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WITH  
CERTAINTY

# **AeroVironment, Inc. Fourth Quarter Fiscal 2016 Overview Presentation**

July 5, 2016

# Safe Harbor Statement

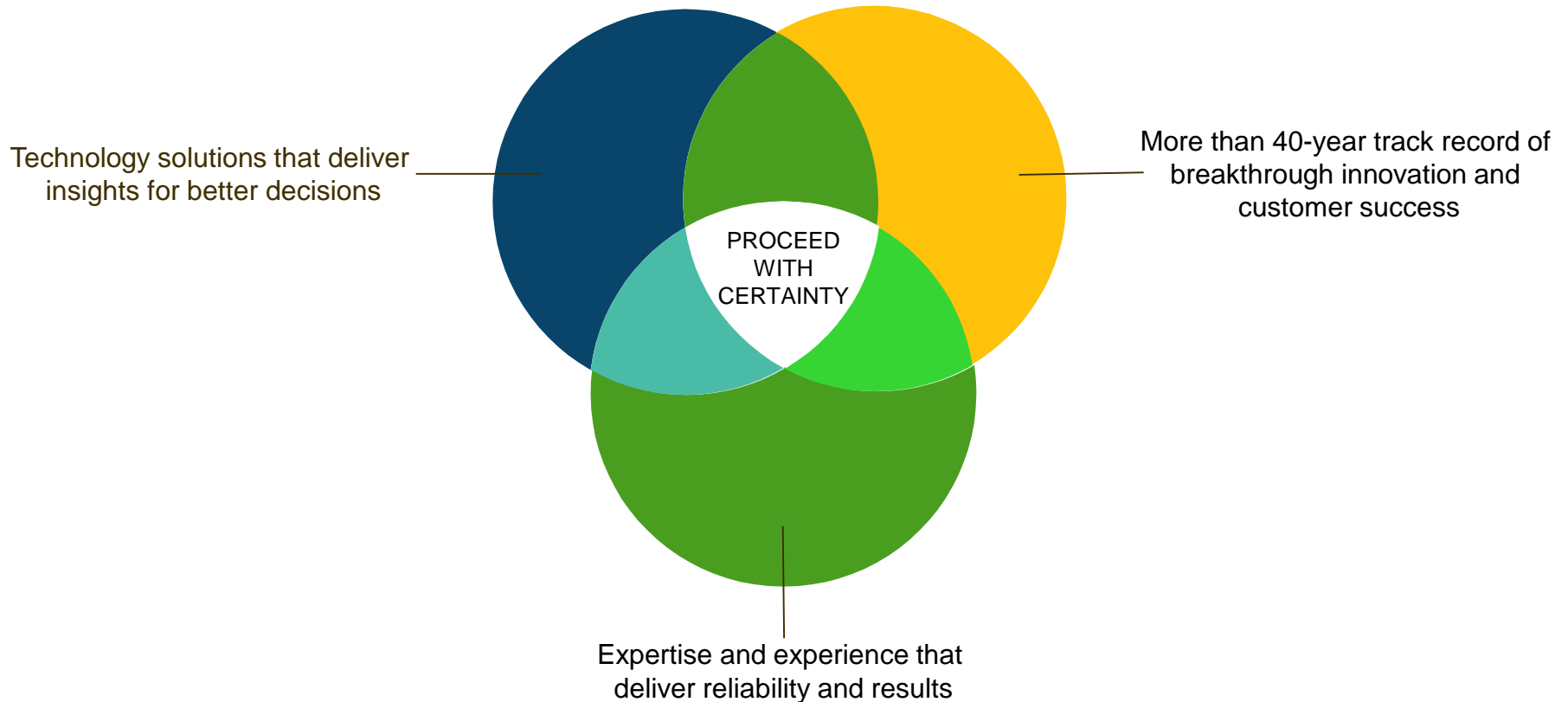
- Certain statements in this document may constitute "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements are made on the basis of current expectations, forecasts and assumptions that involve risks and uncertainties, including, 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 those expressed or implied.
- Factors that could cause actual results to differ materially from the forward-looking statements include, but are not limited to, our ability to perform under existing contracts and obtain additional contracts; changes in the timing and/or amount of government spending; changes in the supply and/or demand and/or prices for our products and services; changes in the regulatory environment; the activities of competitors; failure of the markets in which we operate to grow; failure to expand into new markets; failure to develop new products or integrate new technology with current products; and general economic and business conditions in the United States and elsewhere in the world; 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. 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 Customers More Actionable Intelligence So They Can Proceed With Certainty



