

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **December 5, 2017**

AEROVIRONMENT, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

001-33261
(Commission File Number)

95-2705790
(I.R.S. Employer Identification No.)

800 Royal Oaks Drive, Suite 210
Monrovia, CA
(Address of Principal Executive Offices)

91016
(Zip Code)

Registrant's telephone number, including area code: **(626) 357-9983**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition

On December 5, 2017, AeroVironment, Inc. issued a press release announcing second quarter financial results for the period ended October 28, 2017, a copy of which is attached hereto as Exhibit 99.1.

The information in this Current Report on Form 8-K, including the exhibit, is furnished pursuant to Item 2.02 and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing of AeroVironment, Inc. under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, except as shall be expressly set forth by specific reference in such filing.

In addition to historic information, this report, including the exhibit, contains forward-looking statements regarding events, performance and financial trends. Various factors could affect future results and could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. Some of those factors are identified in the exhibit, and in our periodic reports filed with the Securities and Exchange Commission.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits.

| Exhibit Number | Description |
|-----------------------|---|
| 99.1 | <u>Press release issued by AeroVironment, Inc., dated December 5, 2017.</u> |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AEROVIRONMENT, INC.

Date: December 5, 2017

By: /s/ Wahid Nawabi
Wahid Nawabi
President and Chief Executive Officer

PROCEED
WITH
CERTAINTY**PRESS RELEASE****AeroVironment, Inc. Announces Fiscal 2018 Second Quarter Results**

MONROVIA, Calif., December 5, 2017 — AeroVironment, Inc. (NASDAQ: AVAV) today reported financial results for its second quarter ended October 28, 2017.

“Our outstanding team delivered another solid quarter of financial and operational results driven by robust, global customer demand across our business and continued effective execution,” said Wahid Nawabi, AeroVironment Chief Executive Officer. “During the quarter we increased revenue by 47 percent, year over year, and substantially improved earnings per diluted share to \$0.29. Our innovative solutions continue to lead their markets, as orders for products and customer-funded research and development programs boosted our funded backlog to \$127 million, a 49 percent increase over last quarter, significantly increasing our revenue visibility for the current fiscal year.”

“Additionally, in August the United States Army released its annual Superior Supplier Incentive Program ranking, which identifies its top performing industry partners for 2017. AeroVironment earned the Army’s top tier in this year’s ranking, based on superior performance in our small UAS and Tactical Missile Systems businesses. This recognition is a testament to the hard work and dedication of our entire team. Our strong second quarter results reflect continued momentum in fiscal 2018 as we execute our plan effectively and focus on creating value for our stockholders, employees and customers.”

FISCAL 2018 SECOND QUARTER RESULTS

Revenue for the second quarter of fiscal 2018 was \$73.8 million, an increase of 47% from second quarter fiscal 2017 revenue of \$50.1 million. The increase in revenue resulted from an increase in sales in our Unmanned Aircraft Systems (UAS) segment of \$23.2 million and an increase in sales in our Efficient Energy Systems (EES) segment of \$0.6 million.

Gross margin for the second quarter of fiscal 2018 was \$31.0 million, an increase of 78% from second quarter fiscal 2017 gross margin of \$17.4 million. The increase in gross margin was primarily due to an increase in product margin of \$12.8 million and an increase in service margin of \$0.8 million. As a percentage of revenue, gross margin increased to 42% from 35%. The increase in gross margin percentage was primarily due to an increase in revenue and an increase in the proportion of product sales to total revenue.

Income from operations for the second quarter of fiscal 2018 was \$9.3 million, an increase from second quarter fiscal 2017 loss from operations of \$4.5 million. The increase in the year over year income from operations was primarily a result of an increase in gross margin of \$13.6 million and a decrease in research and development (R&D) expense of \$1.2 million, partially offset by an increase in selling, general and administrative (SG&A) expense of \$1.1 million. During the second quarter of fiscal 2018, we recorded impairment charges totaling \$1.0 million to the identifiable intangible assets and goodwill of Altoy, our Turkish majority owned subsidiary.

Other income, net, for the second quarter of fiscal 2018 was \$0.4 million compared to other income, net of \$0.3 million for the second quarter of fiscal 2017.

Provision for income taxes for the second quarter of fiscal 2018 was \$2.8 million compared to a benefit for income taxes of \$48,000 for the second quarter of fiscal 2017. The increase in provision for income taxes was primarily due to an increase in income before income taxes.

Net income attributable to AeroVironment for the second quarter of fiscal 2018 was \$7.0 million, an increase from second quarter fiscal 2017 net loss of \$4.2 million.

Earnings per diluted share for the second quarter of fiscal 2018 was \$0.29 compared to loss per share for the second quarter fiscal 2017 of \$0.18.

