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# AeroVironment Second Quarter Fiscal 2020 Investor Overview

December 3, 2019

# Safe Harbor Statement

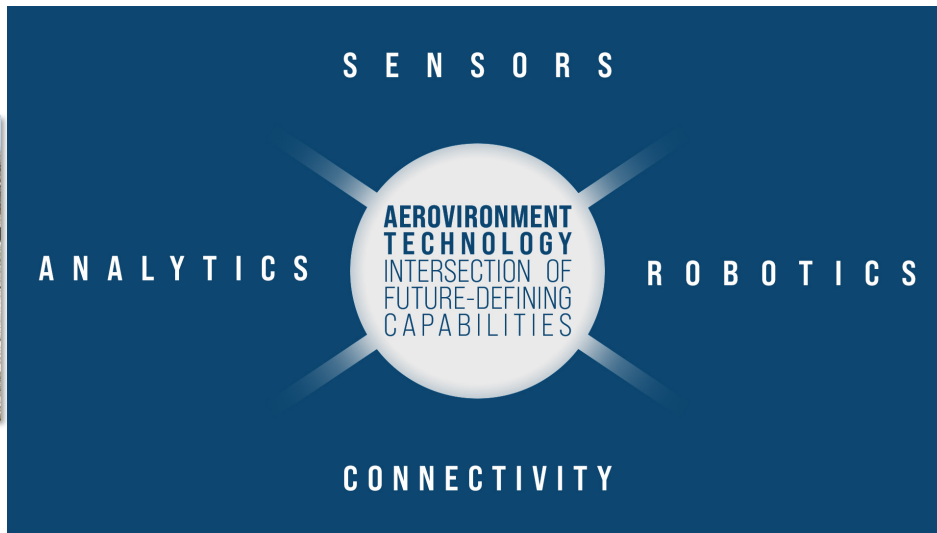
- Certain statements in this presentation may constitute "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance 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.

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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***

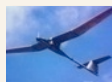
# A Success Story of Serial Innovation Since Our Founding in 1971



**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



**2019**  
**HAWK30**  
Next generation solar HAPS for global connectivity and defense

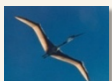
1977

2007  
IPO

2019



**1979**  
**Gossamer Albatross**  
1<sup>st</sup> human powered flight across English Channel



**1985**  
**Pterosaur**  
Featured in IMAX film, On The Wing



**1987**  
**Sunracer**  
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. 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**  
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

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

# Small Unmanned Aircraft Systems



58%

of fiscal year 2019  
company revenue



Majority Share

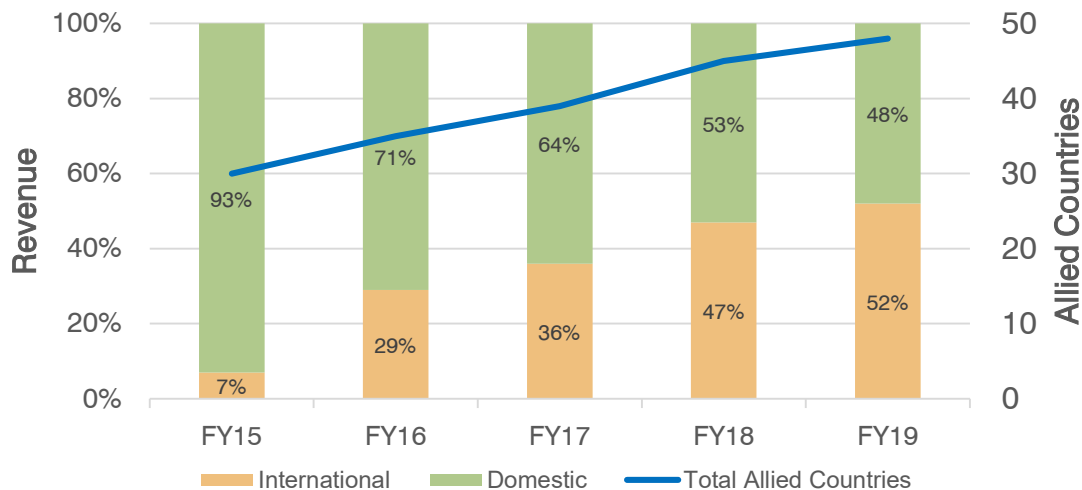
of all unmanned aircraft in U.S. Dept.  
of Defense inventory<sup>1</sup>

<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 small UAS customers - most with additional procurement potential
- International revenue driven mainly by small UAS, and in Fiscal Years 2018-2019 by small UAS and HAPS



Note: FY15 – FY16 figures have not been adjusted for ASC-606.

