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AeroVironment, Inc. (AVAV)

Investor Day

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MANAGEMENT DISCUSSION SECTION

Denise Pacioni

Vice President, Head-Investor Relations, AeroVironment, Inc.

Good morning, everyone, and welcome to AV's 2026 Investor Day. It's wonderful to see so many of you here in New York. We are very excited to share with you the progress we've made since our 2024 Investor Day just over two years ago. With a continued focus on innovation, we are more than ever intent on capturing opportunities in this high-growth sector, as well as scaling the business and executing with excellence. We are excited to share with you some of our key strategic initiatives that will lead us toward achieving our fiscal year 2030 growth targets.

Joining me here today are several key members of AV's leadership team, including our Chairman, President and CEO, Wahid Nawabi; our Chief Growth Officer, Church Hutton; and our two newest leadership team members, Sean Woodward, CFO; and Dr. Rob Smith, COO. In addition to presentations by these gentlemen, we will also have our two segment presidents, Mary Clum and Trace Stevenson, available for questions and answers at the end of today's session.

Before we get started, please take a moment to review our Safe Harbor statement located on the screens to your left and right. As a reminder, this event is being webcast live and will be archived on our website under the Events & Presentations section. Wi-Fi passwords are located on the tables in front of you, and we ask that you please silence your phones at this time.

Before kicking things off today, please take a moment to watch this short video, showcasing many of the exciting solutions AV has to offer.

[Video Presentation] (00:01:40-00:03:40)

It's now my pleasure to welcome Wahid Nawabi, AV's Chairman, President, and CEO, to the podium.

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

Okay. Good morning, everybody. Welcome to this beautiful day in New York City here at The Westin, Times Square. I want to thank all of you for actually taking the time to be here with us today, number one. Number two, last time we were together like this was actually about two years ago. I'm not sure if some of you remember, and it's been two years since we actually came in a venue like this and had an event like this. So, it's a great pleasure for me to actually see most of you who were here two years ago. And also, I've got a couple of slides to show you what we've done since last two years and what we promised then and where we are today. And so, hopefully, it will be a good barometer of what we're going to talk about today for the future of AV.

We have a full agenda today. And essentially, I'm going to walk you through the company as to who we are, and what really is relevant about our company and what are the competitive differentiators. Then our Chief Growth Officer is going to walk you through the growth strategy, so how are we going to capture the growth that really is in front of us in this market. And then we have our Chief Operating Officer, Rob, who is going to cover the actual execution part of how do we execute in scaling and capturing the market. And then lastly, Sean Woodward, our CFO, is going to talk to you about the financials and the long-term targets. And then, of course, we will have plenty of time for Q&A as well at the end of the presentations at that time.

First and foremost, let me talk about the company overview. For those of you not familiar with us, we are a growth company squarely designed to meet the rising demands of what's considered to be the top key strategic priorities of our Department of War, as well as our 50 or 60 different allies around the world. We have not gotten here by accident. We have built our portfolio very deliberately to meet the rising demands of the pretty much highest priority items that are in the US Department of War's strategic needs and capability gaps, and we've got a fantastic track record as an organization.

If you go back to the last multiple decades of what we say we're going to do, what we're going to focus on that we're going to go do, and then how we actually execute to capture that and deliver on that. That is something that is unmatched in the industry within our peers in that regard. And we've done that in a very diversified, very methodical, very judicious approach of investing in different areas and also making sure that we actually set realistic milestone for us to be able to achieve as part of our growth strategy.

We're organized in two business segments AxS, or Autonomous Systems; and Space, Cyber and Directed Energy business, which is the two segments. The AxS segment is roughly about two times the size, roughly speaking. And the combined, as you saw our financial results a couple of weeks ago, it's about a \$2 billion business for us today. We are spread around multiple sites across the country and overseas, about 4,000 employees in total.

And one thing that I really take a tremendous amount of pride is the number of systems that we have fielded successfully in the world, not just the United States, with 55-plus countries, over 60,000 systems, 60,000 different units of our air robots, ground robots, et cetera, et cetera, and all the different domains that we play in. And even more interesting and important than that is in the last two decades, we've been involved in every single conflict that the US has faced around the globe. And our solutions have been critical, not just a small piece, but a critical part of the US's track record of success and competing in these markets and actually fighting these conflicts over the last two decades, consecutive conflicts. So, we have a battle-proven solutions set. We have a track record that our customers understand the value of our solutions, so they can believe in the operational capability of our systems, and we iterate on that over and over again to bring new products to the market as we go forward.

So, the way I'd like you to think about our business, which is something a little bit new today I'm going to cover it, is essentially the four different areas or portfolio categories that we play into, which is multi-mission ISR. This is predominantly considered as non-lethal drones, but there's now the missions are changing and evolving. And some of the non-lethal – almost all the non-lethal platforms are capable of doing lethal or other type of missions as well. Then it's all of our strike solution sets, such as loitering munitions, our one-way attack, and Freedom Eagle-1. Our counter-UAS solutions, that's counter drones. And then lastly, the space and advanced technologies that has products in that category. So, if you look at the overall company portfolio, I would make a case that we're really organized in these four key mission areas that's really relevant to our customers' need.

What's the investment thesis? What's most critical about the investment thesis for AV? First and foremost, we're a trusted defense partner for our customers, not only the US military, but 55 allies around the world. We're not an unproven name with an unproven track record of performing or an unproven track record of delivering to our customers' expectations. It is one of the key strategic differentiators that sets us apart from hundreds, if not thousands, of companies that I've seen in this industry over the last two decades. In the last decade and a half, I've seen over 1,000 different companies come and compete with us in this market. And what really sets us apart besides many of the things that I'm going to talk a little bit more is the fact that we have been around, our solutions are relevant, we're trusted by our customers. When they place their confidence at AV, we deliver on their missions and their expectations.

Number two is the diversified, mission-aligned portfolio. Our portfolio has been developed, and we continue to invest in expanding this portfolio deliberately to meet the highest needs of our customers' priorities. These are areas that are incredibly critical in the future conflicts that you see around the world today and in the future as well. So, it's not an accident that the things that we are in, the categories that we're in is relevant to what's happening in this what I call transformation in the defense industry. And as a defense tech player, we are leading that transformation with category-leading solutions. And every single one of these categories that I'm going to walk you through, you'll see our solution is category defining. In some cases, we've actually invented the category. And there are some multiple examples of that, as you see throughout this presentation.

Third is our strong balance sheet. We've been around for 50-plus years, and we've been profitable as an entity, and we're going to continue to do that. That is also somewhat unique because our customers and our investors can count on us being around and having a balance sheet that can actually execute our strategy. And it's deliberate. We intentionally want to make sure that we're a company that not only delivers, but we have the ability to continue and have longevity for our customers to trust us for years to come. And that trust and that confidence is also very important for our other two stakeholders, our investors and our employees as well.

And then lastly, we are built for growth. We have built our company and the capabilities that we have specifically focused on growth. And you've seen from our record over the last decade plus what our growth rate's been, and I'm going to share some of the details of that for you in a few minutes. But we also are building ourselves for the future growth of the company and positioning ourselves really well.

For example, the products that we are investing in are relevant, not only today, but we feel very strongly that these are the capabilities that are going to be in need over the next decade or so. Two is our production capacity and our ability to deliver. The world is changing. The customers are expecting fast turnaround, and that is a recipe that AV has perfected over the last decade, consistently and very successfully. And so, these four theses sets the foundation of a unique value that we offer as a company for investors, as well as for our customers and our employees.

I said that we were here together about two years ago, in this ZIP code, and I wanted to share with you what we've said we're going to do and how we did, okay. And so, let me walk you through some of the specifics of this slide or these topics in this fashion. Number one is we said that we targeted long-term organic growth of about 10% to 15%. That's been roughly our target over the last couple of years. Well, our organic growth has been around 20% over the last two years that we were here, okay, what we said here.

The second thing was that our TAM is a certain size. It was roughly about \$30 billion market TAM at that time. That TAM, the total addressable market, has grown to well over \$80 billion today, okay. We said we're going to grow our capacity and build world-class products. In the last two years, we have launched over a half a dozen category-leading industry-winning track record in terms of track record winning products, innovative products to the market. And you see examples of that almost every month or every quarter that is being announced by awards and successful contract wins for AV against our competitors. Vast majority of those wins that we get are usually sole-source wins by our customers, whether it's domestic or international. That has been our track record, and you'll see the examples throughout today as well.

We also transformed our company over the last two years by adding the key other domains which were capability gaps in our portfolio. And both organic and inorganically, we fill those gaps to increase our portfolio and enable us to actually be offering our customers complex, end-to-end mission capabilities to their mission needs. So, for example, we added the category of counter-UAS. We were not a strong player two-plus years ago in the space

industry, right, space tech. We are one of the leading players now in terms of the solution sets that we have in that area.

Cybersecurity, we are at the most critical cybersecurity missions that is being executed within our military across all the areas of the world – geographies of the world that the US operates. And so, over the last two years, we've created an enormous amount of value, we believe, on our capacity increases, in our footprint, in our portfolio, and our size of the market and our growth rate. And I genuinely believe that most of that value is not reflected in the valuation of our company in the stock market price. So, there is significant value in our company left in terms of what we've achieved the last two years and where the valuations are for our business in that regard.

Okay. So, let's just spend a little bit of time on these four areas that I would like you to sort of think of AV as a company. We have a lot of products, and we do a lot of different things, and we have a diversified portfolio. But if you look at it from a simplistic, holistic way, we're in these four critical areas, first, multi-mission ISR. We have the world's not only leading but award-winning products, innovative capabilities that we have launched over the last several years in this area. In my estimation, in my assessment of the market, we've got the largest and most unique portfolio in terms of competitive advantages in the market. The Puma series, it's a massively successful franchise globally, right, the Puma, Puma AE, Puma LE, and Puma VTOL. We also have our JUMP 20 and JUMP 20-X in this category, which is also the leading Group 3 drone in the market globally. And it continues to win program of records, allied customers domestically and internationally. And lastly, you saw the P550, which is here in the room on the left – on my left, your right. That is a product that we just launched less than a year ago, and we were just awarded a very significant contract a couple of weeks ago, less than two weeks ago, I believe it was, by the US Army for the Long-Range Reconnaissance Program of record. It's \$117 million initial contract, and the value of that program is expected to be over about \$0.5 billion to \$1 billion again, okay. So, we are a dominant world player when it comes to multi-mission ISR portfolio and solutions set focused on our customers globally. And we provide these things to not only US domestic customers, all branches of the military, but also to 55-plus allies around the world.

The next category is our strike solutions or strike capabilities, and that includes products such as our Switchblade family of loitering munitions, which is a category that we essentially invented in the market. I vividly remember 10 years ago, if I walked into a room of customers or even investors and asked them, what's loitering munition, more than half of them didn't know what it was. Today, it's a household name around the world, and Switchblade is known around the entire globe as to what it does and how it actually performs. So, that's the product sets that fits in there.

Our one-way attack drone is another set of innovation that AV launched to the market less than about a year ago, and we've gotten multiple awards in that product set as well from our US customers. It's the Red Dragon family of one-way attack. And then I also want to add in this category, we have our kinetic kill solutions called – or strike solutions called the Freedom Eagle-1. And we're aggressively accelerating the completion of the development of that product, so we can transition it to a full-rate production, initial rate production, low-rate initial production within about 12 to 18 months from now. We've got a contract. We've been awarded. We've been down selected by the US military, US Army, a program called Next-Generation Counter-UAS Missile or there's a new name for it, LRK (sic) [LRKI] (00:19:44). And that program is also something that is critical to the US DoD's success. So, that's the second category.

Third is our counter-drone business or counter-UAS system. That's where we have our multilayered solution sets, including our jamming systems. The Titan series of RF jamming solutions, detect and defeat. And then we have our laser weapon systems called the LOCUST system that you see on the right side, my right side here. And X3 is a new product that we just launched less than a couple of months ago or about two or three months ago. And

we believe that these solution sets – and the last piece on that counter-UAS is also our kinetic kill solution called the Freedom Eagle-1, which was actually designed and developed for that specific mission for counter-UAS, but it has applications beyond just counter-UAS. Again, so this is another category that I want you to think about our portfolio set as to how AV is into another category with market-leading positions.

And then lastly, in the space and advanced technologies, we're focused on things such as our phased array solutions called the BADGER series and the WASP. We also have our capabilities in the laser communication terminals, which is also on my right, one small solution set on the right side, next to the Titan series. It's basically ability to communicate via optical laser communication on very long distances. We're talking 50,000-plus miles away from Earth. So, essentially, every satellite that you can imagine that the US has in its possession, our laser communication systems are relevant to be able to actually increase capacity of communication and bandwidth to those systems and make them also less susceptible to jamming and defeat. So, think about the business and the other thing that goes into this category is also our cybersecurity systems and solutions, plus a series of new innovations that I am certain in the next few years you will see new innovations that we launched in the market that gets us into new categories.

And then lastly, another piece that's in the advanced technology is also software solution set. That's the foundation layer that's across all of our products. It's not in one of these four categories. It's across all of them that connects these systems, that enables these systems to be more intelligent, to do missions more effectively for our customers, and also to reduce the cognitive load on the warfighter. And that's the foundation layer software ecosystem called AV_Halo that we've launched last year. And as you could see two years ago, this was a much more narrow set of capabilities portfolio offering and solution set versus what you see today in the market we've launched.

Okay. So, let's talk a little bit about the products, the innovations that we have launched to the market and the four investment theses. The first one, as I said, is lead with innovation. What really sets us apart in this area is the fact that we invest a higher percentage of our revenue on R&D to begin with. Roughly between 6% to 8% of our revenue on an annual basis we continue to invest in R&D, and that R&D not only is relatively speaking to the industry standards higher, but another unique characteristics of AV is the speed and time to market. We invest ahead of our customers' needs and requirements. We anticipate where the need and the requirements are going to be, where demand is going to be, and we invest our dollars very judiciously to develop solutions to launch to address those markets and those customer needs effectively. That is something that is very unique to AV, and it's been talked about today in the entire industry. We've been doing that for two-plus decades. And not only we've been doing it, we've been doing it very successfully.

If you look at our portfolio of products that we offer in this particular topic is remarkable, remarkable, literally. Just in the Switchblade family, the solution set that we have today that we've just launched in the last two years is remarkable. We've added Switchblade 600. We're on a second-generation Switchblade 200, Switchblade 300. We're on a second-generation Switchblade 600. Most competitors are actually just starting to develop a solution set. We're on our second-, third-generation products. We have introduced Switchblade 400 this past year, and we introduced MAYHEM 10, which is sitting on my right again, which is another category-killing product targeted on specific programs of record for our customers.

So, we are incredibly close with our customers. It's part of our recipe to be able to know what the customer needs are going to be, what the capability gaps are in the market, and then we invest in developing solutions quickly and then scaling production, so we can be ready when the customer's needs and dollars are available. That is unique to AV as a strategy, and it's been in the past as well.

And then I don't want to underestimate or undermine the other capabilities that you see on the slide as examples, okay. So, for example, the one-way attack drone, the Red Dragon. We launched that product and announced it to the market I would say roughly about a year ago, not even a year ago. And we have secured several contract wins in this product line already, okay. I'm not able to talk about the details because of the sensitivity of this product, but we have done that. We launched LOCUST X3, on my right again, just this year. And we're continuing to improve and upgrade, and Rob is going to cover this in more detail in some of his remarks and presentations later today.

So, investing in R&D, having a fast speed to market, and doing it ahead of our customers and investing heavily in here in a judicious way is a critical part of our strategy, and it's intentional and has proven to deliver results for us time and time and time over and over again, okay. There's lots of examples here. You can see the JUMP 20, JUMP 20-X. You also see our LOCUST systems, our AV_Halo, AV Halo_Shield for the Golden Dome initiative; our P550, the Group 2 drone that I mentioned on the left side; and then our Titan 4, which is again, we're on our fourth-generation product for Titan. The counter-UAS jamming solutions that are sitting on my right again as well there.