FISCAL 2018 YEAR-TO-DATE RESULTS

Revenue for the first six months of fiscal 2018 was \$117.6 million, an increase of 36% from the first six months' fiscal 2017 revenue of \$86.3 million. The increase in revenue resulted from an increase in sales in our UAS segment of \$28.9 million and an increase in our EES segment of \$2.3 million.

Gross margin for the first six months of fiscal 2018 was \$42.6 million, an increase of 77% from the first six months' fiscal 2017 gross margin of \$24.1 million. The increase in gross margin was due to an increase in product margin of \$19.1 million, partially offset by a decrease in service margin of \$0.6 million. As a percentage of revenue, gross margin increased to 36% from 28%. The increase in gross margin percentage was primarily due to an increase in revenue and an increase in the proportion of product sales to total revenue.

Income from operations for the first six months of fiscal 2018 was \$1.1 million, an increase from the first six months of fiscal 2017 loss from operations of \$20.1 million. The increase in income from operations was a result of an increase in gross margin of \$18.5 million and a decrease in R&D expense of \$3.4 million, partially offset by an increase in SG&A expense of \$0.7 million.

Other income, net, for the first six months of fiscal 2018 was \$0.9 million compared to other income, net, for the first six months of fiscal 2017 of \$0.3 million.

Benefit for income taxes for the first six months of fiscal 2018 was \$0.4 million compared to a benefit for income taxes of \$3.9 million for the first six months of fiscal 2017. The decrease in benefit for income taxes was primarily due to an increase in income before income taxes.

Net income attributable to AeroVironment for the first six months of fiscal 2018 was \$2.6 million, an increase from the first six months of fiscal 2017 net loss of \$15.8 million.

Earnings per diluted share for the first six months of fiscal 2018 was \$0.11 compared to loss per share for the first six months of fiscal 2017 of \$0.69.

BACKLOG

As of October 28, 2017, funded backlog (unfilled firm orders for which funding is currently appropriated to us under a customer contract) was \$127.1 million compared to \$78.0 million as of April 30, 2017.

FISCAL 2018 — OUTLOOK FOR THE FULL YEAR

For fiscal 2018, the company continues to expect to generate revenue of between \$280 million and \$300 million, and earnings per diluted share of between \$0.45 and \$0.65.

The foregoing estimates are forward looking and reflect management's view of current and future market conditions, including certain assumptions with respect to our ability to obtain and retain government contracts, changes in the timing and/or amount of government spending, changes in the demand for our products and services, activities of competitors, changes in the regulatory environment, and general economic and

business conditions in the United States and elsewhere in the world. Investors are reminded that actual results may differ materially from these estimates.

CONFERENCE CALL

In conjunction with this release, AeroVironment, Inc. will host a conference call today, Tuesday, December 5, 2017, at 1:30 pm Pacific Time that will be broadcast live over the Internet. Wahid Nawabi, president and chief executive officer, Teresa P. Covington, chief financial officer and Steven A. Gitlin, vice president of investor relations, will host the call.

4:30 PM ET
3:30 PM CT
2:30 PM MT
1:30 PM PT

Investors may dial into the call at (800) 708-4540 (U.S.) and enter the passcode 46018097 or (847) 619-6397 (international) five to ten minutes prior to the start time to allow for registration.

Investors with Internet access may listen to the live audio webcast via the Investor Relations page of the AeroVironment, Inc. website, <http://investor.avinc.com>. Please allow 15 minutes prior to the call to download and install any necessary audio software.

Audio Replay Options

An audio replay of the event will be archived on the Investor Relations page of the company's website, at <http://investor.avinc.com>. The audio replay will also be available via telephone from Tuesday, December 5, 2017, at approximately 4:00 p.m. Pacific Time through Tuesday, December 12, 2017, at 11:59 p.m. Pacific Time. Dial (888) 843-7419 and enter the passcode 46018097. International callers should dial (630) 652-3042 and enter the same passcode number to access the audio replay.

ABOUT AEROVIRONMENT, INC.

AeroVironment (NASDAQ: AVAV) provides customers with more actionable intelligence so they can proceed with certainty. Based in California, AeroVironment is a global leader in unmanned aircraft systems, tactical missile systems and electric vehicle charging and test systems, and serves militaries, government agencies, businesses and consumers. For more information visit www.avinc.com.

FORWARD-LOOKING STATEMENTS

This press release contains "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; 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 and electric vehicles; 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. 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.