Sample  
International  
Customers



# 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



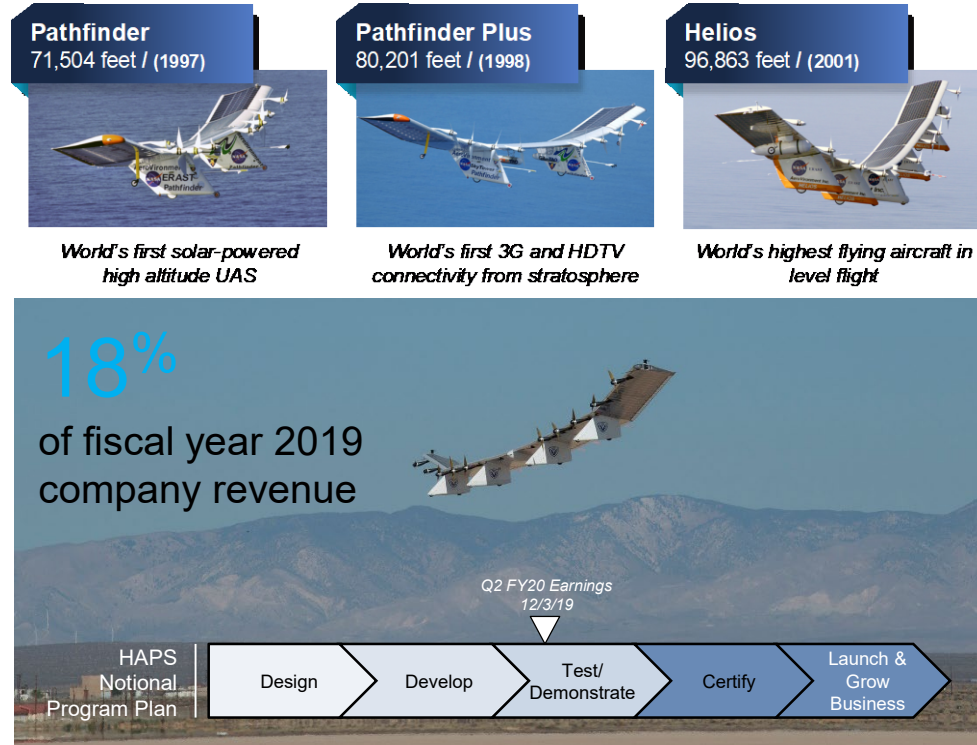
## Ground and Air Vehicle Integration

- 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

# Making Significant Progress on HAPS Program

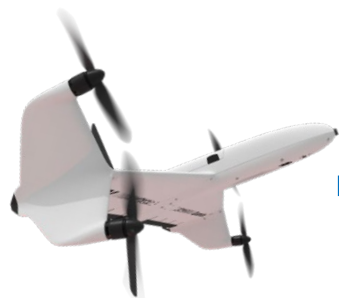
## *Currently In Flight Test Phase*

- 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

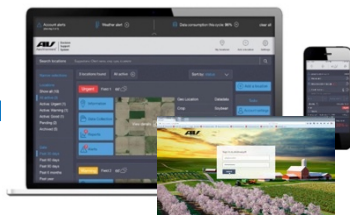


# Commercial Information Solutions (CIS)

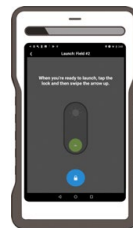
## *Long-Term Potential in Multiple Large Verticals*