Okay. So, leading with innovation for us really is one of the critical part, and capacity is another part of the critical component of the strategy. But other than that, I also want to mention, let's talk about a little bit the future, the strategic priorities, what are the strategic – what is the strategic plan? And what's our priority in terms of how do we go do that? And how can we simplify that to our investors, so they can understand it really well? It's got three key pillars, three key pillars. If there's one thing I want you to remember about our strategy for the future, it's got three things. First, lead with innovation. Second is capture the growth, and then third is execute with excellence.

And execute – so, first is are we focused on the right markets with leading capabilities and offerings that addresses our customers' needs. Are we uniquely qualified to be able to compete and win? That's one. That's why we invest in R&D. That's why we invest in capacity. That's why we have the world's biggest capacity in these categories that you see today. That's why we have an installed base that is unmatched in the industry. We keep building on that momentum, and that keeps – make it set us apart from our competitors.

Second is then that allows us and positions us to be able to capture the growth. And what are those growth opportunities? Church is going to walk to walk you through that in more detail in a few minutes. And then lastly, as we capture the opportunities with the market-leading innovation and products, can we deliver and execute on that? And Rob is going to cover that for you. How do we do that? What are the secret sauce for AV that sets us apart and uniquely positions us to be able to do that? So, those are the three key pieces of our strategy.

Let me walk you through these in a little bit more detail. I mentioned about leading with innovation, right? This picture just tells the story itself. Look at the solution sets that we have launched to the market just in the last 12 to 24 months alone, all right? I don't think you're going to find another company in the market, in the entire market that we serve that has this type of market-leading solution set that's innovative, that is relevant to the conflicts, and it meets the highest priorities of our customers. That is very unique to AV.

And let me also remind you of something else. These are not prototype products that were in the development today. These are products that are relevant to the conflicts. We produce them, majority of them, today in full rate production. They are fielded, and they're on second-, third-, even fourth-generation iteration of innovation in products to the market. So, we know how to do this. These are not unproven capabilities. That's very unique to us. It's not about what we could be. It's what we have already done, and we're just repeating, rinse and repeat the same strategy and the same recipe that we've had.

And it gives us a huge advantage in the market because when customers look at us and they assess us, they recognize there's a huge difference in the amount of risk they would take by selecting AV. And that's part of the deliberate strategy of making sure that we have an advantage in this area, not in terms of time to market, so we can develop solutions fast, not just because we invest a lot, that's also unique to us relative to the market, but also that they know that if they select AV, we can deliver, and we have delivered, and that's very unique to AV.

Second is capturing the growth. Okay. You know about this more than I do because you understand this industry incredibly well. It's not a secret that investments and global defense is going to continue to grow at a fairly, fairly fast pace. The US Department of War just submitted a proposal or a budget that is up 74% roughly, and it's not approved yet, and it may not end up being 74% increase year-over-year. But whatever the number is going to be, it's going to be a significant increase. It's most likely going to be well over 10% to 20% growth just for next year, government fiscal year, right. And the same thing is true across the entire globe. Not only that, we're in the categories that are growing faster than even the market. We're in the categories that's relevant to our customers' needs globally, not just domestically, globally.

So, is there growth in this market? You bet there is. Are we positioned effectively against that growth? There's no question. There's really no question in my view. Is our portfolio optimized to capture that growth? I showed you the solutions sets, you already saw that, okay. It didn't get there by accident. We have deliberately invested in these categories to get to the position that we're in today.

And then lastly, I want to say about this growth is also that we have a deliberate intent this year and the next three years to aggressively increase our presence in the international markets. Not only do we have that intent, but our customers are asking us. They want us to be more intimate and closer to them geographically in these markets, and it's going to be a significant part of our growth strategy. And you'll see that covered more with Church and Rob in the next few sessions today.

And then lastly, our SOM, not SAM, not TAM, which is the smaller subset of those three, is expected to grow about 18% CAGR, okay. So, that's a pretty industry-leading growth rate for the market, and we'll give you more details as to what our expectations are and our plans and what we expect to grow and what our targets are for us, ourselves.

Okay. So, the next thing is the third piece of that growth strategy is executing with excellence, okay. We have announced over the last several years, two years, at least let's go back to just two years, capacity expansions in several of our facilities. We've put capital down to expand production of Switchblade, of P550, of our Titan series, of our LOCUST systems that are happening right now, okay, our one-way attack drones. All of that has been deliberate to make sure that we capture the growth, and we can execute and deliver on our customers' expectations. And it sets AV uniquely apart because when customer says, can you produce these now because I've got needs? One company that stands out again and again and again is AV. It stands out. We are the one that produce these things by the thousands now, not next year, not the year after. We're doing it today. And we are investing in that capacity to be able to double, triple, quadruple, in some cases, increase that capacity by 10x over the next two to four years, okay. And that's allows us to be positioned for the opportunities and for the needs of our customers we anticipate that they're going to have.

And we also judiciously do this across not one site, multiple sites. We announced the site in Salt Lake City, AV_Frontier. That is going to be operational towards the beginning of this next calendar year, end of this calendar year, beginning of next calendar year. That adds just that facility alone, which roughly – and Sean is going to walk you through it, about, \$60 million, \$65 million worth of investments, it's going to give us \$2 billion worth of production capacity for our Switchblade family of products, and we can also make other products in that facility.

So, these are the examples of how we judiciously place bets and invest in areas that we believe is going to improve our odds to deliver and execute on our customers' needs and the demand that we expect in the market that's out there.

Okay. With that, I want to take a minute to introduce Church Hutton, who's our Chief Growth Officer? Church have been with us now for three-plus years. He's an industry veteran. Some of you have known him for many years, and he's going to walk you through those three investment theses that we talked about is how do we capture the growth. Church?

Church Hutton

Chief Growth Officer & Senior Vice President, AeroVironment, Inc.

Sir, thank you very much. Hey, good morning. I'm Church Hutton. I've been in this role as Chief Growth Officer for about a year now. I've been with the company, as Wahid said, for about three years. Wahid talk to you about our industry market CAGR, what we're seeing from a SOM perspective, what we're seeing in terms of defense, domestic and international budget growth, so I'm going to tell you how we are going to achieve our piece of that, how we're going to 2x our business over the course of the 2027 through 2030 period. There are three pieces to it. The first is products. The second is customers, and the third is winning program offerings.

Products. As Wahid said, we have more than 20 products, either in production now or in development, getting ready for production, tested, fielded, combat-proven systems. We provide those products into a distributed, installed customer base with whom we have had longstanding relationships, sometimes for decades. Those products are able to be used by multiple adjacent customers where we have market entry into a single customer, the Army, for a new product, and then applicability into the Air Force, into the Navy, into the international customer base. That installed customer base is incredible leverage for us as we iterate and generate new products at a relatively high cyclic rate. And the third piece is our positioning to win programs.

Let's talk about products first. What you see here is a set of large dollar awards in the last 12 months for franchise programs, as well as new offerings and new entrants into the market, where we are seeing incredible customer commitment. Starting on the left, P550. Wahid talked to you about the win for Army Long-range Reconnaissance, \$117 million announced recently. That is our initial customer, our anchor customer for that product with applicability across multiples.

Switchblade 600, of course, won a recent \$186 million task order on our lethal unmanned systems directed requirement contract, continues to be a mainstay for AV. On the bottom left, JUMP 20, won a competitive spot on the Navy's broad agency announcement for contractor-owned, contractor-operated ISR, and that built on an earlier foundation of multiple programs of record in Europe, we see domestic and international demand for this very, very strong.

Red Dragon, we have our first public award of this one-way attack capability to the Army, \$17 million in the last six months. The LOCUST laser weapon system has now been cleared safe for use domestically by the Federal Aviation Administration and cleared for export by the State Department, very exciting. Of course, that product is competing. We are competing in that product for the Army's enduring high-energy laser, potentially \$0.5 billion competitive award.

The Titan system, RF, radiofrequency counter-UAS jamming system has had a fantastic FY 2026 and will FY 2027. You saw last week the announcement from the Joint Interagency Task Force of a \$500 million sole-source IDIQ for RF counter-UAS. We're supporting there with our Titan system, and we've already received the first delivery order earlier this week, \$81 million for that, with line of sight to the next delivery order. Laser

communications, now we get into some sensitive territory but enormous win, more than \$350 million, almost \$400 million in the last fiscal year with incredible capability and opportunity as we move forward through the period.

We continue to win large, often sole-source IDIQ advanced research and development awards. HELMSSMAN is one particular example from the Air Force Research Laboratory. And a set of other new offerings and products, Switchblade 400 for the Army's LASSO program. That's the Low Altitude Stalking and Strike Ordinance program for the Army. And FE-1, Freedom Eagle-1, which Wahid mentioned, competitively selected against longstanding incumbents to provide a new counter-UAS missile. The Army calls it the Long-Range Kinetic Intercept program. You are looking at now the newest missile maker for the US Department of War.

Those products are provided by AV into a distributed customer base across all of the services, federal and state agencies in the US and to 55 or more countries internationally. What I'd like to point out on this slide is that you see the same products being provided to multiple customers. Those customer relationships allow us to penetrate those same customers with new product offerings on a regular basis because we have that installed base that's critical for us. You can see Titan, right, across the board; JUMP 20s; Switchblades; Pumas; our AV_Halo common control software, multiple customers. And then, as you look at new program offerings, new product offerings, including P550, including LOCUST, including Freedom Eagle-1, we have new opportunities to begin with an anchor customer and grow into adjacent customers. That distributed installed customer base is critical to us. We've had a great deal of success and expect much more.

On the international front, the geostrategic environment continues to be dynamic. In Europe, they are positioning themselves for deterrence, such as we haven't seen since the Cold War. In Latin America, the counter-narcoterrorism program continues with our southern neighbors and allies. In the Middle East, they are rebuilding a set of defensive capabilities that was exposed four, five months ago in Operation Urgent Fury, and there's a strong demand for defensive systems. In the Asia-Pacific, our allies and partners there are reinforcing their force structure in the face of a rising China. And so, from all of those key regions, we see strong demand for counter-UAS, for strike, for long-range multi-mission ISR. These are our core categories. We have a distributed installed customer base with 55 countries that we have sold to, with whom we have relationships. And in FY 2026, more than \$500 million in sales. We are working with customers we know, relationships that we have, products that they need to solve problems that are their highest priorities.

Pivoting from customers to programs. We think about budgets. I came from the D.C. budget and oversight world in Congress way back when, and I think about budgets first and foremost, and what we see across our international and domestic customers is significant growth in top-line budgets, but also in our four categories very specifically. So, as you look at the serviceable addressable markets within our key categories, you see double growth over the course of the period, right, through FY 2030. That gives us the opportunity to double our business as well as we provide those key products into those customers.

How are we going to do it? How are we going to realize this growth? So, you see here our four categories. You see the products that are aligned against those categories. You see a wide variety of customers, and you see the specific programs that we have line of sight to and many more. This is a finite list of a much larger – a finite subset of a much larger list. Key programs that we'll be competing for over the FY 2027 to FY 2030 period. And those programs represent in total more than \$35 billion of opportunity for us to compete and win with our products.

I'll talk about just a couple of them quickly. Across the Army, the Navy, and the Marine Corps, strong demand and named programs for medium-range and long-range UAS, as we are delivering here with P550. You know about JUMP 20-X. Excuse me. In the strike category, we're competing for Army Launched Effects. We're competing for

the Army's LASSO program. We're competing, or will be competing for the next iteration of the Marine Corps' Organic Precision Fires effort. And the Department of War has now stood up a DRPM, a Direct Reporting Portfolio Manager for Uncrewed Systems. That person hasn't been named yet. There's an acting person there, and they are the funnel through which a lot of new DoD spending will be accelerated in the UAS space, both for multi-mission ISR and for strike. And so, they have initiatives underway as well. Of course, those initiatives are not quite as well detailed in normal Department of War justification documents – budget justification documents, but we're very close to those operators. We understand what we're looking at there, and the opportunities are significant.

On the counter-UAS side, we already talked about LOCUST competing for the Army's Enduring High Energy Laser program. That's a big one. The Army's Long-Range Kinetic Interceptor effort, which is Freedom Eagle-1, already competed for and won there in a developmental test, has a massive opportunity over the course of the period. Both the Marine Corps and SOCOM and DHS and others all have counter-UAS initiatives, which we are competing for and winning, first with our Titan family, soon with our LOCUST laser weapon system. And on the space and advanced technology side, much of this gets into sensitive and classified territory, but the opportunities for long-haul laser communications, other space components is large. In total, again, we expect to be competing for opportunities worth a total of up to \$35 billion or more over the period. It's an incredible opportunity for us. We're very excited about it.

So, I'll go back to where I started. Trusted products, more than 20 in production or entering production, that are combat proven, fielded, and new products coming online at a high rate of speed, being provided into an installed, distributed customer base. Customers with whom we have enduring relationships, understand their needs, and are capable of providing these products into, and cross-selling into new adjacent customers, and positioning ourselves to compete and win for programs with a total opportunity value of up to \$35 billion or more over the period. Our products are fit for the needs of the warfighter today and going forward, and we expect this to drive between 15% and 20% organic growth over the period.

So, with that, I will transition and introduce Dr. Rob Smith, my newest colleague and our Chief Operating Officer.

Robert F. Smith

Chief Operating Officer & Executive Vice President, AeroVironment, Inc.

Thank you. Good morning. How is everyone doing? Well, Wahid was able to talk about our strategy and what we're doing there, and then Church came and talked a lot about our growth, the markets, and how we're going to get to that \$4 billion 2030 marker that we put out there. Now, I'm going to talk a little bit about – initially, I'm going to talk about – a little bit more about the segments. I'm not going to spend a lot of time on that. Wahid obviously hit the products, hit the companies. I'll just talk a little bit there. But really the focus on mind is how we are going to scale the investments that we're going to put into manufacturing and into IRAD to be able to get that additional capacity that we need, because the demand is going to be there, and we need to be ready for it.

Okay. So, we have an amazing market position, as Wahid said, and we need to leverage that position and continue to drive synergies. And what do I mean by that? We have a \$2 billion enterprise, approximately, and we are bringing best practices across the whole enterprise, and that includes our ERP system. That includes what we're doing for our MRP. That includes what we're bringing to autonomy. We can deliver something once, and then we can push it across all of our business. And that's really powerful, because that drives down the price of what it costs to do the development, as well as what it makes to actually produce the product once we produce it.

I think what most of you are probably interested in for me talking about is the scaling for future growth. I'm going to talk about our investments in capital. I'm going to give you some numbers. I'm going to talk about the facilities

that we are investing in, and I'm going to also talk a little bit about our IRAD and kind of what we think about how we're investing our IRAD, both in new products and new capabilities, as well as in continuing to enhance our current products, like Wahid talked about. We're in second, third, fourth generation of our products. We're going to continue to invest in our current products to keep them relevant and keep growing market share.

Okay. We go to market in two segments, as I suspect many of you know, but we're one AV, and that's the way we think about it. We have products across the company, and we're about \$1.4 billion in revenue in the Autonomous Systems, and \$600 million in Space, Cyber, and Directed Energy. In our Autonomous Systems business, we go to market or we report in three segments or three subsegments through Precision Strike and Defensive Systems. So, think of this as the loitering munitions, the one-way attack, and two of our three counter-UAS products, the Freedom Eagle-1, the missile, is in that business, as well as our RF Titan system. The LOCUST system is actually in Space, Cyber, and Directed Energy.