- Financial Tables Follow -

AeroVironment, Inc.
Consolidated Statements of Operations (Unaudited)
(In thousands except share and per share data)

| | Three Months Ended | | Six Months Ended | |
|---|---------------------|---------------------|---------------------|---------------------|
| | October 28, 2017 | October 29, 2016 | October 28, 2017 | October 29, 2016 |
| Revenue: | | | | |
| Product sales | \$ 52,933 | \$ 29,350 | \$ 84,024 | \$ 45,087 |
| Contract services | 20,894 | 20,766 | 33,567 | 41,247 |
| | <u>73,827</u> | <u>50,116</u> | <u>117,591</u> | <u>86,334</u> |
| Cost of sales: | | | | |
| Product sales | 30,014 | 19,197 | 54,231 | 34,419 |
| Contract services | 12,813 | 13,502 | 20,730 | 27,815 |
| | <u>42,827</u> | <u>32,699</u> | <u>74,961</u> | <u>62,234</u> |
| Gross margin: | | | | |
| Product sales | 22,919 | 10,153 | 29,793 | 10,668 |
| Contract services | 8,081 | 7,264 | 12,837 | 13,432 |
| | <u>31,000</u> | <u>17,417</u> | <u>42,630</u> | <u>24,100</u> |
| Selling, general and administrative | 14,464 | 13,387 | 27,795 | 27,050 |
| Research and development | 7,272 | 8,517 | 13,733 | 17,117 |
| Income (loss) from operations | 9,264 | (4,487) | 1,102 | (20,067) |
| Other income (expense): | | | | |
| Interest income, net | 432 | 397 | 944 | 772 |
| Other expense, net | (55) | (130) | (51) | (430) |
| Income (loss) before income taxes | 9,641 | (4,220) | 1,995 | (19,725) |
| Provision (benefit) for income taxes | 2,829 | (48) | (351) | (3,911) |
| Net income (loss) | 6,812 | \$ (4,172) | 2,346 | (15,814) |
| Net loss attributable to noncontrolling interest | 206 | — | 229 | — |
| Net income (loss) attributable to AeroVironment | <u>\$ 7,018</u> | <u>\$ (4,172)</u> | <u>\$ 2,575</u> | <u>\$ (15,814)</u> |
| Net income (loss) per share attributable to AeroVironment: | | | | |
| Basic | \$ 0.30 | \$ (0.18) | \$ 0.11 | \$ (0.69) |
| Diluted | \$ 0.29 | \$ (0.18) | \$ 0.11 | \$ (0.69) |
| Weighted average shares outstanding: | | | | |
| Basic | 23,477,914 | 23,049,056 | 23,407,500 | 23,002,832 |
| Diluted | 23,832,959 | 23,049,056 | 23,715,997 | 23,002,832 |

AeroVironment, Inc.
Consolidated Balance Sheets
(In thousands except share data)

| | October 28, 2017 (Unaudited) | April 30, 2017 |
|--|------------------------------------|-------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 117,109 | \$ 79,904 |
| Short-term investments | 110,751 | 119,971 |
| Accounts receivable, net of allowance for doubtful accounts of \$1,201 at October 28, 2017 and \$291 at April 30, 2017 | 35,106 | 74,361 |
| Unbilled receivables and retentions | 13,494 | 14,120 |
| Inventories, net | 76,039 | 60,076 |
| Prepaid expenses and other current assets | 5,175 | 5,653 |
| Total current assets | 357,674 | 354,085 |
| Long-term investments | 33,024 | 42,096 |
| Property and equipment, net | 21,614 | 19,220 |
| Deferred income taxes | 16,113 | 15,089 |
| Other assets | 838 | 2,010 |
| Total assets | <u>\$ 429,263</u> | <u>\$ 432,500</u> |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 15,724 | \$ 20,283 |
| Wages and related accruals | 10,415 | 12,966 |
| Income taxes payable | 350 | 1,418 |
| Customer advances | 3,921 | 3,317 |
| Other current liabilities | 7,441 | 10,079 |
| Total current liabilities | 37,851 | 48,063 |
| Deferred rent | 1,637 | 1,719 |
| Capital lease obligations - net of current portion | 50 | 161 |
| Other non-current liabilities | 184 | 184 |
| Deferred tax liability | 67 | 116 |
| Liability for uncertain tax positions | 64 | 64 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, \$0.0001 par value: | | |
| Authorized shares—10,000,000; none issued or outstanding at October 28, 2017 and April 30, 2017 | — | — |
| Common stock, \$0.0001 par value: | | |
| Authorized shares—100,000,000 | | |
| Issued and outstanding shares—23,865,335 shares at October 28, 2017 and 23,630,419 at April 30, 2017 | 2 | 2 |
| Additional paid-in capital | 166,993 | 162,150 |
| Accumulated other comprehensive loss | (98) | (127) |
| Retained earnings | 222,504 | 219,929 |
| Total AeroVironment stockholders' equity | 389,401 | 381,954 |
| Noncontrolling interest | 9 | 239 |
| Total equity | 389,410 | 382,193 |
| Total liabilities and stockholders' equity | <u>\$ 429,263</u> | <u>\$ 432,500</u> |