**Quantix™ Drone with  
integrated sensors**



**AV Decision Support  
Software Analytics**



**Tablet with  
Connectivity**



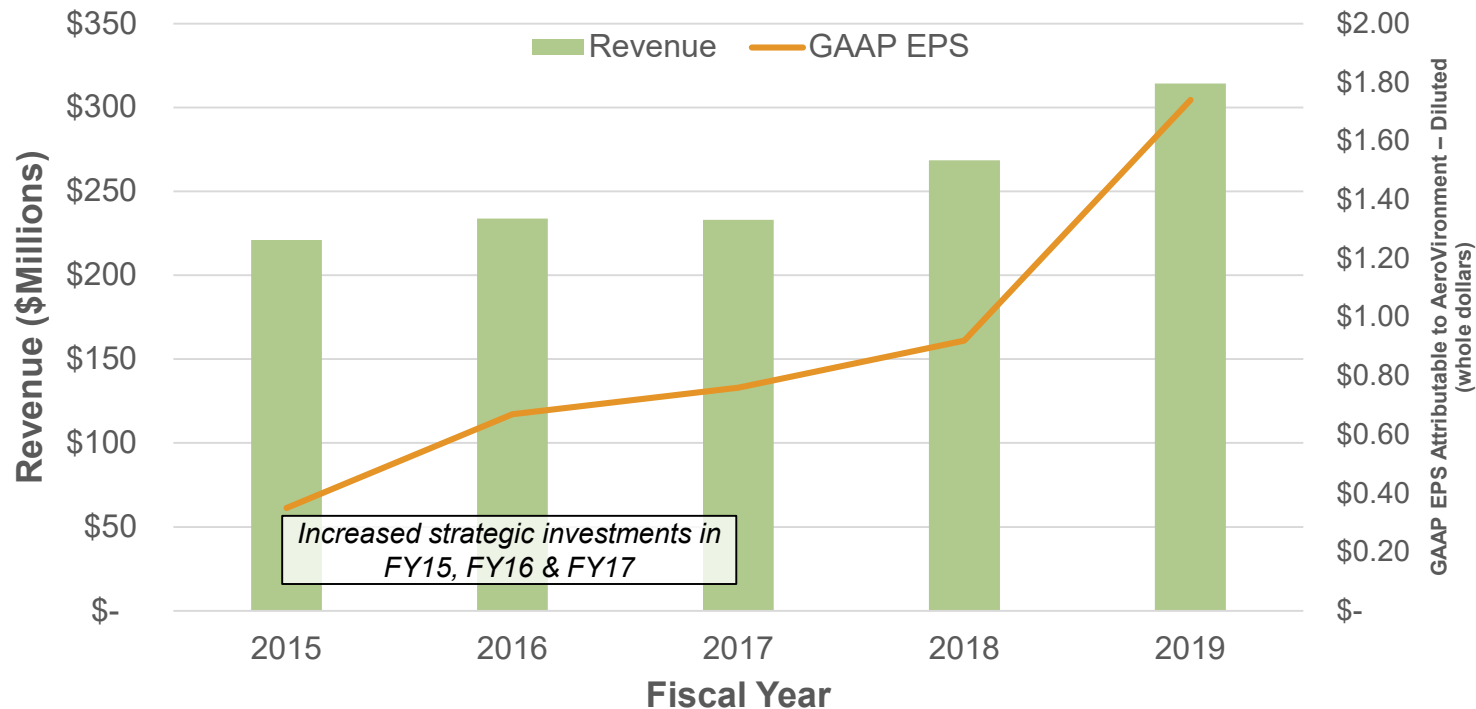
- ✓ **Integrated Drone, Sensors,  
Software Analytics &  
Connectivity Solution**
- ✓ **Simple & easy to operate**
- ✓ **Automated solution**

# 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     |
|---|--------|--------|--------|--------|---------|
| <b>Revenue</b>  | \$86.9 | \$83.3 | -      | -      | \$170.2 |
| <b>Gross Margin</b>   | \$41.3 | \$35.2 | -      | -      | \$76.4  |
| Gross Margin %  | 47%    | 42%    | -      | -      | 45%     |
| <b>Income from Continuing Operations</b>  | \$18.9 | \$8.1  | -      | -      | \$26.9  |
| Operating Margin%   | 22%    | 10%    | -      | -      | 16%     |
| <b>Net Income Attributable to AeroVironment</b>   | \$17.1 | \$7.5  | -      | -      | \$24.6  |
| Net Income Attributable to AeroVironment Margin %   | 20%    | 9%     | -      | -      | 14%     |
| <b>GAAP Diluted Earnings Per Share (EPS)<br/>Attributable to AeroVironment</b>                                      | \$0.71 | \$0.31 | -      | -      | \$1.02  |
| <b>Non-GAAP Diluted Earnings Per Share (EPS)<br/>Attributable to AeroVironment (see reconciliation in appendix)</b> | \$0.74 | \$0.34 |        |        | \$1.08  |



