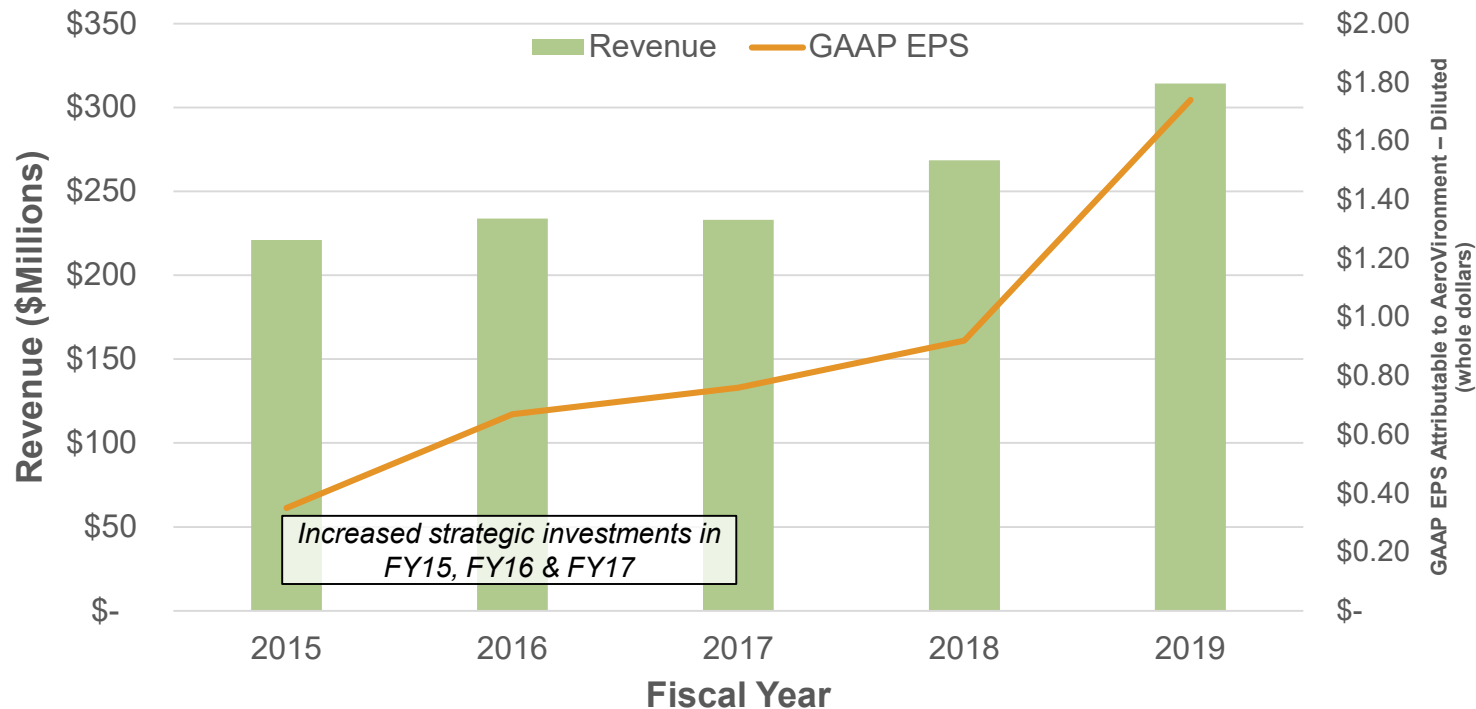
- ✓ **Integrated Drone, Sensors, Software Analytics & Connectivity Solution**
- ✓ **Simple & easy to operate**
- ✓ **Automated solution**

Fiscal 2020 Drivers

- Continued focus on executing our growth strategy
- Strength in international end markets
- Tactical Missile System growth
- Continued evaluation of strategic investments

Financial Summary

Profitable Growth Driven by Innovation & Strategic Investments



Note: all figures are as previously reported in the historical Form 10-Ks

Fiscal Year 2020 Quarterly Results (Continuing Operations)

In \$ Millions (except EPS)	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	YTD
Revenue	\$86.9	-	-	-	\$86.9
Gross Margin	\$41.3	-	-	-	\$41.3
Gross Margin %	47%	-	-	-	47%
Income from Continuing Operations	\$18.9	-	-	-	\$18.9
Operating Margin%	22%	-	-	-	22%
Net Income Attributable to AeroVironment	\$17.1	-	-	-	\$17.1
Net Income Attributable to AeroVironment Margin %	20%	-	-	-	20%
Diluted Earnings Per Share (EPS) Attributable to AeroVironment	\$0.71	-	-	-	\$0.71
Non-GAAP Diluted Earnings Per Share (EPS) Attributable to AeroVironment (see reconciliation in appendix)	\$0.74				\$0.74

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)		
	July 27, 2019 (Unaudited)	April 30, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 137,094	\$ 172,708
Short-term investments	163,634	150,487
Accounts receivable, net of allowance for doubtful accounts of \$1,053 at July 27, 2019 and \$1,041 at April 30, 2019	42,724	31,051
Unbilled receivables and retentions (inclusive of related party unbilled receivables of \$12,649 at July 27, 2019 and \$9,028 at April 30, 2019)	47,935	53,047
Inventories	56,336	54,056
Prepaid expenses and other current assets	7,606	7,418
Income taxes receivable	—	821
Total current assets	455,329	469,588
Long-term investments	4,887	9,386
Property and equipment, net	17,747	16,905
Operating lease right-of-use assets	9,917	—
Deferred income taxes	7,699	6,685
Intangibles, net	16,727	459
Goodwill	8,080	—
Other assets	14,196	5,821
Total assets	\$ 534,582	\$ 508,844
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 11,450	\$ 15,972
Wages and related accruals	12,085	18,507
Customer advances	3,268	2,962
Current operating lease liabilities	2,771	—
Income taxes payable	1,367	—
Other current liabilities	12,167	7,425
Total current liabilities	43,108	44,866
Deferred rent	—	1,173
Non-current operating lease liabilities	7,597	—
Other non-current liabilities	2,298	150
Deferred tax liability	29	29
Liability for uncertain tax positions	51	51
Commitments and contingencies	—	—
Stockholders' equity:		
Preferred stock, \$0.0001 par value:		
Authorized shares—10,000,000; none issued or outstanding at July 27, 2019 and April 30, 2019	—	—
Common stock, \$0.0001 par value:		
Authorized shares—100,000,000		
Issued and outstanding shares—23,990,459 shares at July 27, 2019 and 23,946,293 shares at April 30, 2019	2	2
Additional paid-in capital	177,207	176,216
Accumulated other comprehensive loss	171	2
Retained earnings	304,126	286,351
Total AeroVironment stockholders' equity	481,506	462,571
Noncontrolling interest	(7)	4
Total equity	481,499	462,575
Total liabilities and stockholders' equity	\$ 534,582	\$ 508,844

\$305 million in cash, equivalents, restricted cash and investments

No debt



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Appendix – Reconciliation of Non-GAAP Diluted Earnings Per Share (Unaudited)

	Three Months Ended		Three Months Ended	
	July 27, 2019		July 28, 2018	
Earnings per diluted share from continuing operations (GAAP)	\$	0.71	\$	0.85
Acquisition related expenses		0.01		-
Amortization of acquired intangible assets		0.02		-
One-time gain from a litigation settlement		-		(0.26)
Earnings per diluted share from continuing operations as adjusted (Non-GAAP)	\$	<u>0.74</u>	\$	<u>0.59</u>