I should also make a point that I've heard, as I've talked to investors, as I've been in the role for about three months, that they equate Space, Cyber and Directed Energy to Heritage BlueHalo, and they equate Autonomous Systems to Heritage AV. And I just wanted to make sure you all recognize that that's not right. There have been products, as a matter of fact, both of the counter-UAS products that are now in our AxS segment came from the BlueHalo acquisition.

So, over on the Space, Cyber and Directed Energy, again, Wahid talked about this, just the space and the directed energy. Let me just say something about the directed energy. I think you're all probably aware of this, but I think it's worth highlighting. We are the most battle-tested directed energy product in the world, no question. We have been – we are deployed operationally, and we've also been tested through both the Navy, as well as in White Sands with the Army. And for those that don't know, when you're on a Navy platform, we were on the USS George Bush with 100% success rate with what the Navy threw at us for threats. That is a hard environment. The boat's moving. You have to have a really sophisticated system to be able to track and pinpoint and be able to destroy threats. And we were 100%. That is amazing. I don't know of any other company that's been able to do that. So, we have a layered system for Counter-UAS. And so, you've got the RF, then you've got the lasers, and then you've got kinetic. We have it all, and it's all tied together through our Halo software that has C2, autonomy, automatic target recognition, just a very impressive capability for our Counter-UAS.

A little bit more about Autonomous Systems, AxS. I already mentioned it's about \$1.4 billion in revenue, 42,000 platforms fielded. Think about that. Again, I don't know any other company that can talk to that kind of scope and scale. And Church also mentioned it. He talked about, we have established customer relationships. We've got products that are out there, and the key is going to be scaling up our manufacturing and continuing to develop our products to be able to capture this massive growth that we have in our markets.

The only other piece that maybe I'll talk about, maybe two other quick things. The market is huge. Church talked about the market. I want to highlight it here. About a \$32 billion SOM. \$30 billion, we're at \$1.4 billion, so there's plenty of opportunity for us to grow and take market share with our products. Additionally, I would say there's a lot of room for a lot of winners in this market. We have 22% growth on that SOM, 22%. That's a nice tailwind for a company like us who has leading products in these market segments deploying today. And you see a number of large-scale program opportunities there. Those are a mix of things that we won, like at the bottom where you see the Titan, the JIATF-401, Domestic Shield. You probably saw that IDIQ was awarded with \$80.5 million initial task order. Again, just customers showing us by giving us critical programs where we're sitting in the market. And then, there's ones that we're competing for, like the US Marine Corps OPF program, that's in pre-RFP. So, we're shaping that, RFIs, and looking forward to that award. And then the others are a mix of ones that we've already won or ones that we're multiple awardees on a contract and potential down selects in the future.

Space, Cyber, and Directed Energy, about a \$600 million business, a little bit smaller SOM, call it \$20 million, still 12%. When you look at versus the AxS segment, you might say, well, the AxS segment's grown more, but still, that's double-digit growth. That's a significant growth for us. Wahid talked about BADGER. I talked about LOCUST. We can't say too much about our Cyber Solutions business. But I just – this biological and nanoscale, we do a lot there, and we don't usually talk about it as much, but we won \$499 million IDIQ, 10 year, Church mentioned, HELMSSMAN. That is viewing advanced materials to protect critical products and infrastructure in contested environments. We can't talk too much about it in detail, but it's really great technology. Some of it, we would expect to get to, I'm going to call it commercialization, where we're actually producing these, and that's one of the products that Wahid said in that space over the years, you're likely going to see other products come out that we're going to have. And there's some others as well. So, we're investing in a few key strategic areas in places where we can commercialize to capture that growth.

The biologic and nanoscale, the element, that's actually also pretty interesting. That is, think of it as an ink that it has highly conductive, that you can – it is very adhesive, that you can print. So you can put it into clothes, you can put it into other devices, and do a lot of important things for our customers. So, I love the way our Space, Cyber and Directed Energy business is positioned. And what we're doing in the Cyber & Mission Solutions, as Wahid said, makes a difference to our warfighter and really makes a difference and protect citizens. And it's a great business where there's a lot of cash on cash, a quick recovery cycle. So, I think it's really good, and it brings a lot of capabilities.

The other thing, Wahid talked about our capabilities and talked about it more from a vertical of our products. I'm going to talk about it a little bit different just so I can give you a different flavor. I want to talk about it from the domains that we're in. Our company, we're in space. We're in air. We're in ground. We're in marine, and we're in subsurface. We're in cyber. We're in EW. All of those capabilities coming together is what makes us such a powerful company because we have all the capabilities resident within our business, within our company, to be able to provide solutions to customers. We were recently at Jailbreak, and that's the army – if you don't know, the Army put that on, and it was about interoperable solutions across the different Army platforms. We were there, and we showed, we can interoperate with many of our competitors. Jailbreak, it's breaking the systems open to be able to work across the platform so that the warfighter gets what they need. We were able to show that we could work with other providers and our solutions are interoperable, and that's something you're going to see later, I'll talk a little more about. We're going to continue to invest in that interoperability. It's really important for our customers.

Okay. So, now I'm going to talk a little bit more about what we're doing to get the synergies across the business. Shared resources. This is what I was talking about earlier. This is having a single ERP system, enterprise resource planning system. This is having a purchasing system. This is looking at our supply chain, and I'm going to talk more about our supply chain. I'm going to have a slide on it, so I'm going to give you a little bit more detail on our supply chain, but this is taking our supply chain and bringing it – and optimizing it, so, for the scale up. Some of that means we want to have less suppliers and bring that number down so we have more leveraged with and can get bulk buys. And in some cases, we want to do multi-source and dual source. So, we have a strategy around that, and I'll talk to you a little bit more about that.

It's also when we have these systems that are across our whole business, we're able to develop something once and deploy it across the enterprise, whether that's some type of automation, whether that's some type of an AI tool, you pick it. So, we're spending a lot of time bringing best practices, manufacturing best practices, across our company and all of our facilities.

Interoperable solutions. This is what I was mentioning earlier. Taking our products and making sure that they can interoperate with one another and provide a solution to a customer and operate with other companies' products and then operate with us. For example, if a customer has, AV_Halo deployed, we want to be able to have other products so that the customers get a unified picture. We are all in on that as a company. It's what the customers want, that's what the customers' need, and that's what we're doing.

Unified technology. This is either put IRAD in and create something that can then be used across the board, and it's also qualification. A lot of our products have to be heavily qual-ed. So, if we can qual a product, a battery, a sensor, a subsystem one time and then use it across the whole enterprise, that is a very, very powerful thing to do, and we're spending a lot of time looking at doing that. Scott Bowman, our CTO, has done a fantastic job with the strategy around making sure that we have technology that we're investing in, and then that technology being deployed out across and spending maybe a little bit more money upfront to develop that technology so it has little bit – it has enhanced capabilities so that it can be the product that goes into many of – our sub-product that goes into many of our products.

Okay. Now, this is what I suspected many of you wanted to talk about. So, we're here, next couple of slides. So, how are we going to get this growth? So, Sean will talk more about it, but we've said \$4 billion in 2030. Wahid showed you the strategy and how we're positioned where we need to be in the right markets. Church talked about the massive, just total market value and the growth associated with that. So, if you believe that the demand is going to be there and we're in the right markets, and I think it's hard to not believe that we're in the right markets and the demand is going to be there, then how we have to scale up? Well, it's – for the scale-up of the manufacturing, it's really two pieces. The first piece is the investment in CapEx. The second piece is the investment in the supply chain and the supply chain strategy, and then the third piece is the IRAD and what we're going to do there. And that's the next three charts that I have, and then I'll get off the stage.

The way I think about our investment in CapEx, I think about it from a facility standpoint, and then maybe you might call it an equipment standpoint. So, facilities, think of that as buildings, AC, water, power, everything you need to have the facilities infrastructure to be able to support your manufacturing. We're going to spend \$65 million about this year across the facility. I should also note that you'll see some different numbers when Sean briefs, because this is, I am focused solely on what we are spending in order to capitalize on production growth. Sean has others in there which are the more maintenance capital and consolidations and things that we're doing. And he'll talk more about that.

\$65 million, Albuquerque, New Mexico \$25 million. That's predominantly laser weapon system, also a little bit of space. Salt Lake City, Wahid talked about that. That's going to be for the Switchblade. That's a massive \$20 million investment to be able to scale up to about \$2 billion of additional capacity. And then Huntsville is the Freedom Eagle, predominantly. So, that's in our budget. That's – and I will say also that with our expenditures, we are on target and on budget and on time, and that might surprise some of you, especially when you think about Salt Lake City, which will be done by the end of the year, and then we'll be able to produce next year in that facility. I don't know how many of you have seen capital projects. They are typically late and over budget. We're not. And I'm really proud of our execution and what the teams have been able to do there. And then we've got \$10 million, some other smaller sites with some of our other products. So, that's a \$65 million in CapEx that we're going to spend.

Then other piece of it is facilitizing it. So, think of this as production equipment and supporting to be able to actually bring the line up to produce the products. We're going to spend about \$60 million on our strike portfolio. Wahid talked about the products that are in there, and that's about \$2 billion of additional capacity, looking at it from a revenue perspective. Multi-mission ISR, we're going to spend about \$50 million, and that'll give us \$1

billion of additional capacity. And then the Counter-UAS and our other products, about \$20 million, for a total spend of \$130 million. This is \$4 million of manufacturing capacity that we're investing in today. And we've got to do this. The customers today, it's not like it used to be, where a customer will put you under contract and say, hey, deliver me this two years from now. It doesn't work. We have to have, many times, a prototype. You have to demonstrate that it can work, and then a customer will find you to be able to continue. And so, for us, it's critical that we get this capacity because the demand is going to be there, and if we wait, the market will pass us by. And that's what Wahid said, and I'm just foot stomping it.

Okay. Supply chain. So, what my message on the prior slide was, we funded and are investing and executing on the capacity that we need at AV to be able to get to \$4 billion of additional capacity. Now, I'm going to say the other piece of it is supply chain. As you know, we spend a lot in the supply chain. Supply chain is very important. So, what are we doing there? Today, we have about 1,400 suppliers. A year ago, it was over 3,000. So the team has done a fantastic job getting the number of suppliers down. 1,400 is still too many, so we're still going to look to where we have very small suppliers, how we can bring those together to be able to have more buying power and be able to buy in bulk to get better pricing.

On the other end, 92% right now of our parts are dual source, meaning we have at least two, maybe more suppliers that we can go to. That's on a parts number. We have some high-value parts that are still sole-sourced that we're looking for a strategy around what are we going to do there? In some cases, we will dual source those. In other cases, we are working long-term agreements, and we may do both. We may have long-term agreements and sole source. But the long-term agreements we're working with our large vendors that are doing high value and putting long-term agreements in place and negotiating them that says, here's what our demand is going to be. Here's what we need you to facilitate for. They get some assurances of buying at scale in the future so that they will invest. And at the same time, we get some price stability and pricing out. So, we're in negotiations to do that, and that's going to be really important over the next couple of years.

98% NDAA-compliant, meaning made in the US. So, it's a little bit of a bifurcated strategy. It's continue to consolidate on more of the commodity small-scale side, and then it's sole source, where we're sole source, look at those long-term agreements and potential other dual source initiatives. This should expand our margins, increase our supply chain agility, and really optimize the supplier base. So, this is a big focus, and I'm really proud of the progress we've made and the progress that we're going to make over the next year.

Okay. IRAD. We're going to spend, we guided 7% to 9% of sales, excuse me, for IRAD, and that is our plan. We're going to be investing in IRAD across our space, so we have investments planned for multi-mission ISR, strike, Counter-UAS, space and advanced tech, as well as Halo, which again, that's our, you call it our C2 system that brings it all together that Wahid talked about. We're balancing our IRAD between new capabilities and new technologies, along with investing in our current products to make sure that they remain viable and we grow market share. You can think of things in that category like enhanced capability, integration of a new sensor, integration of a better battery, what have you. You can think of that as we need a prototype so that we can demo it so customers can see it, so they will fund it and buy it for the LRIP and full-rate production. And you can think of that as looking at, and I mentioned this earlier, just reiterating it, investing in core technologies or subsystems that can then be used across our broad portfolio.

So, really important part of what we do, and, again, Wahid said it, just the success, and I know 79% is a lot of IRAD, but our success rate in turning IRAD into products and into revenue is unmatched. So, this will be no different. We've looked at the IRAD. We have a strategy around the IRAD. We're continuing to refine business cases, and we'll continue to make the capital allocation decisions to maximize the IRAD that we're spending for the markets and the returns to our shareholders.

So, with that, I would just like to say we're in a great position to be able to. We're in the right markets. We have the right products. We're across all of the different domains. We have the investments. We're very fortunate to be such a strong company, to have the financial flexibility to be able to scale today for our future growth and to be able to invest in our facilities, in our supply chain, as well as in our products and capabilities. And with the IRAD, to be able to leverage on that. So, really excited about the future. I look forward to taking your questions later on in the day, and in the future, being able to come up, talk to you about the successes that we've had across the portfolio, and I'm sure you'll be reading about a lot of them in the news or talking to Denise and others or Wahid or me about it in future investor conferences. So, I'd like to say thanks. I am so excited to be part of this company and this leadership team. For those who don't know, I've been here about three months. I was impressed with the interview process and what I knew publicly.

And now that I'm on the leadership team and been able to see it firsthand, there is not one place where I went, oh my gosh, I just got more and more juiced and excited about what we're going to do for our customers, the warfighter, for our employees, as well as for our shareholders. So, thank you very much and look forward to taking your questions in the future.

At this point, we're going to take a 15-minute break, and then the star of the show is going to come up, who is Sean, who's going to give the financial overview and take what Wahid, Church, and I said, and then put that into numbers for you, so you can get a sense of what we're thinking over the next couple of years. Thank you.

[Break] (01:13:31-01:33:30)

Denise Pacioni

Vice President, Head-Investor Relations, AeroVironment, Inc.

Welcome back, everybody. It is now my pleasure to introduce you to our CFO, Sean Woodward.

Sean T. Woodward

Chief Financial Officer & Executive Vice President, AeroVironment, Inc.

Okay. Thank you. Good morning, everyone. I'm Sean Woodward. I am the Chief Financial Officer. Recently stepped into the role, effective May 1 of this year, but I've been with the company for over 16 years, so I know the insides and outs of this company, I've been around for quite a long time.

Before I dive into my slides, I want to first kind of recap what we've heard so far this morning. Wahid came up and discussed kind of what the company is, what we've been doing, what we've been focused on these last two years since our prior Investor Day. He talked about the markets that we're in, the products that we offer, and our growth expectations. Church then came up and talked about our customers, our products, and the programs that we're focused on. All in areas that are expected to grow with a doubling of our SOM over the next four years. Rob discussed how we're going to execute with excellence and the investments we're going to be making in research and development and CapEx that are going to allow us to achieve that growth rate. I'm going to bring it all together and talk about how that translates into our financials and what we expect from a financial return from now through fiscal year 2030.

I view my primary role as a CFO as adding value to our shareholders. We do that based on three key foundations. First, investing in research and development above industry peers, staying ahead of the competition, and ahead of emerging threats. Next, targeting that investment into high-growth markets, placing our bets on where the highest priorities are for our customers' needs, developing solutions in advance of their requirements, and

bringing those solutions to a scalable production. Third, executing with excellence, utilizing our proven business model of developing technology, commercializing the intellectual property, and selling that across our installed base has been a proven business model that we've had for years, and we plan on continuing to do that to improve our overall profitability.

Recapping the slide that was presented earlier by Wahid, our track record of making bets and investments is unmatched in the industry. We're able to predict exactly what is needed from a customer's perspective in advance of the need. We've invested in key technologies that has allowed us to be in winning positions in all the markets that we operate in. Those investments are critical in anticipation of current demand and future demand over the years to come.