AeroVironment, Inc.
Consolidated Statements of Cash Flows (Unaudited)
(In thousands)

| | Six Months Ended | |
|--|---------------------|---------------------|
| | October 28, 2017 | October 29, 2016 |
| Operating activities | | |
| Net income (loss) | \$ 2,346 | \$ (15,814) |
| Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 3,692 | 3,401 |
| Loss from equity method investments | — | 111 |
| Impairment of long-lived assets | 255 | — |
| Provision for doubtful accounts | 943 | 119 |
| Impairment of intangible assets and goodwill | 1,021 | — |
| (Gains) losses on foreign currency transactions | (108) | 269 |
| Deferred income taxes | (1,093) | (329) |
| Stock-based compensation | 2,608 | 1,813 |
| Tax benefit from exercise of stock options | — | 22 |
| Loss (Gain) on disposition of property and equipment | 15 | (7) |
| Amortization of held-to-maturity investments | 897 | 1,259 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 38,440 | 29,562 |
| Unbilled receivables and retentions | 626 | 2,029 |
| Inventories | (15,963) | (17,682) |
| Income tax receivable | — | (3,957) |
| Prepaid expenses and other assets | 468 | (555) |
| Accounts payable | (4,739) | 1,413 |
| Other liabilities | (5,289) | (7,933) |
| Net cash provided by (used in) operating activities | 24,119 | (6,279) |
| Investing activities | | |
| Acquisition of property and equipment | (6,037) | (4,514) |
| Redemptions of held-to-maturity investments | 105,758 | 53,961 |
| Purchases of held-to-maturity investments | (88,763) | (79,052) |
| Proceeds from the sale of property and equipment | — | 7 |
| Sales and redemptions of available-for-sale investments | 450 | 400 |
| Net cash provided by (used in) investing activities | 11,408 | (29,198) |
| Financing activities | | |
| Principal payments of capital lease obligations | (173) | (192) |
| Tax withholding payment related to net settlement of equity awards | (313) | — |
| Exercise of stock options | 2,164 | 258 |
| Net cash provided by financing activities | 1,678 | 66 |
| Net increase (decrease) in cash and cash equivalents | 37,205 | (35,411) |
| Cash and cash equivalents at beginning of period | 79,904 | 124,287 |
| Cash and cash equivalents at end of period | \$ 117,109 | \$ 88,876 |
| Supplemental disclosures of cash flow information | | |
| Cash paid during the period for: | | |
| Income taxes | \$ 1,803 | \$ 1,786 |
| Non-cash activities | | |
| Unrealized gain on investments, net of deferred tax expense of \$19 and \$29, respectively | \$ 29 | \$ 43 |
| Reclassification from share-based liability compensation to equity | \$ 384 | \$ 307 |
| Acquisitions of property and equipment included in accounts payable | \$ 888 | \$ 704 |

AeroVironment, Inc.
Reportable Segment Results are as Follows (Unaudited)
(In thousands)

| | Three Months Ended | | Six Months Ended | |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | October 28, 2017 | October 29, 2016 | October 28, 2017 | October 29, 2016 |
| Revenue: | | | | |
| UAS | \$ 63,988 | \$ 40,829 | \$ 100,238 | \$ 71,326 |
| EES | 9,839 | 9,287 | 17,353 | 15,008 |
| Total | 73,827 | 50,116 | 117,591 | 86,334 |
| Cost of sales: | | | | |
| UAS | 35,817 | 25,936 | 62,225 | 51,019 |
| EES | 7,010 | 6,763 | 12,736 | 11,215 |
| Total | 42,827 | 32,699 | 74,961 | 62,234 |
| Gross margin: | | | | |
| UAS | 28,171 | 14,893 | 38,013 | 20,307 |
| EES | 2,829 | 2,524 | 4,617 | 3,793 |
| Total | 31,000 | 17,417 | 42,630 | 24,100 |
| Selling, general and administrative | 14,464 | 13,387 | 27,795 | 27,050 |
| Research and development | 7,272 | 8,517 | 13,733 | 17,117 |
| Income (loss) from operations | 9,264 | (4,487) | 1,102 | (20,067) |
| Other income (expense): | | | | |
| Interest income, net | 432 | 397 | 944 | 772 |
| Other expense, net | (55) | (130) | (51) | (430) |
| Income (loss) before income taxes | \$ 9,641 | \$ (4,220) | \$ 1,995 | \$ (19,725) |

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