

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): **December 6, 2022**

AEROVIRONMENT, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	001-33261 (Commission File Number)	95-2705790 (I.R.S. Employer Identification No.)
--	--	---

241 18th Street South, Suite 415 Arlington, Virginia (Address of Principal Executive Offices)	22202 (Zip Code)
---	----------------------------

Registrant's telephone number, including area code: **(805) 520-8350**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.0001 per share	AVAV	The NASDAQ Stock Market LLC

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

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

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

Emerging growth company

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



Item 2.02. Results of Operations and Financial Condition

On December 6, 2022, AeroVironment, Inc. (the “Company”) issued a press release announcing second quarter financial results for the period ended October 29, 2022, a copy of which is attached hereto as Exhibit 99.1.

Item 7.01. Regulation FD Disclosure

The information under Item 2.02 above is incorporated herein by reference.

Attached as Exhibit 99.2 hereto is a presentation containing additional information regarding the Company’s second quarter fiscal 2023 financial results for the period ended October 29, 2022. A copy of the presentation is also available on the investor relations section of the Company’s website at <https://investor.avinc.com/events-and-presentations>. The information contained on the Company’s website is not incorporated by reference into, and does not form a part of, this Current Report on Form 8-K.

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

The information in this Current Report on Form 8-K, including the exhibits, is furnished pursuant to Items 2.02 and 7.01 and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing of AeroVironment, Inc. under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits.

Exhibit Number	Description
99.1	Press release issued by AeroVironment, Inc., dated December 6, 2022.
99.2	Presentation regarding AeroVironment, Inc.’s second quarter fiscal 2023 financial results dated December 6, 2022.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURE

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

AEROVIRONMENT, INC.

Date: December 6, 2022

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



PROCEED
WITH
CERTAINTY

24118th Street South, Suite 415, Arlington, VA 22202
avinc.com // NASDAQ: AVAV

PRESS RELEASE

AeroVironment Announces Fiscal 2023 Second Quarter Results

ARLINGTON, VA, December 6, 2022 — AeroVironment, Inc. (NASDAQ: AVAV), a global leader in intelligent, multi-domain robotic systems, today reported financial results for the fiscal second quarter ended October 29, 2022.

Second Quarter Highlights

- Strong bookings of \$197.3 million in the second quarter
- Second quarter revenue in line with expectations of \$111.6 million
- Raising FY23 revenue guidance to between \$505 million and \$525 million
- \$86 Million FMS order received in November resulting in record funded backlog of \$388.2 million as of November 26, 2022

“Our second quarter results came in line or slightly better than expectations and, given recent awards and accelerating demand across our portfolio, we are increasing our revenue guidance for fiscal year 2023,” said Wahid Nawabi, AeroVironment chairman, president and chief executive officer. “In November, we were awarded a Puma Small UAS systems contract with a ceiling value of \$176 million and initial funding of \$86 million. This award is the largest FMS order in the company’s history, and we expect shipments to start next quarter and continue over the next 6-12 months. This award, combined with our record backlog, gives us confidence to raise revenue guidance even as we continue managing ongoing supply chain constraints and inflationary cost pressures.

“In addition, we are also slightly reducing our profitability outlook for fiscal year 2023 due to increased R&D investments targeted at additional growth opportunities and accelerated Medium UAS asset depreciation related to a shift in US DOD funding priorities. We expect margins will recover and backlog will increase throughout the second half of fiscal year 2023 setting the stage for profitable organic double-digit growth in fiscal year 2024 and beyond.”

FISCAL 2023 SECOND QUARTER RESULTS

Revenue for the second quarter of fiscal 2023 was \$111.6 million, a decrease of 9% from the second quarter of fiscal 2022 revenue of \$122.0 million. The decrease in revenue reflects a decline in product sales of \$8.7 million and service revenue of \$1.8 million. The overall decrease in revenue was primarily due to a decrease in revenue in the Small UAS segment of \$28.0 million, partially offset by an increase in revenue from the Tactical Missile Systems (“TMS”) segment of \$12.7 million and an increase in customer-funded research and development revenue of \$4.2 million.

Gross margin for the second quarter of fiscal 2023 was \$25.9 million, a decrease of 39% from the second quarter of fiscal 2022 gross margin of \$42.5 million. The decrease in gross margin reflects lower product margin of \$9.2 million and lower service margin of \$7.4 million. As a percentage of revenue, gross margin decreased to 23% from 35%. The decrease in gross margin percentage was primarily related to unfavorable product mix and accelerated depreciation charges related to the anticipated completion of certain MUAS COCO site locations of \$4.5 million. Gross margin was negatively impacted by \$4.0 million of intangible

amortization expense and other related non-cash purchase accounting expenses in the second quarter of fiscal 2023 as compared to \$5.5 million in the second quarter of fiscal 2022.