Rob mentioned the investments we're making in CapEx. We provided some visibility on this in our call last week, at our earnings call. We guided between 12% and 14% of investments in CapEx in fiscal year 2027. That is a significant amount of CapEx. We have not spent nearly \$300 million in CapEx before. Our company, in general, is not a capital-intensive type of company. We see the demand coming, and we are expecting to scale to meet that demand. The investments we're making are in key four critical areas. We're investing in building out our Salt Lake facility in Utah. That is to support our Switchblade product line. We're investing in our Albuquerque, New Mexico facility to ramp up production of our LOCUST directed energy solutions. We're further expanding in Huntsville, Alabama, for our kinetic Counter-UAS interceptor missile program to meet the customers' requirements there. And additionally, we're expanding in our Northern and Southern California facilities to support our UAS and Counter-UAS RF capabilities. These capital expansions, we expect to be in fiscal year 2027 to add \$4 billion of incremental additional revenue capacity. We anticipate the capital levels to return to more historical levels post fiscal year 2027. It's a near-term injection of capital into our facilities and our infrastructure.

In addition to the facilities build-out and the production equipment build-out, we're also investing in our IT infrastructure, ERP, and MRP systems. We've picked and selected world-class cloud providers of all the key systems to be able to scale with our business and further allow us to integrate M&A activities much quicker and easier into a robust systems that are constantly updated and staying current and modern. It's important to note that within the CapEx expenditures next year are real estate purchase that we plan on making. In key markets where we have been for many decades and we plan on staying for many decades, and customized facilities to meet our production requirements, we plan on purchasing real estate, which is included in the figure shown in our guidance.

With that, I'm excited to go through our fiscal year 2030 targets and our framework for where we expect our growth to be. First, I want to recap where we ended fiscal year 2026, provide an update on our fiscal 2027 guidance, and then we'll talk about fiscal year 2030 targets. Fiscal year 2026 was a remarkable year. We had nearly \$2 billion of revenue. We ended the year with \$2.7 billion of total backlog. We contributed 6% to R&D investment, and we ended the year with 14.5% adjusted EBITDA margins.

During the call last week, we provided guidance to fiscal year 2027. With that, we're expecting top line growth to be 10%, at the midpoint of our range. That 10% excludes any revenues related to our SCAR BADGER program. It also excludes any revenues related to incremental additional Ukraine. Those have been removed from our plan, and we're still growing at 10%. We've increased the investment in research and development with guidance of 7% to 9%, which reflects a \$50 million increase in the dollars focused on research and development. We're doing that by delivering a \$305 million to \$325 million of adjusted EBITDA.

Those investments we're making in fiscal year 2027, from a research and development and from CapEx perspective, are going to allow us to scale to our 2030 targets. 2030, we're expecting revenues to grow at a

compound rate between 15% and 20%. That essentially doubles our revenue from fiscal year 2026 actuals. We're doing that while maintaining between 7% and 9% of research and development throughout the planning years. Further, we're expecting our adjusted EBITDA to improve to 18% to 20% by the end of the decade. That's a 350 basis point to 550 basis point improvement from where we ended fiscal year 2026.

Where that revenue is going to be coming from? We've broken down on the chart here. Ending at \$2 billion and expecting to go to \$4 billion is a significant increase in overall revenues. Looking at our operating groups and how we report our financials, the first one is our Precision Strike and Defensive Systems group. This business just ended quarter four of fiscal year 2026 with an 80% year-over-year growth rate. We're not expecting 80% continued in the future, but we are expecting between 15% and 20% growth rate in Precision Strike and Defensive Systems. It is our largest business, so the growth rate of 15% to 20% adds significant amount of revenue dollars over the planning period.

Our next operating group is our Space and Directed Energy business. While a smaller starting point than the Precision Strike, it is expected to grow at a higher rate, between 29% and 33%, led by our LOCUST systems and Directed Energy. Next is our UAS business. This is our Group 1 through 3 platforms, as well as our common controller. We're expecting that growth rate between 13% and 19% over the planning years, led by our P550, our JUMP 20-X, and our common control capabilities.

Next, our Cyber and Mission Systems business is expected to grow at a more modest 7% to 10% after seeing improvements in fiscal year 2027 versus fiscal year 2026 results. These cyber and intel services provide critical infrastructure and services to our most important intelligence agencies. Finally, in the other category, this is what rounds out our all-domain solutions. This is our ground robot and our UUV business for underwater vehicles, expected to grow between 8% and 11% over the planning period. In total, that takes us to a \$3.5 billion to \$4 billion revenue range by fiscal year 2030, or a 15% to 20% growth on a compound annual growth rate.

In terms of the improvements that we're expecting on adjusted EBITDA, we have four main focuses that we're keyed on to improve the overall percentage as well as dollar value. Going from \$286 million ending in fiscal year 2026 up to \$630 million to \$800 million is also a significant increase in overall profitability for the company. That's going to come through four things. First, organic revenue growth. As the business doubles in size, we're going to add significant amount of additional adjusted EBITDA, purely by the size of the revenues that are coming into the company. Second is the mix or the margin improvement. We're expecting to increase our overall product-related sales, increase our international and commercial-related sales as a percentage of the total, increase our firm fixed price contracts versus cost type contracts, and utilize some operating leverage on our SG&A from the investments we're making in our IT business systems. We're doing this with the assumption that we maintain between 7% and 9% in research and development across the years.

Finally, the capital investments that we're making, we're expecting that to improve our overall utilizations, the throughput and the volume, and the yields on our new production capabilities over the next four years. These investments that we're making and the focus on our adjusted EBITDA should expand us 350 basis points to 550 basis points over the planning period.

In summary, the value that we're adding to our shareholders is based on these three foundations, investing above industry-level rates in research and development. Focusing that R&D dollars on high-growth markets. Our SOM is doubling in size over the next four years, and we have bets on all of those key technologies currently developed, currently won, and expected to win in the future. And finally, executing with excellence. Improving the overall mix of our business, bringing more products to the market, distributing those across our installed base, and improving

the overall mix of products versus services will improve our adjusted EBITDA by 350 basis points to 550 basis points by the end of the decade.

With that, I think we'll turn over to the Q&A session.

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

Okay. Thank you, Sean. Thank you, all the presenters, AV leadership team. Now, it's time for us to have the Q&A session. I want to ask our leadership team to come to the stage, and we will – obviously, we'll take your questions as we go. Why don't you guys come over through here and grab a seat, here and here.

You met a few of our members. You've met a couple of other members of our key teams. Trace Stevenson, who is the President of our AxS or Autonomous Systems segment. He's been with the company for well over, how many, 16-plus years?

Trace Stevenson

President-Autonomous Systems, AeroVironment, Inc.

22.

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

22 years. He looks very young, but don't be deceived. And then, of course, Mary. Mary has been with the company, and she's the President of our [ph] Space, Cyber and Directed Energy business (01:44:36). And she came to AV as part of the BlueHalo team and has been with the firm since the inception of BlueHalo to my knowledge, roughly. 20-plus years of experience in the industry.

QUESTION AND ANSWER SECTION

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

Let's just turn it into Q&A. I think, Ken, you had your hand up first, and I'm going to try to take the questions and also toss it to our team members who could actually best answer it for you.

Ken Herbert

Analyst, RBC Capital Markets LLC

Great. Thanks, Wahid. Yeah, Ken Herbert with RBC Capital Markets. Maybe for Wahid or Sean, in particular. Appreciate the margin expansion path you just outlined. The 2027 guide, maybe there's some conservatism there, but implies sort of flattish margins over 2026. So, clearly, 2028, 2029, 2030 is where you see the ramp. If you're holding R&D sort of flat, maybe get a little CapEx relief, can you provide a little bit more detail on either mix or sort of the volume and the absorption benefits and how we think about or should think about the margin ramp, 2028, 2029, 2030? It implies a pretty significant step-up over those three years.

Sean T. Woodward

Chief Financial Officer & Executive Vice President, AeroVironment, Inc.

Sure. Yeah. Thanks, Ken, for the question. Yeah, we're expecting to see our adjusted gross margins to improve over the years as we increase the overall product-related mix versus services, more fixed-price commercial terms, expanding commercially and internationally versus domestically. All those are drivers to improve gross margins, and we're expecting that to ramp throughout the years so that we end fiscal year 2030 at that 18% to 20% of adjusted EBITDA. We're also expecting the operating leverage, the investments we're making in our IT infrastructure is going allow us to scale with a smaller overall team. We're not going have to spend as much on G&A.

As you mentioned, fiscal year 2027, adjusted EBITDA is expected to be flat essentially year-over-year, and that's because we're incrementally increasing in research and development. We're also increasing in SG&A as we see the international markets and domestic markets growing rapidly, we're going to make those investments to yield the future growth over fiscal years 2028 through 2030.

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

And so fiscal 2027, as Sean mentioned, is an investment year primarily because we see so much growth coming our way. And as you go throughout the next three or four years, I believe we're going to end up improving the profitability profile based on the factors that Sean mentioned specifically. Go ahead, sorry.

Andre Madrid

Analyst, BTIG LLC

Hey, how are you? Andre Madrid from BTIG. Thanks, guys, for the question. I kind of wanted to dive in real quick because we just talked about it, the – I guess the revenue step-up. I think the most surprising thing there was maybe the CMS business. I know a lot of that's classified, so you can't really tell too much about what's going on there. But given that it was a laggard this past year, I guess just what gives conviction, like you said, Sean, that it's going to be so much better in FY 2027? And then maybe how do we get to that 7% to 10% CAGR. It seems a bit aggressive compared to what we've seen at that business before, but I might be wrong.

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

A

Yeah. So, look, the Cybersecurity and Mission services business is actually a critical part of our overall portfolio. We're in these categories deliberately because of what we see in the market and how it actually helps us overall as our portfolio with our customers. That's a business that Mary runs within her portfolio. There's a few things I mentioned, and Mary can add to it as well if I missed anything. First is that business has been under what I call pressure last year, and last couple of years actually, primarily because of the two effects. It was a DOGE effect that hurt services, in general in the US military and DoW, and the intelligence community. And two, was also the shutdown, because there's a lot of that is customer-funded work with people on seats. So, that hurt it.

Mary and her team specifically has had a strategy to how we will adjust our strategy in that business and in fact go after a very high-value product-related type services that is differentiated and technically an IP. We have a lot of IP in that area. We can't talk about the details because it's sensitivity to our customers on that specific business. I wish I could, but we're not allowed to do that, and we're obviously not going to do that.

However, that portfolio of contracts and technology that we offer is incredibly unique. We're not doing low-tech work. This is at the edge of the cyber missions and offensive and defensive capabilities that we provide today. And so, we do believe that there's growth in this market for us. We do believe that there is synergy between that business and the rest of our businesses, and we also believe that our customers want us in there because it actually helps the rest of our strategy as part of what other capabilities we should develop on other products to help the customer because we're in the operations ourselves. And we do believe this. These plans were developed from bottoms up through our own team. That's we've been doing this planning and our long-range planning process for many, many, many years. And we believe that we have a very sound approach. You saw our results and track record from the past, and so we've been very reliable and accurate in being able to predict where we're going to end up in all of these markets. And that's really the part of the strategy. Mary, anything?

Mary Clum

President-Space, Cyber & Directed Energy, AeroVironment, Inc.

A

I think, Andre, that was a very good question. One thing to add, when you look at our service technology within that area and the underlining IP is, there is a moat of over a dozen technologies to look at how do we productize, and that is what as a company, we're really good at when we talk about the One AV. So that's the strategic approach that we're doing. We have brought in new leaders with that background, and I believe that, that 7% to higher percent CAGR is realistic.

Robert F. Smith

Chief Operating Officer & Executive Vice President, AeroVironment, Inc.

A

Let me make two points. One is we have streamlined that business as well and made some decisions to do that. And two, to pull the thread on what Wahid said, just to give you an example of how the Cyber business fits so well into our other products. It's really important that you're cyber-hardened, for example. And we have world-renowned experts in our cyber business that can red team our products and others to make sure that what we're providing will, in the most contested environments, still work and perform. So, like Wahid said, it's really important not just for what it delivers to our customer and financially to our shareholders, but also the capabilities that it gives us to be able to leverage and utilize across our business.

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

A

Sheila had her hand up before.

Sheila Kahyaoglu

Analyst, Jefferies LLC

Q

Good morning, guys, and thank you so much. Maybe if you could just talk about what drives the growth accelerating to 20% from fiscal 2028 to fiscal 2030. That's in line with the addressable market? So, what new technologies do you bring on? How do you think about the incremental wins? Is it just share gains, or is it new technology? Or is it more international growth?

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

A

Yeah. So, when we do our planning process, and we do this every year, and we look at our past as well, we end up coming up with a range of outcomes. We have a very, in my view, fairly robust process and a system that we approach and apply to it methodology-wise, too. And so, the number that you see that we have targeted is essentially what we referred to as our base plan, okay? Could the outcomes be better than that? Absolutely, absolutely. While we don't commit to that. We commit based on our base plan, which is what we call the highest, most reliable, highest confidence numbers that we have in terms of what we believe is closest to the pin.

Where does that growth come from? It's not just one customer or one product or one region. We have, as you saw from Church's slides, a slew of opportunities within the domestic US DoW. Dozens and dozens of programs that he pointed out. It equals to \$30-plus billion worth of opportunities, just opportunities. These are programs that US specifically has publicly announced, and you saw a list of those. So, that's one category. The second one is we have an incredible portfolio today, and we're investing in R&D to continue to expand that. That is a competitive differentiator. So, new products for new programs that are coming out is part of our pipeline. We've got a very exciting pipeline, and you've seen it. From years, you've covered us. How we go develop products, how we launch those, how we commercialize that, how we scale that, and how we capture the opportunities. It's a recipe that I think AV is literally the poster child of the industry in that regard. And it's a recipe that now has been copied by the entire defense tech sort of portfolio of companies that are out there, private and public. It is unique to AV, and we've been doing it for well over two decades, most likely three decades, if you ask me, okay? So, ever since we've been public.

The last thing is also that besides the US domestic opportunities and programs that Church put out there, there is a equal, if not bigger, set of opportunities internationally as well. And it utilizes essentially almost exactly the same portfolio of capabilities that we have. And he pointed that out, that when we develop a product for LRR, like P550, or LOCUST for the laser weapons system, or Titan for a Counter-UAS opportunity, we just received that \$0.5 billion award that we were talking about from JIATF. That same product has applicability to 55 to 60 different allies around the world. And since we have those relationships and we have a very strong, solid track record with them, it puts us in a advantageous position with our customers relative to competitors. So, you will see growth in those categories from the international customers as well.

So, those three or four factors really make up the majority of the growth that we are. And it's not like we have to invent a whole new market category or go into a new market, a new customer that we're not known. It's products that we're very good at. It's customers that we know very well. It's programs that we've already identified that we can go after and attack and compete and have a good high win rate. Great question. Austin, sorry. Sorry. Yeah. This way. Okay. Go ahead. We'll take next now after that, and then Peter after that.

Austin Moeller

Analyst, Canaccord Genuity LLC

Q

Yeah. Thanks, Wahid. Austin Moeller, Canaccord Genuity. So, can we talk a little bit about the TAM and the market opportunity for LOCUST specifically, right? I mean, we did the Navy test in October with LOCUST on the deck of an aircraft carrier. You just did the White Sands test. Both examples, you had 100% interception success rate. So, because the new version of the system is designed to be modular and mobile, how – should we be thinking about this beyond just putting it point defense at fixed bases? Like if – could that – could this potentially compete with like Phalanx, Centurion C-RAM, because you need a direct line of sight for that? And if the Navy shipbuilding budget increases, do you see that as an opportunity for retrofits or OEM upgrades onto Navy ships?

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

The answer is absolutely yes and I'm going to let Mary elaborate even further on that.