# AeroVironment Highlights: A History of Adapting to Change While Continuously

## Profitable Growth through Technology Based Innovation

- 15% Revenue CAGR FY '04 – '16
- Proprietary IP portfolio underpins success
- Proven and experienced management team

## Strong and Balanced Pipeline with Multiple High-Value Market Opportunities

- Small UAS: continued evolution in U.S. military market, emerging opportunities in adjacent commercial and international markets
- Tactical Missile Systems: accelerating adoption, high volume potential
- Commercial UAS information solutions: emerging market opportunity

## Strong Financial Performance

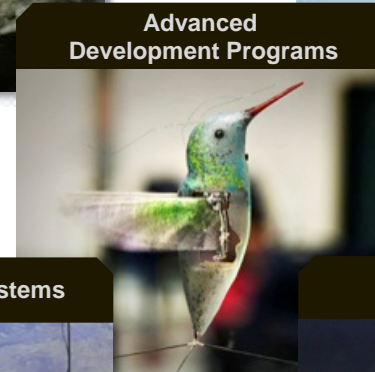
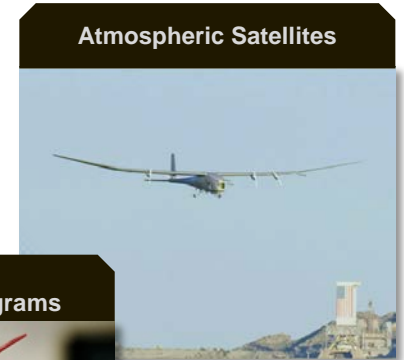
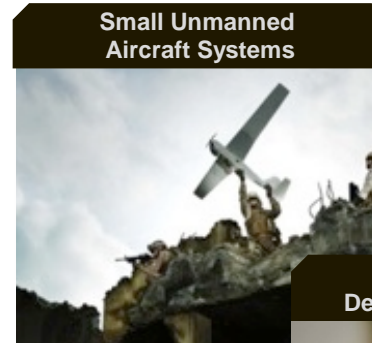
- Consistent cash generation
- Strong, efficient, growth-oriented balance sheet
- Making prudent investments to capitalize on significant multimarket growth opportunities

## Differentiated Solutions with Industry Leading Positions Across Multiple Markets

- Pioneer & market leader in small UAS
- Pioneer & market leader in Electric Vehicle (EV) test and charging solutions

# AeroVironment is a Technology Innovator in Multiple Industries and Applications

- Founded: 1971 in Pasadena, CA
- Public company since 2007
  - \$635m market cap as of 7/19/16
  - \$264m revenue in Fiscal 2016
- 2004-2016 Performance:
  - Sales CAGR: 15%
- More than 85% share of all unmanned aircraft in U.S. Department of Defense (“DoD”) inventory (in units)
- A leader in deployment of EV charging systems in North America



Creating value by identifying, developing, investing in and providing innovative technology-based solutions to high value market opportunities

# AeroVironment: An Enduring Success Story of Innovation, Intellectual Property and Entrepreneurship





# We Target Global, Long-Term Trends with Innovative New Solutions

Focused on Leveraging Key Trends Across Both Business Segments...

## Networked Information and Communication



**UAS**

## Alternative Transportation Fuel Solutions



**EES**

Delivering Unique, High-Quality and Innovative Products and Services to Our Customers Around the World

