



PROCEED  
WITH  
CERTAINTY

# Second Quarter Fiscal Year 2020 Earnings Presentation

December 3, 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](http://www.sec.gov) or on our website at [www.investor.avinc.com/financial-information](http://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.

## Second Quarter Fiscal Year 2020 Key Messages

- 1. Our team's track record of delivering excellent quarterly results continues**
- 2. We are successfully executing our plan and remain on-track to achieve our fiscal year 2020 objectives**
- 3. We continue to make great progress on our strategic growth initiatives, particularly in HAPS**

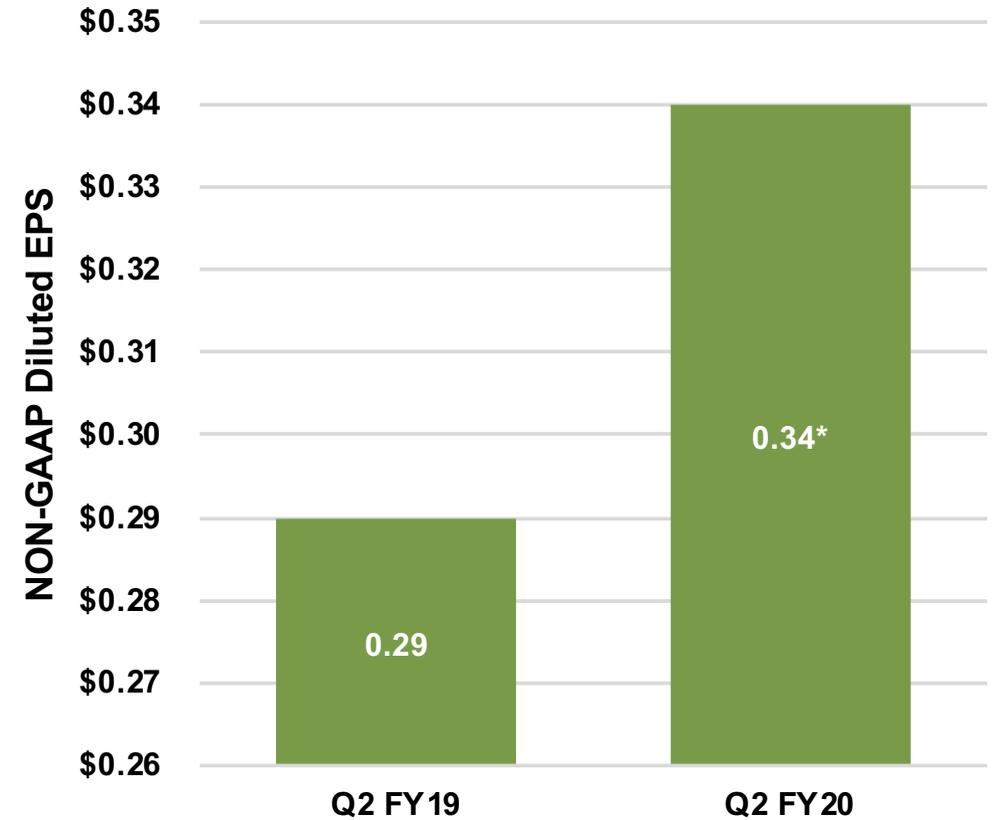
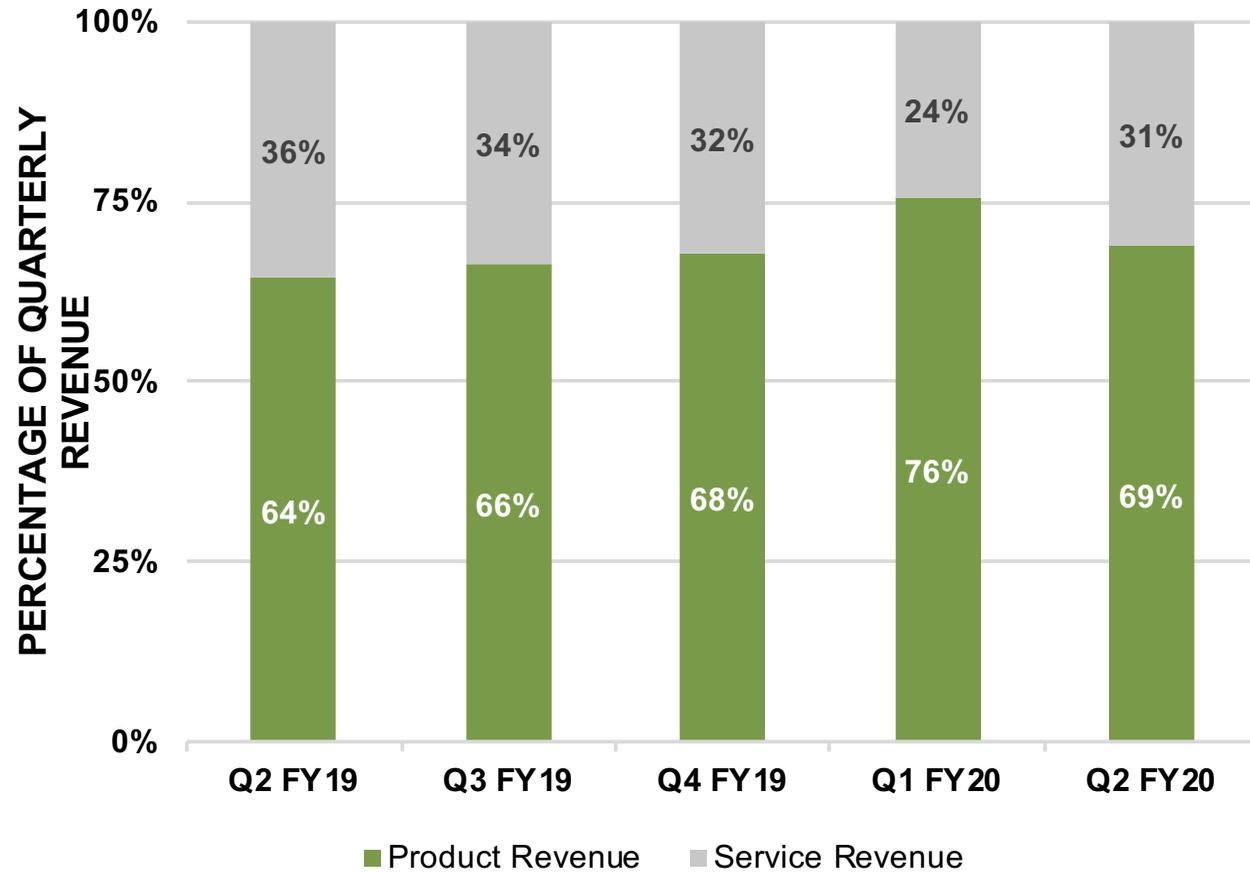
***ON-TRACK TO ACHIEVE FISCAL YEAR 2020 OBJECTIVES & DELIVER  
THIRD CONSECUTIVE YEAR OF PROFITABLE, DOUBLE-DIGIT TOPLINE GROWTH***