Mary Clum

President-Space, Cyber & Directed Energy, AeroVironment, Inc.

I know you've asked such a good question because it's right in line with what we are seeing is the growth areas. So, just if I look at the Navy alone, what you're hearing right now is, we want to containerize. Interacting with systems like a Phalanx, those are integrated into a system. What was very differentiated about the USS Bush demonstration is the container actually rolls on, rolls off. So, when you think about all of the ships, you have the ability to transport those between the ships. And being able to do that on an aircraft carrier to a frontline destroyer definitely shows its capability when you have systems like Phalanx, like you had mentioned, so absolutely, in terms of total addressable market.

We talked about point defense for air-based air defense, but the modularity also comes with modularity with vehicles. So, currently, we're on three different vehicles, the JLTV, the ISV and Infantry Squad vehicle, and the Stryker. And that modularity helps us be more multipurpose with all of those. See, what Trace has done with the P550, you can actually see batteries move in and out. We've taken just what we have learned across our company and done that for our systems, so they're maintainable in the field as well. So, really taking what Rob said about commonality across the company and applying that to all of our systems.

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

Church?

Church Hutton

Chief Growth Officer & Senior Vice President, AeroVironment, Inc.

200-plus capital ships in the Navy inventory. Hundreds of priority, asset infrastructure sites within the Department of War's registry. Every airbase, every critical site. Now with FAA clearance for safe domestic usage, massive DHS, federal state opportunities there. And the international customer demand, we're already feeling it. Watch this space, because the opportunities there are just as big.

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

Yeah. And so just to add one more comment to that, Austin and the rest of the team, I've known many of you for a long time. If you recall, about six, seven years ago, Switchblade was a small business for us, and loitering munition was not even well-known in the market. And so we were investing. In fact, prior to Ukraine, there was not a single public video of a Switchblade hitting a target because the US didn't want to have it out, and we respected that, and we didn't really publicly put out anything like that. Since the Ukraine conflict, the public videos of

Switchblade being successful has been phenomenal, right? You see the Ukrainians putting it on YouTube and everything else. And so now it's about \$0.5 billion business growing to be much bigger than that, and industry is grown. And I feel at the laser weapon systems for Counter-UAS is in a very similar inflection point and a similar stage of its adoption cycle.

It would not surprise me in three to five years that this market is in the billions and billions of dollars, number one, because we have studied all the technologies that is going to be effective in defeating and defending against a drone war and a drone conflict, which is the most likely scenario in the future for every single conflict you could see there, right? And laser weapon systems, there's technically three or four key technologies. It's kinetic defeat, it's RF jamming, it's directed energy, and it's high-power microwave. Directed energy has got the biggest, in my view, potential and relevance of being the, I'd say fairly large, if not the largest chunk of that market opportunity. And so that's one. That's the backdrop.

Number two, AV's position in this market is incredibly compelling. Not only do we have systems that are validated in the field with the tests that Mary mentioned and Church mentioned, and these operations that have a phenomenal track record, but we're also – their systems are designed, as she said, modular, so you can put it on a whole different types of platforms for the variety of different types of targets and missions and sites to protect. And the safety record of our systems is remarkable. FAA just recently did a test, and they specifically mentioned our system, the Department of War did as a result of that. And so, I think we're at the cusp of a very large market adoption with a very unique capability and IP. There's a lot of IP capability. It's not something somebody can copy overnight. It'll take you a half a decade to a decade to even become a player in the space, to be relevant in the space, in my view.

And then lastly, I would say that a critical inflection point market mover, in my view, adoption-wise, is the US Army's E-HEL program that Church mentioned, the Enduring High Energy Laser program. They have announced that it's going to be roughly about \$0.5 billion contract. We're competing for that. It's not been decided yet and announced. We believe we have the strong potential success or opportunity, or yeah, the odds of succeeding in that. And they've said that it is most likely going to be a single-source award for that contract. That is the first contract, to my knowledge, for a production-level laser weapon system in the US Department of War's entire history. They've spent money in developing things in testing, but they haven't actually awarded the contract for production yet, to our knowledge. And this would be a game changer. So, this category, the Counter-UAS, led by the LOCUST and our Titan series, is poised to really grow over the next five years plus very handsomely. I think we had – yes, Vivian, go ahead. No, the back there, sorry. Vivian and Daniel.

Colin Canfield

Analyst, Cantor Fitzgerald & Co.

Q

I'll go ahead. Thank you. It's Colin Canfield, Cantor. Maybe if you could talk about the growth categories and where you're taking a haircut versus 2027 request, and kind of walk through by each subject area, where have you taken the most haircut? Which areas are most at risk? And then if you could also talk through the cash flow trends over the multi-year period, maybe walk us through what you're assuming in terms of working capital and CapEx? Thank you.

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

A

Okay. Let me take the first part, and then you guys add to it for the second two. In terms of haircut, this is one part that's really complicated about the government fiscal year 2027 budget. Historically, the US Department of War has submitted a budget which a vast majority of the spend has been in the base budget. The base budget, not the supplemental part, right? The discretionary part. This year, they've done something very unique. Because these

categories are getting outsized amount of additional investments, they have taken dollars out of the base budget and lumped it into the discretionary category as a much larger dollars and have increased the amount significantly, right?

So, if you look at the base budget line items, which usually have very specific detail in the budget, it looks like perceived as, oh, there's a reduction here for a small UAS. There's a reduction here for this. In reality, that's not true. I don't recall any category as a total budget, if you look at both supplemental and the base budget, that we're getting a haircut. No. In fact, all them are up, up, up. The department has intentionally chosen the strategy to put more dollars into one larger bucket, so they can have more flexibility on what they're going to buy and how many of which. And that, in my opinion, the number one reason for that is because the department is not very clear yet on how many of what they're going to buy. Because these categories are expanding and growing very rapidly. And their requirement process and the acquisition process is behind the actual budgeting process. And so, I don't believe that there's any category that we're getting a haircut in terms of the government spending dollars overall. It's just moving into the different colors that makes the optics look a little bit complex. Sean?

Sean T. Woodward

Chief Financial Officer & Executive Vice President, AeroVironment, Inc.

A

Yeah. In terms of the free cash flow, great question on that. So, last week during our earnings call, we provided some guidance around our free cash flows for fiscal year 2027. We know it's an investment year. We're not expecting to be positive on a free cash flow perspective. We have a strong balance sheet. We're able to self-fund that. And throughout these planning years, we expect 2027 to be the peak of our capital, and we expect that to come down to more historical levels. Working capital will rise over those years, but we're seeing improvements in our cash conversion and our shortening of our cash conversion. So, we're expecting to turn positive in free cash flow and continue that positive trend throughout fiscal year 2030.

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

A

Okay. I think Peter was next before that we submitted.

Peter J. Arment

Analyst, Robert W. Baird & Co., Inc.

Q

Yeah. Thanks. Peter Arment from Baird. Wahid, thanks for that on the kind of budget discussion. But maybe if you think about some of your faster-growing areas, precision strike or space and directed energy, are there certain milestones here that are coming up over, say, the next 12 months, but are going to need budget to be approved in order for things to move forward? Could you talk about maybe some of the programs that you're expecting to hit some milestones but maybe tied up in budget activity because of CRs, et cetera?

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

A

Yeah, yeah. So, one of the reasons our guidance for this fiscal year is about 10% top line growth, despite the fact that the ask for the government is quite high, is because we believe that the likelihood of a government budget passing as a full budget for the Department of War on time, which usually is supposed to be end of September, beginning of October, is lower probability. And so, there's a strong likelihood in our view, and I think the industry agrees with that too, that there's going to be some delay in actual approval of the budget. Which means some of these dollars are not going to hit the accounts of our customers. Our assessment is sometimes early in calendar year 2027. And then by the time the money actually makes it to each department to actually issue contracts or

award a task order, you're talking about almost March timeframe probably. And so, that's towards like the end of our fiscal year, F 2027. So, for that reason, we have been more realistic about the expectations there.

In terms of milestones, there's several milestones. All the programs that you saw that Church has outlined has, to some extent, public disclosures from the customers that says, we're going to do the following thing by this date, and a bunch of it is not public, and we're not in a position to openly disclose the information that our customer hasn't disclose themselves. But there's numerous milestones. One great example is the one that I mentioned on E-HEL. Our customer, US Army has, we're in contact with them very regularly. We're in very close discussions with them. They are intending to award that. They've made public statements within the next three to six months. Our expectation is probably during our second quarter will probably be some announcement by the government. So, that's just one example.

LASSO has several programs. Launched Effect has several programs. And in those two buckets, the directed energy and also – and the loitering munition/precision systems and directed energy, we are very well positioned in several milestones. Another thing I want to add is that for both of those two, besides the US DoD milestones and awards, and announcement that might be coming up in the next three to six months, there's also several international opportunities and customers of allies that we're actively working with that we expect decisions from them throughout this fiscal year, and we're going to keep you updated on it on that regard. Anything else you want to add, Church?

Church Hutton

Chief Growth Officer & Senior Vice President, AeroVironment, Inc.

No, I think you're exactly right.

A

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

Yeah. Byron.

A

Q

Cool, thanks.

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

[indiscernible] (02:08:25) does a much better job than me. Yes. Thank you. You guys decide.

A

Q

Thank you. Maybe just a question on the investments for Rob and Sean, just a couple of here, just to make sure we kind of understand. So, with this incremental \$4 billion of revenue, so kind of think about the company in 2030 being kind of a \$4 billion revenue company with like \$6 billion-ish of production capacity to grow into in the subsequent years, A, if that's correct. And then, B, I think, Rob, you mentioned the difference between the total CapEx and the production expansion, but still kind of, if we look at the – I think, it was like [ph] three-quarters (02:09:08) of the CapEx was going to production expansion, that's still about \$200 million versus the versus the \$130 million that you talked about. And so, what's sort of the delta there? And then, lastly, just kind of how you guys think about the return on investment here. If you think about the \$130 million of CapEx leading to \$4 billion

of revenue at some acceptable margin, that seems like a pretty massive ROI. But there's probably more, maybe there's some tail end of the CapEx as well to think about. When you guys think about ROI there, how do you think about it?

Robert F. Smith

Chief Operating Officer & Executive Vice President, AeroVironment, Inc.

Yeah. So, I guess I'll start, and then Sean and I can tag team it. You have to look on my chart, you have to look at the left and the right side. So, it's more than just \$130 million for the facilities for our total CapEx. The real delta, if you take that 75-ish percent times our total spending and look at that for facilities, the big delta is some other purchases that we're doing in Simi Valley. So, that's the difference. So, the numbers tie out. You're spot on with the \$4 billion of total revenue capability versus we're projecting \$2 billion. So, we have some opportunity to, as Wahid said, if there's some additional upside or the things go into different market categories than what we would anticipate today, we can support that. And, Sean, I don't know what else you want to add, then maybe I'll follow up.

Sean T. Woodward

Chief Financial Officer & Executive Vice President, AeroVironment, Inc.

No. I agree with all of that. And in terms of ROI, we look at through all of our detailed plans, we look at the investments we're making, both in the research and development, as well as CapEx to measure the returns so that we place those bets in the appropriate areas. I think we have a good track record of doing that. We understand where the markets are going at the size of these markets, and we believe that it's returned a good amount for our shareholders.

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

Let me just add one. Go ahead.

Robert F. Smith

Chief Operating Officer & Executive Vice President, AeroVironment, Inc.

I'm sorry, Wahid. There's one other point I should make, because you might be – I'm anticipating what's behind the question, and you might be thinking, well, why would you do \$4 billion if you think you're only going to need \$2 billion? And a lot of that comes as a lucky strike extra, right? You have to facilitate the line, and you have to have at least one shift. And you can get that additional capacity by adding additional shifts without additional CapEx. So, we've scaled our CapEx, and we're getting the additional revenue from that \$2 billion to \$4 billion, but it's not like we're spending twice the money to get the \$4 billion from the \$2 billion. I just thought that was an important point that I should make sure everyone understood.

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

That is actually a very critical, important point, which is, one, we have to plan for not just our base plan, we have to have optionality for increased demand, which we believe that there's higher likelihood than lower likelihood, right, given on the downside side, A. B, what Rob just mentioned, some of the base investments, like, it's way beyond four years' worth of planning. When you build a facility to manufacture things, we've done the math and we've looked at alternatives. Buying the land and buying the building and building that is very advantageous for us, actually, long-term. It's part of our sort of recipe for success, too. And so that is a 10-plus year investment. We're not going to have to buy new building, put up walls. The incremental additional investment to go even beyond \$6 billion over the next 10 years is much smaller than the initial capital that it takes to build a foundation.

And so, we've been around, we intend to be around, and these are sound investments that we believe that it's going to give us leverage long term. And it is an advantage that we have in the market because our facilities, we turn them around and get them to operational levels in 12 to 24 months from the literally clean sheet of paper. And that is quite remarkable to get to a \$2 billion additional capacity in 12 to 18 months for a production line. I think you guys are going to decide, yeah. Byron?

Byron K. Callan

Analyst, Capital Alpha Partners LLC

Okay, thanks. Byron Callan, Capital Alpha Partners. Three questions on International. First, what's the share of International when you get out to FY 2030? Is it still around that 30% or much higher? And then, Church, the international strategy, you're selling product, but is there an opportunity to sell complete systems with AV_Halo, wrapping your other products inside that offering? And then, Scott, can you talk about international facilitization? A lot of people want localization. Where does that fit into your thinking about what you might need to do from an international footprint? Thanks.

Church Hutton

Chief Growth Officer & Senior Vice President, AeroVironment, Inc.

I think I'll take the second part first. So, providing systems like Titan, providing systems like LOCUST, right, on the Counter-UAS side, providing systems like JUMP 20, and in the future, P550, on the multi-mission ISR side gives us that anchor capability that always has to be networked into some larger framework, right, larger architecture. We now have that larger architecture and are feeling the demand for that. And it's an open architecture that will nest within national architectures, right? Already instantiated architectures that have been deployed elsewhere. We're doing that domestically. We're doing that internationally. I think that the opportunities that we have over the period for providing not just products, but full solutions, right, multi-component solutions, is going to grow and that'll be a first for AV providing those.

Sean T. Woodward

Chief Financial Officer & Executive Vice President, AeroVironment, Inc.

In terms of the international mix, just a year ago, before the BlueHalo acquisition, we were more international revenue than we were domestic. That was based on selling those products across those 55 countries, selling across domestically and internationally. Through fiscal year 2026, that mix changed to around 28% international and 72% domestically. By fiscal year 2030, we're expecting to see that improve and increase as a percentage, maybe not back to 55%, but improved beyond the 28% and lower than 55%.

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

Okay. You guys got – go ahead. Sorry here. I'll to come to you after that.

Thanks. Two things I wanted to ask a little bit more about. Wahid, you referenced the current less than traditional funding situation. So, in the through 2030 forecast, can you talk more about what you actually assumed for reconciliation, DOGE, marketplace? Or is it not even really like that? Is it very bottom-up product by product, program by program? And then second, competition, there's just – every day there's more companies talking about Launched Effect and loitering munition and one-way attack and Counter-UAS. How do you stave that off and why should investors not be worried about win rate or pricing competition that flows to margins?

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

A

Yeah. Great questions. Let me answer the first one first. In terms of the budgets and what our assumptions are, it is more the latter that you described. We don't do our long-term planning process purely on the high-level budget growth dollars. That to us is just a validation of are these numbers really real or not? The way that we develop actually our plan details is purely from bottoms up. We look at product by product, customer by customer, and program by program, opportunity by opportunity. And vast majority of our customers, while they don't get their funding for multiyear, well, almost all of them, they do plan their programs out 3, 4, 5, even 10 years out. So, for example, LRR has been planned for several years, and it's expected to go for several more years. LASSO is the same. E-HEL is the same. Every single program essentially you saw on the list that Church presented has a detailed sort of acquisition strategy, units, and force structure deployment, enablement, training, logistics for several, several years. And our team is very close to those customers and program offices, and we get that information and that applies to our forecasting based on probability and all kinds of things that we do to give us a forecast of what we think the range of outcomes are. That's by far the biggest driver on how we plan our long-term plans and even our AOP planning process for the annual years.