# Business Model: Profitable “Core Business” Funds Investment-Driven Growth Portfolio

## “Core Business”



## Growth Portfolio



# UAS – Small UAS Embedded in the Fabric of U.S. Security



**89%**

**of total FY'16  
company  
revenue**

**15%**

**revenue  
CAGR  
FY'04 – '16**

**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



# EES - Products and Services Supporting EVs

## Leading

test systems for EV  
and advanced battery  
development

## Leading

advanced charging  
systems for industrial  
EVs

## Leading

provider of EV  
charging solutions



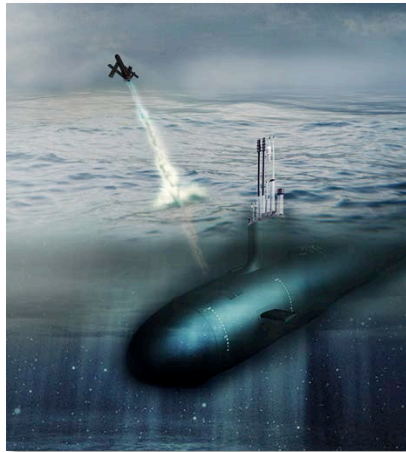
# New Ventures and Opportunities

# Tactical Missile Systems – Accelerating U.S. Military Adoption of Emerging Family of Loitering Systems



## Switchblade

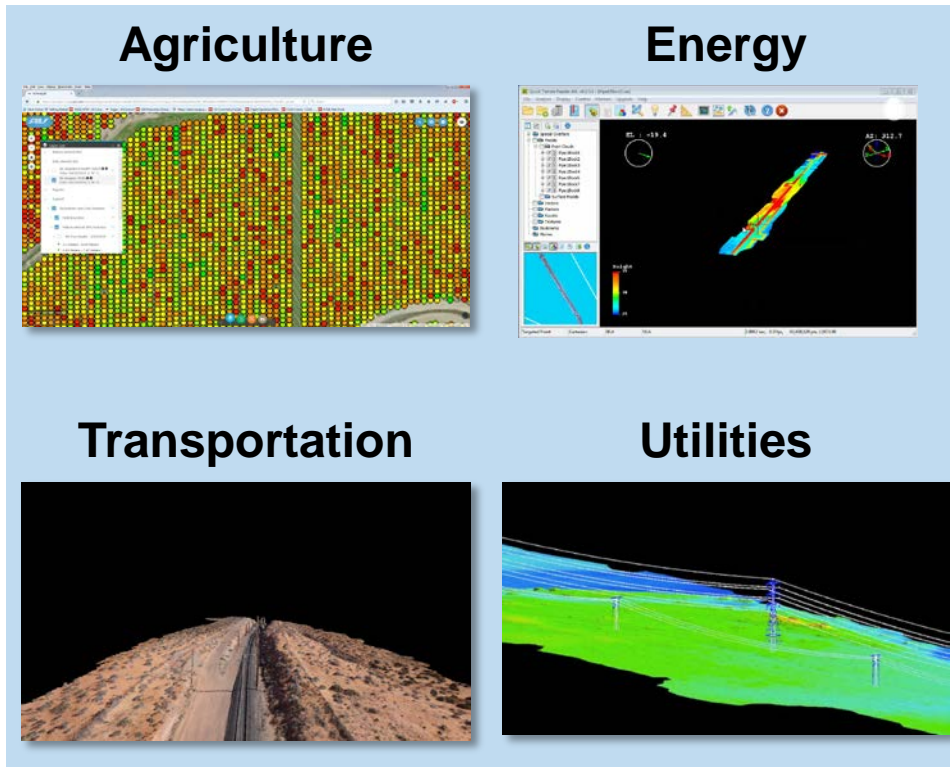
- Lethal, high-precision, rapidly deployed munition
- In use by U.S. military forces
- Competitor for potential future U.S. Army LMAMS Program of Record
- Variants in development for new concepts of operation



## Blackwing

- Intelligence, surveillance and reconnaissance solution with longer flight time
- Deploying on U.S. Navy submarines and positioned for Program of Record
- Applicable to surface ships, fixed ground installations and vehicles

# Commercial UAS Information Solutions – Global Potential in Multiple Industry Segments



- Turnkey information solution providing customers with more actionable intelligence
  - Experienced flight operators
  - Advanced sensors generating valuable data sets
  - Back office integration with GIS data
- AeroVironment Puma AE first FAA-approved commercial UAS operations over American soil
- FY 2015 and FY 2016 R&D investments in hardware, software & system solution

# Atmospheric Satellites - Valuable Capabilities for Affordable Communications and Information



- High altitude, long endurance UAS for affordable, persistent communication, remote sensing, observation
- U.S. government is projected to purchase \$3 to \$5 billion<sup>1</sup> annual commercial satellite capacity within ten years; Global Observer is designed to provide similar communications capabilities, as well as others, at a lower cost
- \$136 million customer-funded development program 2007-2011
  - Developed aircraft, ground control system, supply chain and mfg. system
  - Successfully completed eight test flights
  - AeroVironment owns IP and mfg. system
- Could require \$100s of millions of investment for full rate production capability, development, capitalization of services, etc.