# Outstanding Second Quarter Fiscal Year 2020 Results

Metric	2nd Qtr. Fiscal Year 2020	Year-Over-Year Change	Highlights
Revenue	\$83.3 million	+14%	Strong small UAS sales
Gross profit	\$35.2 million	+24%	Favorable revenue mix
GAAP EPS (diluted)	\$0.31	+\$0.02	No one-time items in second quarter fiscal year 2019
Non-GAAP EPS* (diluted)	\$0.34	+\$0.05	No one-time items in second quarter fiscal year 2019
Funded Backlog	\$147 million	-10%	Maintaining historically high level of funded backlog

\* 2nd qtr. Fiscal Year 2020 excludes \$0.02 in amortization of intangible assets and \$0.01 in acquisition-related expenses

# Favorable Revenue Mix and Higher Volume Driving Strong Results



\* Excludes Q2 Fiscal Year 2020 amortization of intangible assets & acquisition-related expenses of \$0.03

# Second Quarter Fiscal Year 2020 Business Highlights



- Won U.S. Army FCS contract worth up to \$55 million
- Won more than \$20 million in international small UAS awards
- Launched Puma LE: Group 2 capabilities in a Group 1 footprint

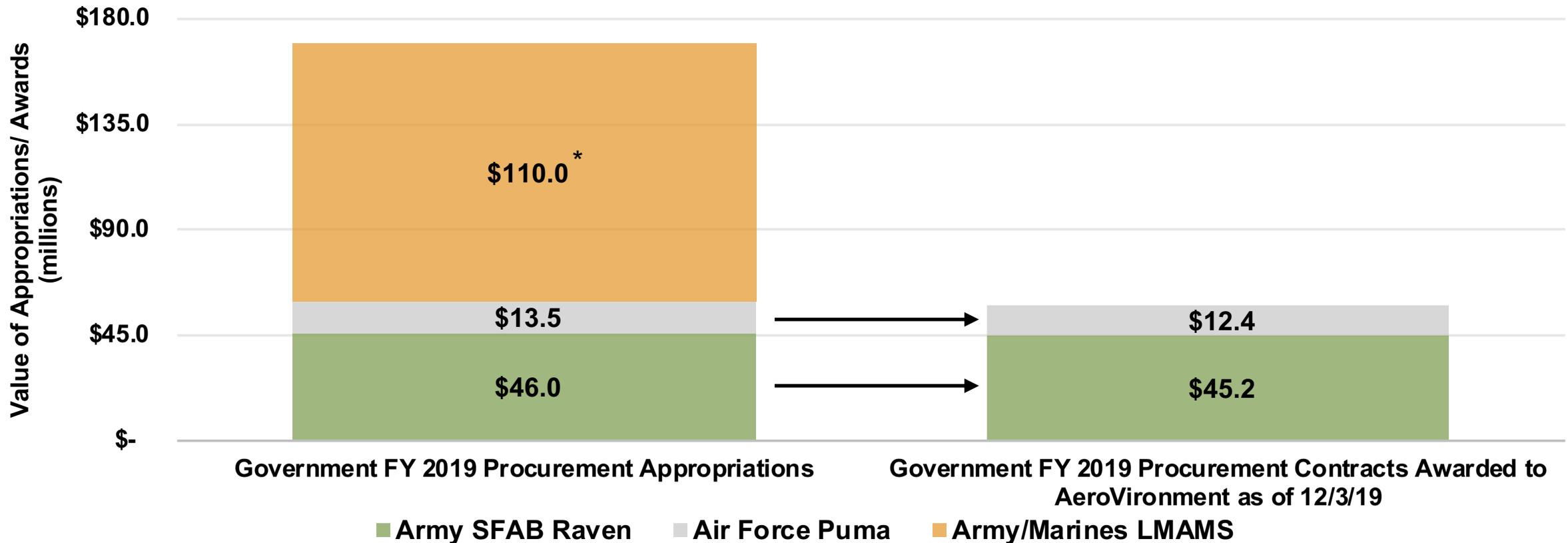


- Successfully completed first two HAWK30 test flights
- Increased total project contract value to \$148.9 million



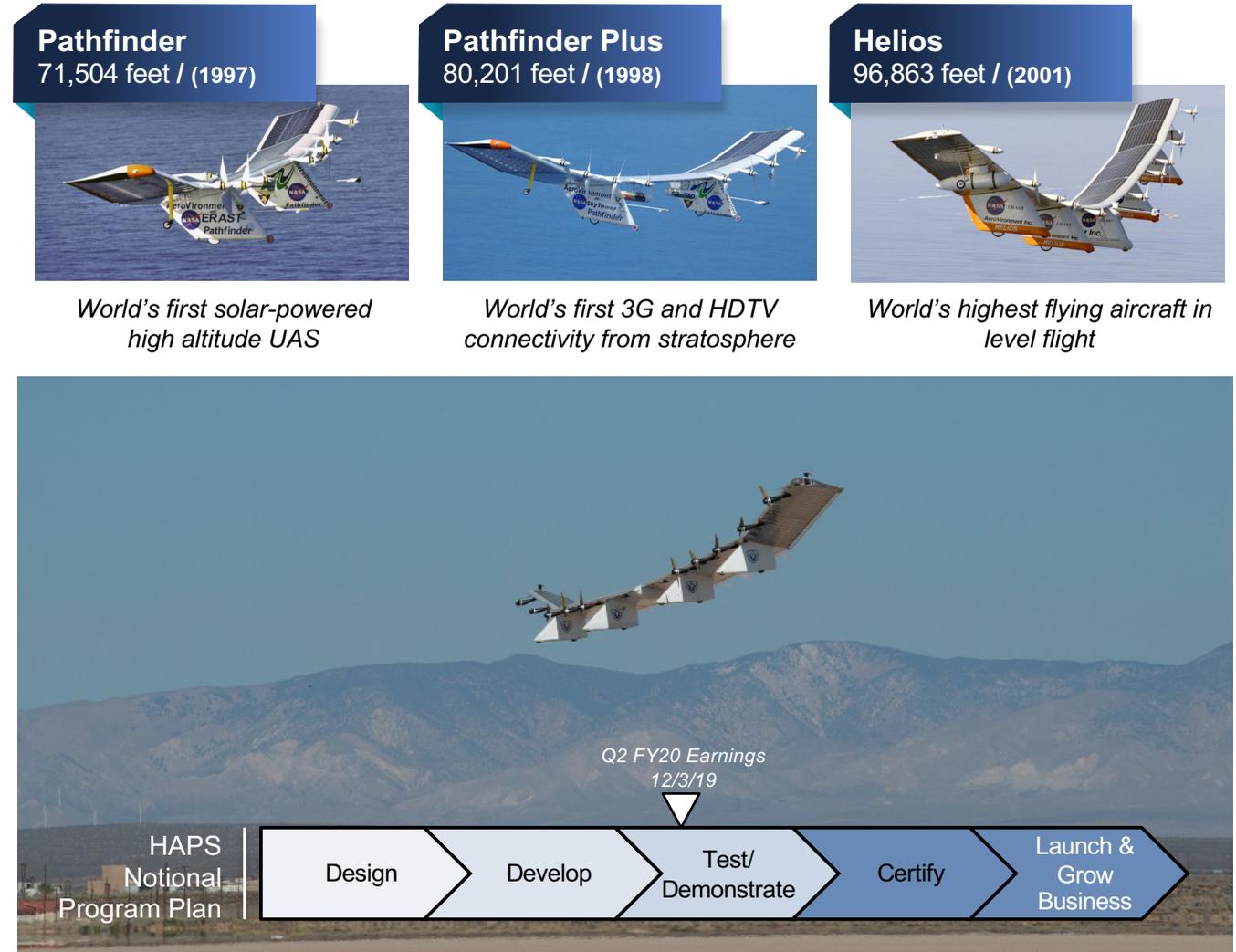
- Submitted proposal for potential three-year LMAMS program worth up to \$160 million
- Making progress on larger Switchblade variant