In terms of competition, this – I've been with AV for about decade and a half, 15 years or so, and this question has been with us since inception, since we've been actually public. And the argument has been, or at least the argument is that there's lots of players in the space, how do you maintain your share and how do you maintain your advantage pricing-wise and in margin? Over the last decade and a half to two decades, as I said, there was one point that I actually counted, it was over 1,000 competitors in our space, 1,500, and then we stopped counting. This is a few years ago. And I would say 95% to 99% of those companies don't exist today. You don't even hear about it, okay? There's maybe a handful of them that's still around. And we have proven to be able to compete, not against the large defense primes, domestically and internationally, very successfully for multiple decades, but also against startups that come into this market with huge expectations and claims and arguments.

I'm not saying that to be arrogant or to tout something that's not true. We understand the competitive landscape quite well. We assess and track that very carefully on every single market and product that we have. And we understand also what it takes to win, and we've been actually very successful, if you can look at our track record, being able to maintain that and deliver on that.

Is there more competition at this phase in certain areas? Absolutely true. But the market is growing so fast, number one, that even if we don't keep the same run rate, and you can see the run rate that we have is not very aggressive based on the opportunities in a \$35-plus billion worth of opportunities that we're going after. We should do very, very well.

And the second thing is that our track record of being able to deliver and produce at volume reliably and have products that are relevant because of its battle-proven credibility gives us another advantage. And if you just look in the last two years when we were together, there has been several programs where our customers have intentionally awarded it to us and someone else, one or two or three or four competitors, or some cases we didn't get the initial award, and we didn't want to compromise. And we've come back and the customers obviously come back to us and says, nope, we're going to cancel that. We're going to go back to you. And for those of you who've known us for years, you will see an example after example after example of that.

And it's because we're very careful what we promise, and we're very, very intent on making sure that we deliver on that promise. That's not true in the industry with a lot of our competitors, and it's no blame or fault, and I'm not saying that. That's the fact, and it's proven by track record in the market and our track record in the market as well. So, yes, we'll be competitive. We've got IP. We've got several, several moats in our solution offering that

allows us to be able to compete successfully and execute and deliver on our expectations. And I think that's a very important point. Yeah.

Trace Stevenson

President-Autonomous Systems, AeroVironment, Inc.

A

Just to add a little bit on that, Wahid. We talked about it in previous presentations today, but our relationship and our intimacy with the customers gives us a huge advantage, right? They rely on us, but we also rely on them to tell us the problems that they have, and we go address those problems, and we compete a regular basis. But we hear their requirements, we listen to their requirements, we listen to the things that they need, and then we develop new systems like P550 that meet all those requirements, right? We show them a piece of paper and say, hey, if we build this, will this check a box? And the answer is always yes, and then we have to go and execute with excellence, and that's demonstrated by the previous award on P550. Do we compete with multiple competitors? Yes. Were there two awards? Yes. 82 systems to AV for P550, eight systems to the competitor. And so that's our expectation is, yes, there will be competition, but because of our position and our relationship with our competitors, we will maintain that leading position. VAPOR is another example.

We did not win, as Wahid said, sometimes we don't win and the customer comes back to us. We didn't win on the Army-directed requirement, company-level directed requirement for MRR on Tranche 1. But on Tranche 2, we did, and it was because the Army gave us feedback that says, these are the things that you need to change, and then we will buy it. Then we went and made those changes and delivered on it and demonstrated it to the customer and they said, you listened, you've heard us, and now we're going to buy it.

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

A

And these are just two examples in the last six months alone. And if you go back, there's at least another half a dozen examples of similar situations [indiscernible] (02:22:40).

Robert F. Smith

Chief Operating Officer & Executive Vice President, AeroVironment, Inc.

A

Yeah. I think, we can also, sometimes people will think of the market as UAS or uncrewed systems, but there's some market segments, and we're in differentiated submarket segments in my view. And this stuff isn't easy. It's not easy to make Switchblade so that it works 100% of the time and it's tactically relevant, and it's not easy to scale up when you're having a prototype and then going to full-rate manufacturing. We know how to do that. We've done it successfully, and you saw our investment strategy to be able to make sure that we can continue to do it going forward.

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

A

I hate to add this little color, but it's another evidence point. I was just back from an Asia-Pacific trip three weeks ago, and a customer was specifically asking about Switchblade 600 and its ability to actually not only hit a tank, but destroy a tank, like penetrate the armor and go inside. And was asking, I'm not going to disclose the details, but, can you show me exactly how that's done in the field directly? And obviously, there's not just one, but hundreds, if not more than hundreds of videos of that, that's out there. And so, I asked the customer why? What is it so special about this particular thing you're so focused on? And the reason was that a competitor product has everything and they claim all that, but it doesn't actually achieve the mission. It hits the target. It cannot penetrate the tank, and it does not destroy the tank. And that's not a very trivial thing.

The way that the warhead is designed and the weapon or that loitering munition comes and it hits the tank, the angle of attack, the pipe, the spot you hit it in, the warhead that's used and how it does, there's a lot of secret sauce and expertise and know-how on that. It's taken us years and years of perfecting that. And so when we develop a product, we know how that works.

And the competitor solution has failed to actually do it with several tests, and it's going to probably take them another two years to even get to that point. Will they figure it out? Most likely eventually. But that gives us an advantage, and that's a real example of my recent trip to Asia-Pacific to one customer, and I can give examples of that left and right. Thank you. [indiscernible] (02:24:58). Yes.

Anthony Valentini

Analyst, Goldman Sachs & Co. LLC

Q

Hey, guys. Anthony Valentini from Barclays. My first question is, how can we think through that \$4 billion number in 2030 in terms of the different products? How much of that is Switchblade and some of the other things? And then my second question is, how do you guys think about the strategy internally on IRAD? Meaning, if you guys spending an additional 5 percentage points on internal R&D, like what exactly are you getting for that? Is it you're getting 5 points of additional pricing? To me, it's like if you're getting 5 points of additional pricing, but you're spending an additional 5 percentage points, it's awash to the bottom line. And so, there has to be more to that.

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

A

Yeah.

Anthony Valentini

Analyst, Goldman Sachs & Co. LLC

Q

So, if we can just kind of walk through that and understand that, I think that would be helpful.

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

A

Let me take the second part of your question, and then, Sean, you could take the first part. On the second part, first and foremost, the appetite for R&D investments within our business, fortunately, this is a fortunate thing, is incredibly large. The reason why is because our market is growing, and we have so many opportunities that we can invest in that, quite frankly, as a lot of them have very, very favorable ROIs on them in terms of odds of success, the capability, it's unique differentiated solution set, the market, the customer signal, et cetera, et cetera. So it's a really hard thing for us to make sure that we strike the right balance of where do we invest, how much do we invest, and do we allocate that effectively, A.

B, we have a process internally that we actually follow very rigorously on if we make a \$1 worth of investment, what is the highest return on that [ph] dollar (02:26:40) and highest probability of success? We take that very seriously, because if you look at this track record of AV and the products that we've actually invested in the past decade, not even a year or two years, I don't think it's actually matched by anybody in the industry. Getting it right, whether it's Switchblade 300, Switchblade 600, Puma LE, P550, VAPOR 55, I mean, you go down the line, there's this here. We said we're going invest in this area. We've had some. One that comes to my mind a few years ago, and that was because the market didn't develop, the commercial market, right? And we still made quite well off of that because we'd applied the product to our other platforms.

So, we have a fairly good – it's part of our DNA that allows us to say, okay, this is where we're going to place the bet and here's why and why that makes sense. Is it perfect? No. It's never going to be perfect, in my view, and we always tinker and we tweak and improve on it as we go. But we have a very deliberate process on that, and these are things that some of them, upfront looks like, well, why do you invest in that? Take in point, P550, okay, I'll just take a few examples here. That development started about a year and a half ago or so, roughly, and we knew that there was a program called LRR, and we knew that the requirements were very unique. We were the only player that I know of that said, we need to develop this platform to ground up from a clean sheet of paper, because the Army's requirements and the mission that is required to operate in is there's nothing out there that we provide or someone else provides that can meet it.

So, then we went down this path of investing in this and quickly coming up with a prototype and showing it to the customer. And the customer, essentially, the US Army back, says like, you addressed our need. This is the only solution that we can think of today that's available that can make it. So, if you go forward, you've got a good chance. That's the best they can tell you. And we still have to compete. We still have to execute. We do that.

Now, that product, we just got \$117 million of contract, which is the initial award of this LRR that's potentially about, if you look at the base of acquisitions, could be between \$0.5 billion to \$1 billion, just US Army. I firmly believe that this platform over the next 5 to 10 years is \$1 billion platform. It's a franchise that is going to be probably very similar to a Puma franchise or a Switchblade 300 franchise.

And so, you can't just assess this based on \$117 million contract award. That is an investment that is going to lead to several years of additional contract awards, international customers, programs, Army, Air Force, Navy, et cetera, et cetera. And that's how we do it. And so, I think we have a deliberate process, and we're going to continue to do that. And there's appetite for even more. I'll go hand it to you for the second.

Sean T. Woodward

Chief Financial Officer & Executive Vice President, AeroVironment, Inc.

A

Yeah. Sure. So, your question related to where the revenue growth is coming from. I had a chart in the deck that basically took us from our current fiscal year 2026 actuals to the \$4 billion of revenue. And each of our operating groups, what those growth rates are expected. Inside of that, there's different growth rates within it. Things like Switchblade are going to continue to grow, but things like Counter-UAS RF are going to have a higher growth rate than the average for that group. Similar type in the Space and Directed Energy. The LOCUST is going to be at the higher end of the growth rate versus some of the space technologies. Each one of those, I've tried to highlight what the key drivers are. P550, JUMP 20-X is going to be in our Group 1 through 3 UAS space. So, each one of those has a key driver and will get us to the overall \$4 billion.

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

A

Okay. I think there was a question here, Pete? I'm sorry, whoever has. Yeah.

João Santos

Analyst, UBS Brasil CCTVM SA

Q

Hi. Thank you. João Santos from UBS. Can you talk a little bit more about the commercial opportunities that you have in both segments? And if any of that is already embedded to 2030 targets and how much visibility you have?

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

A

Great question about the commercial market opportunity. And so, as I said, many of these products, and I think Rob illustrated this, has more than one customer, one program implications, and opportunity for it. There's several areas where some of the investments that we made and the capabilities that we have that has significant commercial market opportunities. So, first, number one, is our Titan series on the Counter-UAS. We have two plays in that Counter-UAS space that I think has huge potential commercial non-defense, call it, civil applications. Airports, police – sorry, stadiums, sporting events, music festivals, critical infrastructures like nuclear power plants, hydroelectric dams, critical government facilities, commercial facilities, data centers. You go down the list of sites that are potentially prone to these types of what I call drone threats and attacks, both domestically in the US market, as also internationally. It's enormous.

It could dwarf the size of the defense market opportunity. We're not counting on that in our numbers, but that's the kind of upside that we're looking at on the RF jamming systems. Very similar or some slightly similar application exist in our LOCUST laser weapon systems, okay? That's the same. And there's also opportunities for other products that we have. I'm sure I'm missing a few others. That has implications for that. Some of our small UAS systems have public safety applications for persistent ISR. Same sites that I mentioned for like stadiums and music festivals and all of that has the opportunity to use our ISR mission platforms, such as our Pumas and Vapor and P550s. Is that a large portion of our growth strategy? No. We have plenty of opportunities to go in the defense markets to achieve our plans and our growth targets, and those are additional potential upsides that we can we can capitalize on. Anything you guys want to add? Yes, Pete?

Pete Skibitski

Analyst, Alembic Global Advisors LLC

Q

Pete Skibitski, Alembic Global. Wahid, can you talk top level about M&A? Obviously, you have a great organic outlook. So, is M&A kind of a distraction almost at this point? Or do you still see some obvious capability gaps you'd like to fill? And also, if you could talk specifically as well about space, because we've seen so much consolidation in the space world, a lot of competition, but it's growing. So, I'd love to hear about your thoughts there as well.

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

A

So, M&A definitely not a distraction for us. We are not focused heavily on M&A as our growth strategy. As you could see, the numbers that we've got here is primarily organic growth. M&A for us serves a specific purpose based on the positioning our portfolio within the demands and the requirements and expectations of our customers and markets, okay. And you see the portfolio that we have. It's a very, very impressive broad and deep portfolio of solutions. But within that, there are several areas of what I call gap-filling capabilities that are ideal for inorganic acquisition to fill those gaps in terms of products and capabilities. And there's several of them. There's several, not just one. And I think that we're going to continue to do that.

At the same time, we're very judicious on that, okay. The market expectations or valuations today is quite rich, in general, in our space, and we know what we're doing in this area, and we've got a very, very good track record so far, right. And so, we're going to continue to do that. We're active in the market. We're looking. We've got the balance sheet. And I also believe that our customers are, to some extent, are sort of not pushing us but are leaning towards us being able to help them in those areas.

So, we see the customer signals first, and then we look at our portfolio, and we see the gaps and we look at it, is it something to make or buy? And if the option of buy is more favorable based on time to market, based on return, based on valuations, based on odds of success and risk, then we do that versus the domestic. Vast majority of those, you could see is organic growth and organic capabilities that we develop.

In terms of the second part of your question was...

Pete Skibitski

Analyst, Alembic Global Advisors LLC

[ph] Space electronics (02:35:10)...

Q

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

A

Space, yes. So, like I said, there's a huge demand for investments for us in the markets that we're in, and space is definitely one of them. There's several areas that we can invest more in space, and it's a tough decision because there's so much opportunity for us to invest. Laser comms that you see there, Laser communications terminal that Mary is managing. I believe that is another market that is not well understood today. Every satellite that the US has in space, whether it's LEO, MEO, geosynchronous relies on RF communication. We've got the world's industry-leading capability on our BADGER phased array system, which we're investing in, and we're going to continue to make it as a commercial product as part of our strategy, because we see the potential opportunities and the programs that the Space Force and Air Force and our international customers are planning on awarding and competing and going after.

But beyond that, every single one of those satellites and the systems that communicate and track and control those is potentially a candidate for a laser communication terminal. And we've got the world's leading – we competed in that program, and we won, hands down, as the downselect against very, very viable, relevant, credible world-class players. And I think that we could do a lot more in there. I believe that our military is going to invest more money over the next several years, and we're positioned really well. Should we be investing more? It's a really difficult question. I think we're going to continue to execute, and we're going to work with our customers as we see the signs. We're going to toggle up or down as we go forward in that.

But our space business, as you saw in Mary's portfolio, is growing above our standard percentages. And it's primarily because these particular capabilities and the phased array has a huge potential upside and dollars are pretty big, and US is very focused being able to regain our dominance in the space category. And these are critical to that.

Louie DiPalma

Analyst, William Blair & Co. LLC

Wahid...

Q

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

A

Yes, sir.

Louie DiPalma

Analyst, William Blair & Co. LLC

Q

...this is Louie DiPalma from William Blair. Counter-UAS was listed as the largest market opportunity. I think on the slide it said \$15 billion out of the \$37 billion total addressable market. And you won the Titan award last week. My question is, do you see synergies between having Titan, LOCUST, and Freedom Eagle all under the AV banner? In the past, I know you said, as it relates to Ukraine, you paired your Puma system with the Switchblade, and so there was interactions between both of your systems and how that was strategic. But do you also see that

same dynamic on the counter-UAS side? And does that provide you with a competitive advantage in this crowded market? In other words, can you provide more information on how you're able to beat out some of the others...