Loss from operations for the second quarter of fiscal 2023 was \$14.3 million, a decrease of \$17.6 million from the second quarter of fiscal 2022 income from operations of \$3.3 million. The decrease in income from operations was primarily the result of a decrease in gross margin of \$16.6 million and an increase in research and development ("R&D") expense of \$2.3 million, partially offset by a decrease in selling, general and administrative ("SG&A") expense of \$1.2 million. The decrease in SG&A expense reflects a decrease in intangible amortization expense and other related non-cash purchase accounting expenses of \$1.0 million.

Other loss, net, for the second quarter of fiscal 2023 was \$1.5 million, as compared to \$11.4 million for the second quarter of fiscal 2022. The second quarter of fiscal 2022 included legal expenses of \$10.0 million for the settlement of all claims from the buyers of our former EES business. The increase in interest expense was primarily due to an increase in interest rates. Other income, net for the second quarter of fiscal 2023 includes unrealized gains associated with the increases in the fair market value for equity security investments.

Benefit from income taxes for the second quarter of fiscal 2023 was \$(10.5) million, as compared to a benefit from income taxes of \$(9.5) million for the second quarter of fiscal 2022. The increase in benefit from income taxes was primarily due to expected federal R&D tax credits and foreign-derived intangible income deductions.

Equity method investment loss, net of tax, for the second quarter of fiscal 2023 was \$(1.3) million, as compared to equity method investment income \$1.1 million for the second quarter of fiscal 2022. Subsequent to the sale of the equity interest in HAPSMobile during the three months ended April 30, 2022, equity method investment loss, net of tax no longer includes activity from HAPSMobile.

Net loss attributable to AeroVironment for the second quarter of fiscal 2023 was \$6.7 million, or \$(0.27) per diluted share, as compared to net income of \$2.5 million, or \$0.10 per diluted share, for the second quarter of fiscal 2022.

Non-GAAP adjusted EBITDA for the second quarter of fiscal 2023 was \$6.8 million and non-GAAP earnings per diluted share was \$0, as compared to \$21.9 million and \$0.78 for the second quarter of fiscal 2022.

BACKLOG

As of October 29, 2022, funded backlog (defined as remaining performance obligations under firm orders for which funding is currently appropriated to the Company under a customer contract) was \$293.1 million, as compared to \$210.8 million as of April 30, 2022. As of November 26, 2022, funded backlog was \$388.2 million.

FISCAL 2023 — OUTLOOK FOR THE FULL YEAR

For the fiscal year 2023, the Company now expects revenue of between \$505 million and \$525 million, net income of between \$8 million and \$17 million, Non-GAAP adjusted EBITDA of between \$84 million and \$92 million, earnings per diluted share of between \$0.33 and \$0.65 and non-GAAP earnings per diluted share, which excludes amortization of intangible assets and other non-cash purchase accounting expenses, of between \$1.26 and \$1.58.

The foregoing estimates are forward-looking and reflect management's view of current and future market conditions, subject to certain risks and uncertainties, and including certain assumptions with respect to our ability to efficiently and on a timely basis integrate our acquisitions, obtain and retain government contracts, changes in the timing and/or amount of government spending, changes in the demand for our products and services, activities of competitors, changes in the regulatory environment, and general economic and business conditions in the United States and elsewhere in the world. Investors are reminded that actual results may differ materially from these estimates.

CONFERENCE CALL AND PRESENTATION

In conjunction with this release, AeroVironment, Inc. will host a conference call today, Tuesday, December 6, 2022, at 4:30 pm Eastern Time that will be webcast live. Wahid Nawabi, chairman, president and chief executive officer, Kevin P. McDonnell, chief financial officer and Jonah Teeter-Balin, senior director corporate development and investor relations, will host the call.

New this quarter, investors may access the call by registering via the following participant registration link up to ten minutes prior to the start time.

Participant registration URL: <https://register.vevent.com/register/BI917865171ebf49738b3207daea259095>

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

A supplementary investor presentation for the second quarter fiscal year 2023 can be accessed at <https://investor.avinc.com/events-and-presentations>.

Audio Replay

An audio replay of the event will be archived on the Investor Relations section of the Company's website at <http://investor.avinc.com>.

ABOUT AEROVIRONMENT, INC.

AeroVironment (NASDAQ: AVAV) provides technology solutions at the intersection of robotics, sensors, software analytics and connectivity that deliver more actionable intelligence so you can **Proceed with Certainty**. Headquartered in Virginia, AeroVironment is a global leader in intelligent, multi-domain robotic systems, and serves defense, government and commercial customers. For more information, visit www.avinc.com.

FORWARD-LOOKING STATEMENTS

This press release contains "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain words such as "believe," "anticipate," "expect," "estimate," "intend," "project," "plan," or words or phrases with similar meaning. Forward-looking statements are based on current expectations, forecasts and assumptions that involve risks and uncertainties, including, but not limited to, economic, competitive, governmental and technological factors outside of our control, that may cause our business, strategy or actual results to differ materially from the forward-looking statements.