# Government Fiscal Year 2019 Procurement Appropriations Conversion to AeroVironment Contract Awards

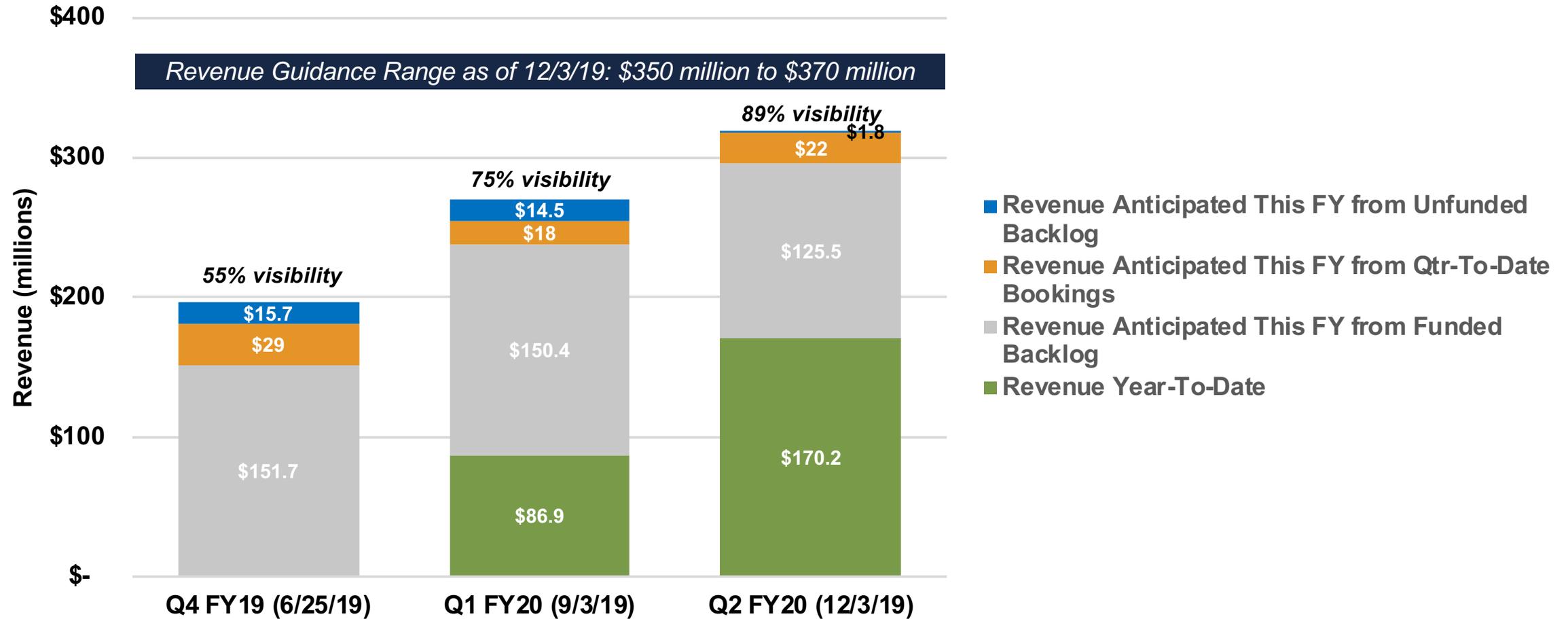


# Making Significant Progress on HAPS Program– Currently In Flight Test Phase

- SoftBank Corp. owns approximately 95% of HAPSMobile Inc. & AeroVironment owns approximately 5%
- Flight test underway - HAWK30 solar HAPS unmanned aircraft system to deliver next generation connectivity (i.e., 5G mobile, IoT)
- Total contract value of HAPS project to AeroVironment now \$148.9 million
- AeroVironment has the potential to manufacture and supply HAWK30 systems to HAPSMobile on exclusive basis
- AeroVironment retains exclusive rights to market HAWK30 to defense customers worldwide, except in Japan



# Strong Funded Backlog and High Visibility Support Expected Fiscal Year 2020 Year-Over-Year Revenue Growth



**CONTINUED STRONG FUNDED BACKLOG SUPPORTS HIGH VISIBILITY**

# Fiscal Year 2020 Expectations

	Fiscal Year 2019 Actuals	Current Expectations (12/3/19)
Revenue	\$314 million	\$350 million to \$370 million
Earnings Per Share (diluted)	\$1.74	\$1.35 to \$1.55
Non-GAAP Earnings Per Share (diluted)	\$1.48 <sup>1</sup>	\$1.47 to \$1.67 <sup>2</sup>
First half revenue as a percentage of full year revenue	48%	47% (actual)
Internal Research & Development Investment	11% of revenue	11% of revenue
Tax Rate	~9%	~11%
Capital Expenditures	3%	5% to 6%

<sup>1</sup> Excludes Q1 Fiscal Year 2019 one-time gain of \$0.26 from litigation settlement

<sup>2</sup> Excludes acquisition-related expenses and amortization of intangible assets

***ON-TRACK TO ACHIEVE FISCAL YEAR 2020 OBJECTIVES & DELIVER  
THIRD CONSECUTIVE YEAR OF PROFITABLE, DOUBLE-DIGIT TOPLINE GROWTH***



PROCEED  
WITH  
CERTAINTY

**For more information:**

**Steven Gitlin**

Vice President Investor Relations

[ir@avinc.com](mailto:ir@avinc.com)

+1 (805) 520-8350

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

	Three Months Ended October 26, 2019	Three Months Ended October 27, 2018	Six Months Ended October 26, 2019	Six Months Ended October 27, 2018
<b>Earnings per diluted share from continuing operations</b>	<b>\$ 0.31</b>	<b>\$ 0.29</b>	<b>\$ 1.02</b>	<b>\$ 1.14</b>
<b>Acquisition related expenses</b>	<b>0.01</b>	<b>-</b>	<b>0.02</b>	<b>-</b>
<b>Amortization of acquired intangible assets</b>	<b>0.02</b>	<b>-</b>	<b>0.04</b>	<b>-</b>
<b>One-time gain from a litigation settlement</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.26)</b>
<b>Earnings per diluted share from continuing operations as adjusted (Non-GAAP)</b>	<b>\$ 0.34</b>	<b>0.29</b>	<b>\$ 1.08</b>	<b>\$ 0.88</b>

# Appendix – Reconciliation of Fiscal Year 2020 Non-GAAP Diluted Earnings Per Share Expectations (Unaudited)

	Fiscal year ending	
	April 30, 2020	
Expected earnings per diluted share (GAAP)	\$	1.35 – 1.55
Acquisition related expenses		0.03
Amortization of acquired intangible assets		<u>0.08</u>
Expected earnings per diluted share as adjusted (Non-GAAP)	\$	<u>1.47 – 1.67</u>