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

Yeah.

Louie DiPalma

Analyst, William Blair & Co. LLC

...for that win last week with Titan?

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

Yeah. So, the short answer is definitely yes. We deliberately, first of all, decided to go into that market and play in that market, A, because there's a huge adoption cycle that's a little bit less mature than drones itself. The drone market and the lethal drone market, A. B, our solution set and our strategy in that market is also quite unique. We don't believe in one single solution that is going to solve all the problems for the customers when it comes to defending against drones and kamikaze drones. We believe in a layered approach. As I said earlier, we believe that there is primarily four competing or options of technologies that allows you to defeat against these things. And we are in at least three of those four. The first one is RF jamming and we saw the award that we got. It's a fairly large award, and our initial award as part of the Golden Dome Initiative. The JIATF was created as part of this, and the Golden Dome Initiative is part of that.

And our solution is developed to actually interoperate complete as a system solution for the whole mission of a customer or a site in the long run. And one of the key ingredient to that is AV_Halo software platform, the ability that you have a site and you've got threats that are kind of coming at you and you be able to assess the threat, identify it, classify it, and then pair it with the right defeat system. The right pairing is really basically weapon pairing system, it's referred to in military.

That is something that we've already attacked as a software solution. And that's part of our proposal for the Golden Dome Initiative. That's part of the Halo Dome. So, that's the first award. The second layer is directed energy, which I believe is going to be a very large portion of the solution set in the market. And then the third, if those two fail, the third is the kinetic kill. And we've got the pole position with the Freedom Eagle-1.

We developed that. It's going to be a category killing, category setting franchise. And as Church said, we're a new missile producer. There aren't too many of those in the last 30 years in the US military's entire ecosystem, and they've selected us. They have funded us. Congress actually added more money to accelerate that program, and that \$95 million, \$96 million, there was more funding to accelerate. And we're going to have to deliver more missiles and test them and get them to safety confirmation and low-rate production.

[indiscernible] (02:41:02)

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

That is correct. Yes. And so that's why we're investing in the Huntsville facility to ramp up production. Our customer on that program is just literally is demanding us to go faster. We're going as fast as humanly possible. We are already faster than most players in the market, but they expect us to – they're demanding even faster. If we could go faster, we would go. But we're doing everything humanly possible to go faster.

So, to answer your overall question, all these systems are over the next three to five years are going to have what I call a site mission requirement for defense. And that site – and that's part of the Golden Dome effort that the US military's actually actively working. And then that site's going to be classified, what level of criticality it has and what level of defensive mechanisms you're going to put in place.

And then part of that is the solutions set that you see from us and others, but we're not even actually staying just unique to ourselves that we're going to integrate our systems and make it interoperable. To-date, there's two sites that the government has chosen. One is actually that we've announced – they've announced publicly in the Dakotas, Grand Forks, where we're integrating, deploying the entire system as a layered defense system for that site against all sorts of threats. Our software is in use. Our hardware is going to be in use and we're demonstrating we're going to be most likely the first sort of proof point in the public eyes that US has actually carried out a successful implementation of the Golden Dome Initiative when it comes to the inner layer. There's an outer layer, and inner layer of the Golden Dome Initiative.

Louie DiPalma

Analyst, William Blair & Co. LLC

Q

You can put all three, the Titan, LOCUST, and Freedom Eagle on the same site, and [indiscernible] (02:42:55).

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

A

Absolutely. That's our plan. And it's going to integrate with other solutions from others. That's the plan today. And it's going to actually have C2 and CALMs as part of the battle management system that can connect to other software ecosystems and other platforms that the military uses, so they can actually share information from other sources as well.

Mary Clum

President-Space, Cyber & Directed Energy, AeroVironment, Inc.

A

It's called a Halo Shield, so it provides a full shield protection.

Trace Stevenson

President-Autonomous Systems, AeroVironment, Inc.

A

And it's not just unique to our products as well. It'll be other sensors as well. We can do [indiscernible] (02:43:26) the infrastructure, what the customer – what the threats are, and tell the customer how many Titans, how many LOCUSTs, how many of these fixed sensors do you need to have the total coverage.

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

A

So, when we went and engaged with the Department of War on the Golden Dome Initiative, I physically, personally met them, Church has met with them multiple times, so as Mary, and the rest of our team. The feedback from our customer was, what you're doing is incredibly unique. There's no one that can actually today do and achieve what we just showed them that we can do, and we're now going to demonstrate it in real-life example at the site in North Dakota?

Mary Clum

President-Space, Cyber & Directed Energy, AeroVironment, Inc.

Right.

A

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

North Dakota, Grand Forks. And so it's a very important site. It's the same site, by the way, that our system that actually we were awarded the contract to characterize the telemetry and the performance of hypersonic missiles.

A

Eventually, these systems have to protect, track, trace, identify, categorize, and apply a pairing of weapon systems to hypersonics and other missiles. And this system has to be interoperable with all that. That's our goal. That's why we're investing in it. That's why I think, to answer your question, is why we believe that we're unique and we have an advantage to be able to actually achieve that success in this area. It's going to take some time because not us. We're ready. We've been ready and we've been deployed. We've invested money in it and we've already developed the solutions, we're demonstrating it. It's going to take some time for the government to go through the process of planning and implementation and budgeting as well. What was next? Yes. [indiscernible] (02:45:04)

Cashen Keeler

Analyst, BNP Paribas Securities Corp.

Hi, Cashen Keeler with BNP. I guess on Titan. I think the highest margin product in your portfolio. So, with respect to fiscal 2027, how are you thinking about the EBITDA contribution from that recent win? And then second question on the capacity ramp across your portfolio, how can we think about startup costs and how quickly you can move down the learning curve and what the margin uplift can look like after that?

Q

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

Yeah. So let me just briefly mention LOCUST specifically. We don't provide that level of details in terms of our plants or what product specifically is going to contribute how many dollars on the margin and all that. Overall, and our strategy is that we want to develop these products as commercial items with some co-funding from the customer, which we always do, because it allows us to believe that the customer is serious about this capability gap but quickly transition that into a firm fixed price commercial item. It is very deliberate in our strategy. It's been for the last 20 years. It's the strategy that now everybody is talking about and literally trying to copy, A.

A

On our program that we're competing for the US Army, we intend to do the same thing because we have developed this. We have our own IP. We believe that it's going to eventually be a commercial product, and we intend to go. And we negotiate with the customer. If it gets to that point on a firm fixed price basis and make sure that this product as a commercial item, it's sold to the government and to our other allies because it's got a much global application applicability. That's Mary's team's plan. And we know that recipe, we've done it with all the other products you see in this room. And that's what we're going to love doing. Is it going to be a contributor? Yeah, because the dollars are small for this fiscal year, if you fast forward over the next five – four years, three years, five years, it is going to be a significant contributor. And it's also an area that it's not easy for someone to come in and unseat us.

You don't get into the laser system – laser weapon system overnight. It's just not something like, it's – the reason why we're great at this is because Mary's team has 20 to 30 years' experience in this space. It has been one of the what I call Holy Grails of the Department of War has been chasing for the last 30 years, 30-plus years. Look at

the records on the R&D dollars that has gone in this category for all the different agencies and labs and even competitors of AV, who has received tons of dollars, in the tune of almost combined over \$1 billion probably, and no one has been able to crack the nut. And I think that this program is going to be the first one and hopefully that they announce something soon.

Sean T. Woodward

Chief Financial Officer & Executive Vice President, AeroVironment, Inc.

Wahid, if I can add to that. So, the question around the Titan aspect and the recent awards that we just announced that was baked into our forecast, into our guidance and of the discussion we had during the earnings call was the distribution of our revenues and the profitability. We see that in the back half of the year. So, this is already factored into those margins and included in our overall guidance.

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

Yeah. Okay. Any other questions? [indiscernible] (02:48:22)

Wahid, any thought on the cost per effect and some of the systems that you're offering, I mean, we can talk about budget growth, but I'm just curious, you talk to your customers about things like Switchblade or P550, you're offering a capability that should have a lower cost or what some of the alternatives are. Can just talk about that a little bit, if you may?

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

Sure. So let me take a stab at it and you guys can add, if you like. So one of the reasons why the department is trying to put more money in this category and put it into a discretionary bucket rather than specific product and capability is they know that this is a trend and a adoption and a transformation and modernization that they have to do over the next several years. And that's why these categories are up multiple times than before in terms of spend dollars alone, right?

So, even if the department gets like a fraction of that, it's going to be significant increases in that area. One of the key reason is because the face of the war is changing and you see what's happening in Ukraine. Data point, the Ukraine published that to us directly and we made it public. And that time period, the Switchblade 600, for example, used about \$36 million of it, and they destroyed over \$2.7 billion or \$2.6 billion worth of Russian assets. These are not assets that you can just make overnight. Some of them are radar systems that take years to replace. And they are not – historically, Switchblade is considered a tactical weapon, not to Ukraine. They actually refer to it as a strategic capability. They don't have anything that can actually do what Switchblade does for them. And they've told us that directly. That's an example.

Another example is LOCUST. Why do I believe that LOCUST is going to be a very large portion of that counter-UAS solution set is because two primary key reasons. Number one, the concept of unlimited magazine. You can reload as long as you have continuous power. You can hit targets in and out, right. And number two, the cost per kill is at the fraction of what it costs today to take out a Shahed drone cost today are \$1 million to \$2 million to even \$10 million. That's the missiles that we are using today. And [indiscernible] (02:50:49) and you see it on the news all the time. That's less than \$10 a shot. And so – and we're going continue to drive the cost and the price and the value proposition in the favorable direction as time goes by.

So, I think the department sees this. They are going to go broke if they just kept with the same approach that they have today. And that's why there's so much focus and attention on this from high levels of the department. There was an event that they mentioned, I think Mary knew the name of it, lots of the Department of War's executives actually got their own hands in shooting a drone with the LOCUST system. You want to – can you share anything more about that?

Mary Clum

President-Space, Cyber & Directed Energy, AeroVironment, Inc.

Oh, yeah. Well, so just two weeks ago, Secretary Hegseth arrives at White Sands Missile Range, getting the system and having this in his hands with just less than 5 minutes of training, he shot a drone down. So, when he asked about cost per kill and Wahid talked about \$1 million to \$2 million system. Let's take a Tomahawk, and we're still using those to defeat drones. How many shots is that? \$5 to \$10. And we were shooting this continuously throughout the weeks, more – hundreds of drones, you're saving right there. You take an APKWS. Maybe that cost is lower, 200 shots, and you've paid off from the system so that \$10 cost per kill. As Wahid said, it just opens the market because on the defensive side, we need to protect the cost. And on the offensive side, we need to show that cost per kill from infrastructure. [indiscernible] (02:52:28)

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

And so it's let me add another thing to this. Yeah. A lot of other players are focused on higher kilowatt systems. A, they're incredibly expensive. B, they're not mobile. They're not easily deployable to sites that are moving, if have you seen our system, you could put it on a striker, and you're moving, you're watching, you're detecting targets, and the X3, another unique feature you can shoot while you're on the move. And we've done that. It's literally part of the spec of the product.

I don't think I know a single other competitor that can do that. Third thing is, besides the fact that it could do that, we also – our intention. So in that event that Mary mentioned, there was not just the Secretary Hegseth, the Secretary of the Army, the Head of the Golden Dome Initiative, General Guetlein, and several others. And I don't want to go through the list of names. They pushed [indiscernible] (02:53:23), 5 to 20 minutes of training or familiarity. And you actually go do a real life drone flies, and you defeat, they're detected and defeated, pretty darn good.

So, it's just at its initial stages of adoption, I think the next few years you're going to see that the department is going to start shifting its mindset because in the last 30 years, people have promised a lot of stuff, and it hasn't happened because it's been a lot of empty or not really. And now, we're the first company that actually is delivering it.

The last thing I want to mention, those systems that are a lot larger are incredibly unreliable. The operational availability of the systems is atrocious. And you compare that to something to us. And we have our customers that are deployed in the theaters and they're coming back and saying, I can't share the numbers because of sensitivity, but I wish I could share. It is remarkable, the level of availability and reliability of our systems and being able to actually work in very, very stringent physical environments in terms of dust and sand and snow and rain and all that. [ph] Not necessarily (02:54:38)...

You can also get a lot more effective power when with the technologies that we have to be able to pinpoint accuracy on the drone and hold the spot there. If you think of what you're doing, and also the beam integrity is really important. So, we're really strong on the beam integrity, and we're really strong on being able to assess the threat, then hold the spot on the drone effectively.

[indiscernible] (02:55:01-02:55:09)

Q

Okay. So, you seem like you're fairly conservative on the budget situation for 2027, but we've heard from other players that there's dollars to be spent before September ends. LRR, MRR, maybe some other programs you have, so can you talk a little bit about that contrast in terms of I guess, [ph] they are called the sweeps (02:55:29), like if they don't spend it, they don't get to keep it. Just help us understand if there's some maybe some upside in certain programs that fit that dynamic.

Church Hutton

Chief Growth Officer & Senior Vice President, AeroVironment, Inc.

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Sure. So, the last year's One Big Beautiful Bill which was enacted in July of last year and finally flowed through the government channels down to customers in February, right, beginning in February of this year, those dollars are available now. The FY 2026 are available now. There are always sweeps toward the middle and later the summer. And you're seeing those as an example with the JIATF award last week, right? And there will be other awards and it's for the priority categories, it's for systems that are not developmental but are in production or ready go in production now. So, we have a lot of opportunities, you see it across the counter-UAS offerings, across the strike offerings and frankly across the multi-mission ISR offerings. So we're, we're in a pretty good position there, and we expect that to play out just almost exactly as you said.

Q

Yeah. Thanks for the follow-up. I guess, Sean, just as we look out and we see kind of where sort of consensus expectations are and stuff that it seems like they're kind of below, what you're forecasting here. But just, in the interest of like having everyone anchored around the right outlook, should we think about things accelerating through the period and we've got like a CAGR and we've got our target margin. But should we think about the margin expansion and the growth rate kind of accelerating through this three year period, 2028, 2029, 2030?

Sean T. Woodward

Chief Financial Officer & Executive Vice President, AeroVironment, Inc.

A

Yeah. So, first let me talk about fiscal year 2027. We provided our guidance there and we have a distribution of our revenues that we're expecting that to ramp throughout year, including profitability scaling towards the back half of the year. Some of these key awards that just got announced were all factored into our plans and margin assumptions are baked in as well. In terms of the overall growth rate and margin expansion, that's going to be not linear. It's going to continue to grow to 15% or 20% for the whole company. It's going to be different. Years are going to grow at different rates and sort of ramp up towards the end of the decade to close out fiscal year 2030. Our adjusted EBITDA should start to see improvements year-over-year as we're seeing some of that scale and some of that mix change. So we should see adjusted EBITDA slowly tick up each year along the way up to the 18% to 20%.

Q

Great. Thanks.

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

Peter?

A

Peter J. Arment

Analyst, Robert W. Baird & Co., Inc.

Thanks, Peter Arment from Baird. We all saw the SCAR hit that you took in January. But I don't think it was an indictment on, your capabilities, it was a change to the program and what they wanted. But maybe, Mary, you could talk a little bit about kind of the capabilities. There's obviously maybe different applications or smaller form factors that could lead to obviously some substantial growth, maybe how you see kind of the program or the area evolving post the decision.

Q

Mary Clum

President-Space, Cyber & Directed Energy, AeroVironment, Inc.