<sup>1</sup> Source: [http://www.defensedaily.com/Assets/DBB\\_SATCOM.pdf](http://www.defensedaily.com/Assets/DBB_SATCOM.pdf), slide 7



# Significant Increase in International Small UAS Adoption in Fiscal 2016

35 international AeroVironment UAS customers – most with additional procurement potential, and many other countries evaluating small UAS



## Sample of International UAS Activity

### Italy



- Purchased original Pointer systems in 1990s
- Purchased RQ-11B Raven B in 2000s
- Purchased additional AeroVironment small UAS; type certification granted to Raven B in Italian airspace

### Denmark



- Purchased RQ-11B Raven B systems for \$2.4 million in 2007
- Purchased RQ-20A Puma AE systems for \$9.6 million in 2012

### Canada



- Purchased RQ-11B Raven systems in 2013
- First sale to Canadian Department of National Defense after their purchase of competing products

### Australia



- Purchased RQ-12 Wasp AE systems in 2015
- Part of Army Soldier Modernization Trial procurement

## Other Customers



# Increasing Adoption of EVs Could Stimulate Large Demand for Charging Systems

	New Light Vehicle Sales Forecast	Assumed Cost of Home Charging System (with Installation)	Potential Market Value (Based on 7.5% EV adoption)
United States 2016 sales projection	17 million	\$1,000	\$1.3 billion
2016 Global sales projection (ex-US)	73 million	\$750	\$4.1 billion

**Plug-in penetration rates of 7.5% in US and global light auto sales would yield a large EV charging market opportunity**

**Source:** IHS forecast, <http://www.detroitnews.com/story/business/autos/2015/10/14/ihs-sales-forecast/73937942/>; <http://press.ihs.com/press-release/automotive/ihs-global-outlook-automotive-sales-continued-momentum-north-america-europe>

# Financial Overview

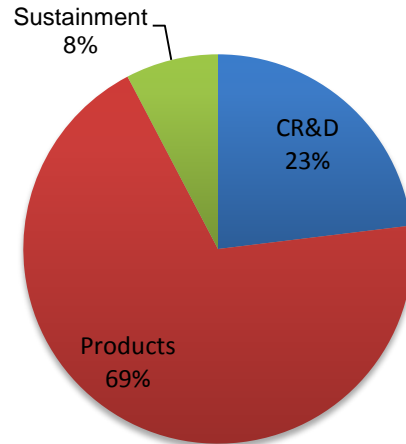
# Focused on Successfully Executing Business Model

- Strong, profitable, core business across a diversifying customer base
- Dynamic and attractive portfolio mix consisting of mature cash generators and new innovations supporting ongoing success
- Balance sheet provides flexibility to act decisively when timing of meaningful adoption of AeroVironment solutions becomes apparent
- Fiscal 2017: reduction in IR&D spending with return to guided EPS

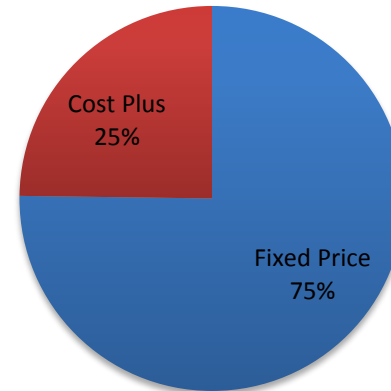
# Diverse Product and Services Revenue Mix