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

| AeroVironment, Inc.<br>Consolidated Balance Sheets<br>(In thousands except share and per share data)  |                                    |                   |
|---|------------------------------------|-------------------|
|   | October 26,<br>2019<br>(Unaudited) | April 30,<br>2019 |
| <b>Assets</b>   |                                    |                   |
| Current assets:   |                                    |                   |
| Cash and cash equivalents   | \$ 130,742                         | \$ 172,708        |
| Short-term investments  | 161,635                            | 150,487           |
| Accounts receivable, net of allowance for doubtful accounts of \$1,055 at October 26, 2019 and \$1,041 at April 30, 2019                            | 40,564                             | 31,051            |
| Unbilled receivables and retentions (inclusive of related party unbilled receivables of \$21,717 at October 26, 2019 and \$9,028 at April 30, 2019) | 62,397                             | 53,047            |
| Inventories   | 52,769                             | 54,056            |
| Prepaid expenses and other current assets   | 8,045                              | 7,418             |
| Income taxes receivable   | —                                  | 821               |
| Total current assets  | 456,152                            | 469,588           |
| Long-term investments   | 13,478                             | 9,386             |
| Property and equipment, net   | 20,571                             | 16,905            |
| Operating lease right-of-use assets   | 8,902                              | —                 |
| Deferred income taxes   | 8,019                              | 6,685             |
| Intangibles, net  | 15,952                             | 459               |
| Goodwill  | 8,080                              | —                 |
| Other assets  | 13,339                             | 5,821             |
| Total assets  | \$ 544,493                         | \$ 508,844        |
| <b>Liabilities and stockholders' equity</b>   |                                    |                   |
| Current liabilities:  |                                    |                   |
| Accounts payable  | \$ 11,022                          | \$ 15,972         |
| Wages and related accruals  | 13,218                             | 18,507            |
| Customer advances   | 2,550                              | 2,962             |
| Current operating lease liabilities   | 2,290                              | —                 |
| Income taxes payable  | 2,570                              | —                 |
| Other current liabilities   | 13,141                             | 7,425             |
| Total current liabilities   | 44,791                             | 44,866            |
| Deferred rent   | —                                  | 1,173             |
| Non-current operating lease liabilities   | 6,843                              | —                 |
| Other non-current liabilities   | 2,422                              | 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 October 26, 2019 and April 30, 2019   | —                                  | —                 |
| Common stock, \$0.0001 par value:   |                                    |                   |
| Authorized shares—100,000,000   |                                    |                   |
| Issued and outstanding shares—23,990,616 shares at October 26, 2019 and 23,946,293 shares at April 30, 2019   | 2                                  | 2                 |
| Additional paid-in capital  | 178,550                            | 176,216           |
| Accumulated other comprehensive loss  | 181                                | 2                 |
| Retained earnings   | 311,627                            | 286,351           |
| Total AeroVironment stockholders' equity  | 490,360                            | 462,571           |
| Noncontrolling interest   | (3)                                | 4                 |
| Total equity  | 490,357                            | 462,575           |
| Total liabilities and stockholders' equity  | \$ 544,493                         | \$ 508,844        |

\$306 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 |      | Six Months Ended |      | Six Months Ended |        |
|--|--------------------|------|--------------------|------|------------------|------|------------------|--------|
|  | October 26, 2019   |      | October 27, 2018   |      | October 26, 2019 |      | October 27, 2018 |        |
| Earnings per diluted share from continuing operations                        | \$                 | 0.31 | \$                 | 0.29 | \$               | 1.02 | \$               | 1.14   |
| Acquisition related expenses   |                    | 0.01 |                    | -    |                  | 0.02 |                  | -      |
| Amortization of acquired intangible assets                                   |                    | 0.02 |                    | -    |                  | 0.04 |                  | -      |
| One-time gain from a litigation settlement                                   |                    | -    |                    | -    |                  | -    |                  | (0.26) |
| Earnings per diluted share from continuing operations as adjusted (Non-GAAP) | \$                 | 0.34 |                    | 0.29 | \$               | 1.08 | \$               | 0.88   |