Yeah. That's a great question. While we saw the headwinds of that program come to an end, I see it as opportunity, because our investments today have drove us to putting together a strategy that is multi-mission across different customers. So just since the announcement in January, our system that many of you saw in Albuquerque, it's a 20-foot antenna. It's actually been completed the build we're actively testing outside on the receive side. And what we're seeing is that capability of different form factors becomes important for different mission sets. So if we take telemetry and we just won a new award for our telemetry tracking, then you need a smaller form factor. You don't need such a large antenna to track to space. So we've seen some really good improvements in that area. If you take different capabilities like multi-mission for electronic warfare, you need different packaging for that. So we're looking through those different form factors to your point and also taking the system build that we started completing it and continually testing it right now for those different applications.

A

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

Yeah. And so just to add to Mary's point, that specific program, this investment and this category for us is not one program. As Mary said, it's very thematic on this category of capability. That's a gap, number one. And the technology and the development dollars that essentially a lot of it the government pay for, it has implications for lots of different opportunities and markets and applications, too. It's mostly the government reconfiguring itself because relative to four years ago, the definition and this profile of the threat has dramatically changed, dramatically changed. That's one of the key reasons why government is reconfiguring itself, what to do.

A

The need is not going away. It's actually probably, in my view, based on the customer feedback is even higher, the urgency is higher and the amount of total investments in this category, most likely according to customers, comments to us and the budget dollars that you see is going to be significantly higher. This program was supposed to be about a \$1.5 billion total to \$1.7 billion, it's going to be well over \$2 billion to \$2.5-plus billion in spend because the need and the threat is real.

We are pursuing this. We're actively working on it. We're engaged with the customer, and we believe we have a very unique capability. We do. And you've seen it in our history. The customer reconfigures and comes back, and

we generally have some good positive outcomes if we really believe in it. So, our belief and our system, we've looked at it from a clean sheet of paper. Would we do this? Yes. This capability phased array for comms, RF comms is the next-gen RF comms for satellites. There's nothing that can actually replace that value proposition. Beyond that is laser – optical lasers, and but for RF, this is the Holy Grail, and we've got the pole position, and I think we're going to continue to do that. There's some uncertainty about the customer's timing. It's not in our numbers for fiscal 2027, but we remain committed that this is a market that we a differentiated capability, fairly high odds of being able to succeed in it. And we're going to continue pursue our strategy. Yes?

Q

Wahid, you mentioned at the very beginning that you thought the stock price did not reflect – I forget exactly – the value [audio gap] (03:02:17-03:02:25) midpoint, the EBITDA was 30% above consensus at the high end, it's 40% above consensus. Stock on the day is down 3%. Any stock can do anything on one day, but that's pretty unusual. Usually a stock will track guidance above expectation. What is the market saying? What concerns do you hear from investors? How do you internalize that? Are there strategies you all can employ to connect the dots that seem to have dispersed in some way or whether that was SCAR or something else? And if you zoom out on the financial model, I mean, there's been a lot of growth over a long period of time. You just laid out a very compelling case for the future of the company. But the growth rates are also quite volatile quarter-to-quarter, year-to-year. Is there a version of the future of the company when it's larger and more scaled, where things are smoother? What do you make all of that?

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

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Yeah. So, a fantastic question and comment and point. You guys are the experts on that a lot more than I am. So, I have limited insight into that. But what I can share with you is what I see and what I have seen and where we are. I firmly believe that our company and the value that we offer is significantly undervalued relative to the market that we're in. As I said most of us here been for the company for decade or more or less, we've been around this industry. I cannot recall another time period in the 15-plus years of I've been with the company that the prospects for growth and value creation has been stronger or better. Yeah. We've had fantastic years. I still believe that there are odds of success and the opportunities in front of us, today is better than ever I've been with the firm for the 15-plus years of so. We're more diversified, we got the right products, the market is growing, we've got brand, we got capacity to produce, our solutions are differentiated, our customer believe in us, they want us to be successful, and I think the urgency and the importance is higher than higher before. What do I make of the stock, I really – I don't really don't know personally. I'm not an expert in it. but there's lot of different theories. I think if we keep executing what we do, and we deliver on our promises, which we have a very good track record if you look at the history. I'm a firm believer that the stock price will take care of itself. The volatility of the stock and the results [indiscernible] (03:05:01) is certainly true. It's the nature of our business.

When you have a business that's made up of these large lumps of big contracts that, predicting the US government and when they are going to make a decision and an award or act on something and they're going to get funding, you know that better than I do. It's an impossible forecasting job. You go to Congress, you talk to them, I talk to them all the time. Church team goes and they all want to do something fast, but it doesn't happen. And nobody can predict, nobody that I know of. I'm not sure if you do. If anybody know, please let us know because we'd love to know the secret sauce there.

So, it's just very difficult and that makes the business very, what I call sort of short-term dynamic, quarterly basis. Our revenue could be a lot higher. Our profitability could fluctuate. But on an annual basis, we've been very

consistent in being able to deliver and achieve the outcomes. So, I'm a believer that sooner or later people going to realize the story and realize value and that value will be reflected on the price. And I think we like our odds and I look at our cards and our competitors. I like our cards a lot, a lot I wouldn't trade them. I wouldn't trade it. Yeah. [indiscernible] (03:06:17) There's one there.

Colin Canfield

Analyst, Cantor Fitzgerald & Co.

Yeah. Thank you. Colin Canfield, Cantor. So the stock has been about 150 bps off since the free cash flow question that I asked. Sean, maybe if you just clarify the comment you made before, is it higher volume? It's not free cash flow until 2030 or...

Sean T. Woodward

Chief Financial Officer & Executive Vice President, AeroVironment, Inc.

Yeah. Thanks for the question. Let me clarify that. So fiscal year 2027, we've provided a visibility that we're not expect to be positive on free cash flow that should improve every single year. We should be positive free cash flow 2028 through 2030 and continue to improve free cash flow every single year beyond that. 2027 is an investment year. We're spending almost \$300 million on capital. That is not going to continue beyond fiscal year 2027. It's going to return to its more normal 5% to 6% of revenue percentages.

Colin Canfield

Analyst, Cantor Fitzgerald & Co.

Got it.

Sean T. Woodward

Chief Financial Officer & Executive Vice President, AeroVironment, Inc.

We've seen improvements in working capital. We're going to continue to see improvements as we make those shortened conversion cycles on our sell offs. So we should see working capital continue to grow but at a much improved rate, so generating free cash flow.

Colin Canfield

Analyst, Cantor Fitzgerald & Co.

Thank you. Appreciate it.

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

Austin?

Austin Moeller

Analyst, Canaccord Genuity LLC

Thanks for the follow-up. So, up to the blockade and the ceasefire, the Pentagon spent about \$25 billion on the Iran war. It now looks like they could start actively striking targets and assassinating Revolutionary Guard Corps generals again. So, originally, at the point of the ceasefire, they were – the Pentagon had proposed a \$200 billion war budget. So, if we see a war or OCO style budget that gets passed incremental to the reconciliation bill, when do we think that might be available in terms of timing? It's probably more of a fiscal year 2028 item, but I'd love to just understand the cadence of that.

Church Hutton

Chief Growth Officer & Senior Vice President, AeroVironment, Inc.

So, let's say, if such a bill which was enacted today, you've got about a two month, right, flow down from the Treasury OMB down to the comptroller, right, down to the program offices in terms of making those dollars available to the program managers, right, our customers. So that's generically sometimes it's three months, but that's about the flash to bang on that spending. Is that the question you were asking?

Austin Moeller

Analyst, Canaccord Genuity LLC

Yeah, that's essentially what I was going for.

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

Well, part of it is that. Yeah, but that's I think if the budget was passed, signed, Congress approved it, and then now the department, Pentagon and comptroller and OMB can go execute on it. We're way far away from that signage, and it has to be proposed. It has to be debated, it's going to be tackled and all that. We do know that regardless of whether a supplementary or an OCO or something like that is going to pass, the department has used dollars from their current base budget dollars and their inventory of stuff that has to be backfilled, it has to be repaid and refunded and it's going to come in some shape or form. And a lot of that is probably Army that's spent a lot of dollars to my knowledge, I could be not totally accurate on that, but so those dollars somehow are going to have to get replaced because the department has a process on how to basically take money from an existing bucket, meet the urgent needs of active conflict and then backfill with dollars that are coming in from later dollars from the budget dollars. And so, I think it is going to be an uptick sometimes in the future. But the timing of that, no one really knows exactly when it's going to be or what form it's going to be. Yeah, yeah.

I do think that there's specific products that we have in that category that's very relevant. Like things such as you see and hear are quite relevant for that type of conflict and the systems that are used in that. Any other questions? Okay. Well then first of all...

One more, one more...

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

One more. Okay.

Hi. Thank you so much for the presentation so we heard a lot about how you think AV is in a much better position compared to competitors. Now, when we look at competitors like I'm bucketing them in three buckets like one of the large primes and definitely agree that you are much ahead, can you talk a little bit about like how you're positioned against the international peers, like when you're trying to compete internationally and especially like with national security and sovereignty risks, like how would you compare like to the like neo-primes of Europe, neo-primes of Asia? And similarly, how are you thinking about the emerging sort of companies within the US, the new tech like new edge tech companies like [indiscernible] (03:11:10), et cetera?

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

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Yeah. So, the international picture on competitive landscape is really, I would say vast, vast majority of it is roughly the same as it was five years ago, four years ago, eight years ago. We've always had international competitors, whether they are large primes or the small startups on almost every opportunity that Mary and Trace compete with Church's team for a program or a capability. We've got not US competitors that are large and small, but also we have domestic and even local indigenous players that compete in these things.

And we have a very good track record being able to succeed against that, okay. One area of change that I see that – I guess two, one, the number of competitors increasing. But it doesn't mean that they're better. In fact, the quality of this competitor is probably lower, okay. But – so, the numbers are higher and it's just that more of them, okay. And the other thing that's different is that the desire from the international customers to have more local content is significantly higher than before. There's always been a desire for local content, but it's been such that, it's been, you have to go do offsets and have like services and maintenance and support. And we've always been very successful at the 55-plus countries that we do to offer that.

As the size of the opportunities get bigger and we get more longer term large engagements or contracts and partnerships, we are actively part of our international expansion. That's what Church is working on very, very heavily on this year is to have teaming and partnerships with local content. Local content doesn't mean that we have to design everything and make everything locally. We have – our systems are design as modular and subsystems, and we could find partners and subsystems.

We just announced one, I came back from Taiwan, we did one with a company called Ubiqconn for the ability for us to, for example, integrate our ground control station, the common controller, the Kinesis software as part of the AV_Halo for any robotic systems and drones that Taiwan is going to procure for its needs. They saw what the US Army has done in selected AeroVironment, AV, and now they're going to do the same thing. And we partner with the local company. They have the credibility. They've got the relationships. They've got a solid sound business, a profitable company, and we are intending to team with them for that particular piece. And you're going to see more examples of that across the world that areas that we're focused on, Asia Pacific, specific countries, Europe, specific countries, and also in Middle East. And we've actively are working these things, I think over the years you're going to see more and more of that from us.

And it's also part of our expansion strategy to have local content, not only in terms of suppliers and subsystems, but also relationships and entities in these places legally. So, we are considered a local or indigenous company, legal entity. That's important as well. And we've done several those in the last 12 to 24 months, and you should expect more of those in future.

Any other questions? And I think there's two more. Okay. Are we competing time for lunch here?

Denise Pacioni

Vice President, Head-Investor Relations, AeroVironment, Inc.

A

We're okay.

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

A

Okay. Two more.

Q

Yeah. Last week you won the \$500 million Titan award, and you mentioned there's the potential for a \$500 million E-HEL award over the next three months. The next three months is the crunch time in government fiscal year. And is there anything else that we should be on the lookout for in terms of big, chunky awards that are in the pipeline that could move the needle?

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

A

Yeah. So, first of all, the rate at which we've been announcing and the department has been announcing, I mean, significantly large strategic wins to your point earlier, I believe it's really undervalued and misunderstood. There are not too many companies in our category that gets a \$0.5 billion production contracts sole-source, multiyear for these types of capabilities. That's like at the initial phase of adoption. So, there's several, but I can't talk about the exact timing of those and the specificity, both from a competitive nature, as well as our customers' confidentiality. However, E-HEL is a really critical one. There are several other ones besides that. I'm not sure what.

Church Hutton

Chief Growth Officer & Senior Vice President, AeroVironment, Inc.

A

I'm not going to share anything more than what you've shared.

Q

Because you have the \$1 billion IDIQ for the Army directed requirement with the Switchblade 600. And then, you mentioned how you were down selected for the Switchblade 400, and so, there could be something there. I think there's other opportunities potentially with Freedom Eagle. There's probably other opportunities with Golden Dome. And so, yeah, I was just wondering.

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

A

Yeah. I mean literally the list of programs and requirements that you saw that Church had in one of the slides and I encourage you to go look at those again has opportunities for MRR, LRR, LOCUST, Titan, the whole family of switchblade, launched effects, LASSO.

Q

Yeah.

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

A

We have a broad list of programs. I mean, it's pretty large, and he only highlighted a very subset of that, significant ones, a significant portion, but not all. There's a lot more.

Q

Is there the expectation for a like a big budget flush for this next coming three months, like – because the procurement environment has been sluggish for the past year or two. But are things picking up? Is there optimism here? Or should we be more focused on the next fiscal year?

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

No, no. I think for this year, I mean, we're going to keep updating you. The biggest question mark is how fast the department is going to pass the budget and also how fast they're going to obligate the dollars they've already been authorized and appropriated and given that the keys to the spending and that is a function of resources and also coordination between OMB and the department because they still have to work that out.

I do believe that there is opportunities there. There's no way that we can predict exactly when and how we talk to our customers on a regular basis, regular basis. They don't even know how to predict that really well. In some cases within their own departments and the program offices, it's not easy because they depend on multiple sources of resources to be able to get a contract done. Contracts, people, negotiation. I thought funding sources, customer program, programmatic, coordination and all that takes a lot. It's a complicated process. But I think there's – predicting the timing is not easy. You should see more in 2027, of course.

Right. And the reason I'm asking is in terms of like the 2030 target, and it looks really juicy and appealing, but a lot of investors like they're very impatient. And so, they don't want to wait for 2030, they want to see like what's going to happen in 2028. And like, do you have the visibility in terms of like over the next three months? Like if there is that budget flush, should 2028 be a rebound year, such that like the organic growth rate like would be closer to that 15% to 20% range versus I think it's – in the like the 7% or 8% range or 6% to 7% to 8% range this year. And so...

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

Yeah.

...should there be like a bounce back in 2028?

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

You must assume that if fiscal 2027 is about 10% top line growth, that organic growth, that the outer years has to be more in order to make the full 2030 number to be 15%, 20%. We do expect that to be exactly one at what time? Really hard to predict, but I think that we are in a very good position. And I mean, we as you guys mentioned, we have a very attractive odds of return and value creation here in my view. I firmly believe that, it's – and you know, I think, is that the last question? I believe it was the last question, if I'm not mistaken, to add to just finish the point on that, there's no question the market is growing. There is no question that we're in the right categories. That is getting a lot of investments. There is no question that you see from our portfolio and investments that we've made and the success that we've built upon that we're uniquely qualified to be a significant player and winner in these opportunities and markets. And there is no question in my mind also that we have the

track record to back that up and see what we do and we deliver on that. And the last thing I would say is I have no doubt in my mind that we got the best leadership team in the industry, okay. We are very diligent and very deliberate on those decisions. We've built a world-class team. We've got the right opportunities, and I think we put a very compelling sort of story strategy and an investment thesis that I think is quite attractive, best-in-class. And we will keep you updated, and we look forward to sharing our progress and successes as we go forward.

Wahid Nawabi

Chairman, President & Chief Executive Officer, AeroVironment, Inc.

So, with that, I want to thank all of you for being here. And I invite you, we have some food and lunch outside, and I'd like you to please join us. And welcome, and thank you again for your time.

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