## Unmanned Aircraft Systems

Revenue  
FY 2016

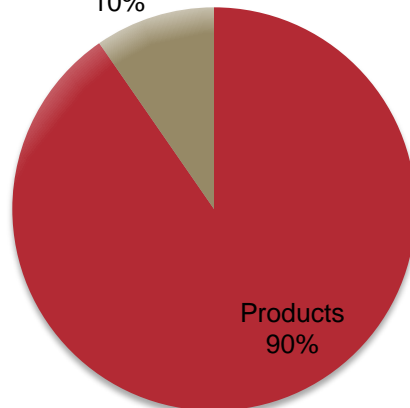


Revenue by Contract Type  
FY 2016

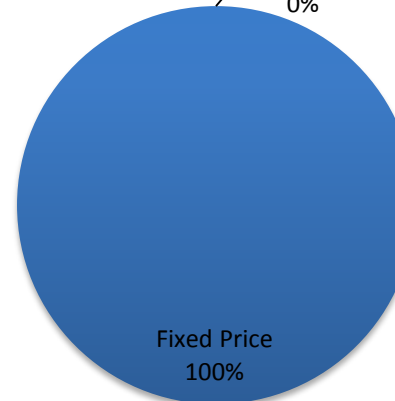


## Efficient Energy Systems

Services  
10%



Cost Plus  
0%



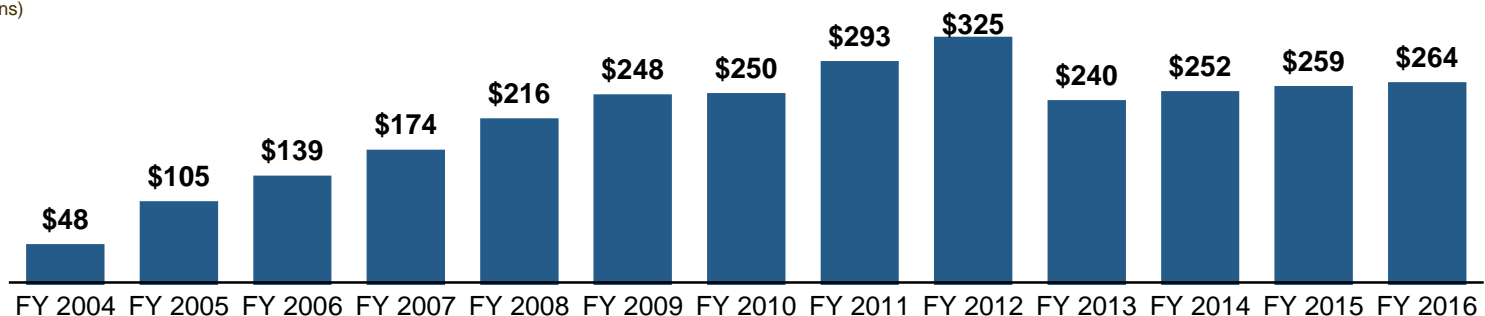
Note: "Sustainment" includes training, logistics, repairs, upgrades and other services

# Growth and Core Business Profitability Driven by Technological Innovation

## Revenue

(\$ in millions)

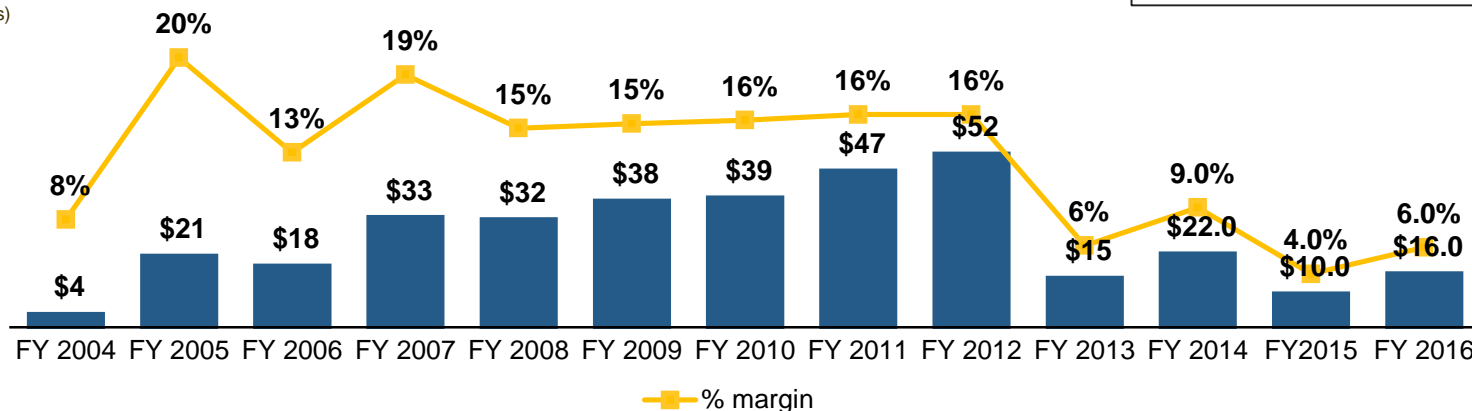
'04-'16 Revenue CAGR: 15%



## EBITDA\*

(\$ in millions)

'04 - '16 EBITDA CAGR: 12%



Strategic R&D investments in fiscal 2016 reduced earnings but we believe these investments will improve our positioning for long-term value creation

\* See reconciliation in Appendix A

# FY 2016 Quarterly Results

In \$ Millions (except EPS)	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	YTD
Revenue	\$47.1	\$64.7	\$67.6	\$84.8	\$264.1
Gross Margin	\$16	\$31.5	\$26.6	\$37.9	\$112.1
Gross Margin %	34%	49%	39%	45%	42%
Profit (Loss) from Operations	(\$9)	\$6.9	\$5.1	\$6.8	\$9.7
Profit (Loss) from Operations Margin %	(19%)	10%	7%	8%	4%
Net Profit (Loss)	(\$7)	\$4.4	\$6.2	\$5.4	\$9
Net Profit (Loss) Margin %	(15%)	7%	9%	6%	3%
Earnings (Loss) per share (EPS)	(\$0.30) )	\$0.19	\$0.27	\$0.23	\$0.39
Adjusted EPS (LPS) *	(\$0.24) )	\$0.19	\$0.27	\$0.23	\$0.33

\* Adjusted EPS (loss) excludes the non-cash effect of changes in fair value of the conversion option of our CybAero convertible notes (see Appendix B)

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

AEROVIRONMENT, INC.		
CONSOLIDATED BALANCE SHEET S		
(In thousands except share data)		
	April 30,	
	2016	2015
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 124,287	\$ 143,410
Short-term investments	103,404	85,381
Accounts receivable, net of allowance for doubtful accounts of \$262 at April 30, 2016 and \$606 at April 30, 2015	56,045	33,607
Unbilled receivables and retentions	18,899	17,356
Inventories, net	37,486	39,414
Deferred income taxes	5,432	5,265
Prepaid expenses and other current assets	4,150	4,599
Total current assets	349,703	329,032
Long-term investments	33,859	46,769
Property and equipment, net	16,762	13,499
Deferred income taxes	9,319	7,426
Other assets	750	741
Total assets	\$ 410,393	\$ 397,467
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 17,712	\$ 19,243
Wages and related accruals	13,973	13,395
Income taxes payable	943	692
Customer advances	2,544	4,235
Other current liabilities	11,173	9,170
Total current liabilities	46,345	46,735
Deferred rent	1,714	1,381
Capital lease obligations - net of current portion	449	—
Other non-current liabilities	184	—
Liability for uncertain tax positions	441	439
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.0001 par value:		
Authorized shares—10,000,000; none issued or outstanding	—	—
Common stock, \$0.0001 par value:		
Authorized shares—100,000,000		
Issued and outstanding shares—23,359,925 shares at April 30, 2016 and 23,314,640 at April 30, 2015	2	2
Additional paid-in capital	154,274	148,293
Accumulated other comprehensive loss	(201)	(1,358)
Retained earnings	207,185	201,975
Total stockholders' equity	361,260	348,912
Total liabilities and stockholders' equity	\$ 410,393	\$ 397,467

\$261 million in cash, short and long term investments

No debt



# Focused on Executing Our Fiscal 2017 Plan to Drive Long-Term Value

- Profitable growth through technology-based innovation
- Strong and balanced pipeline with multiple high-value market opportunities
- Financial performance consistent with our expectations
- Differentiated solutions with industry-leading positions across multiple markets
- Solid track record of performance

# For More Information...

**Steven Gitlin**

Vice President Investor Relations

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

1 (626) 357-9983