Factors that could cause actual results to differ materially from the forward-looking statements include, but are not limited to, the impact of our recent acquisitions, including but not limited to Arcturus UAV, Telerob and ISG and our ability to successfully integrate them into our operations; the risk that disruptions will occur from the transactions that will harm our business; any disruptions or threatened disruptions to our relationships with our distributors, suppliers, customers and employees, including shortages in components for our products; the ability to timely and sufficiently integrate international operations into our ongoing business and compliance programs; reliance on sales to the U.S. government and related to our development of HAPS UAS; availability of U.S. government funding for defense procurement and R&D programs; changes in the timing and/or amount of government spending; our ability to perform under existing contracts and obtain new contracts; risks related to our international business, including compliance with export control laws; potential need for changes in our long-term strategy in response to future developments; the extensive regulatory requirements governing our contracts with the U.S. government and international customers; the consequences to our financial position, business and reputation that could result from failing to comply with such regulatory

requirements; unexpected technical and marketing difficulties inherent in major research and product development efforts; the impact of potential security and cyber threats or the risk of unauthorized access to our, our customers' and/or our suppliers' information and systems; changes in the supply and/or demand and/or prices for our products and services; increased competition; uncertainty in the customer adoption rate of commercial use unmanned aircraft systems; failure to remain a market innovator, to create new market opportunities or to expand into new markets; unexpected changes in significant operating expenses, including components and raw materials; failure to develop new products or integrate new technology into current products; unfavorable results in legal proceedings; our ability to respond and adapt to unexpected legal, regulatory and government budgetary changes, including those resulting from the ongoing COVID-19 pandemic, such as supply chain disruptions, vaccine mandates, the threat of future variants and potential governmentally-mandated shutdowns, quarantine policies, travel restrictions and social distancing, curtailment of trade, diversion of government resources to non-defense priorities, and other business restrictions affecting our ability to manufacture and sell our products and provide our services; our ability to comply with the covenants in our loan documents; our ability to attract and retain skilled employees; the impact of inflation; and general economic and business conditions in the United States and elsewhere in the world; and the failure to establish and maintain effective internal control over financial reporting. For a further list and description of such risks and uncertainties, see the reports we file with the Securities and Exchange Commission. We do not intend, and undertake no obligation, to update any forward-looking statements, whether as a result of new information, future events or otherwise.

NON-GAAP MEASURES

In addition to the financial measures prepared in accordance with generally accepted accounting principles (GAAP), this earnings release also contains non-GAAP financial measures. See in the financial tables below the calculation of these measures, the reasons why we believe these measures provide useful information to investors, and a reconciliation of these measures to the most directly comparable GAAP measures.

– Financial Tables Follow –

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

	Three Months Ended		Six Months Ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
	(Unaudited)		(Unaudited)	
Revenue:				
Product sales	\$ 62,343	\$ 70,998	\$ 120,317	\$ 124,114
Contract services	49,241	51,010	99,783	98,903
	<u>111,584</u>	<u>122,008</u>	<u>220,100</u>	<u>223,017</u>
Cost of sales:				
Product sales	39,445	38,937	72,344	71,527
Contract services	46,249	40,616	88,152	80,312
	<u>85,694</u>	<u>79,553</u>	<u>160,496</u>	<u>151,839</u>
Gross margin:				
Product sales	22,898	32,061	47,973	52,587
Contract services	2,992	10,394	11,631	18,591
	<u>25,890</u>	<u>42,455</u>	<u>59,604</u>	<u>71,178</u>
Selling, general and administrative	23,613	24,819	45,556	51,947
Research and development	16,591	14,297	31,636	28,005
(Loss) income from operations	<u>(14,314)</u>	<u>3,339</u>	<u>(17,588)</u>	<u>(8,774)</u>
Other (loss) income:				
Interest expense, net	(2,309)	(1,379)	(3,912)	(2,654)
Other income (expense), net	810	(10,048)	404	(10,394)
Loss before income taxes	<u>(15,813)</u>	<u>(8,088)</u>	<u>(21,096)</u>	<u>(21,822)</u>
Benefit from income taxes	(10,457)	(9,511)	(7,851)	(10,468)
Equity method investment (loss) income, net of tax	<u>(1,273)</u>	<u>1,133</u>	<u>(1,773)</u>	<u>(8)</u>
Net (loss) income	<u>(6,629)</u>	<u>2,556</u>	<u>(15,018)</u>	<u>(11,362)</u>
Net income attributable to noncontrolling interest	<u>(39)</u>	<u>(31)</u>	<u>(45)</u>	<u>(94)</u>
Net (loss) income attributable to AeroVironment, Inc.	<u>\$ (6,668)</u>	<u>\$ 2,525</u>	<u>\$ (15,063)</u>	<u>\$ (11,456)</u>
Net (loss) income per share attributable to AeroVironment, Inc.				
Basic	\$ (0.27)	\$ 0.10	\$ (0.61)	\$ (0.47)
Diluted	\$ (0.27)	\$ 0.10	\$ (0.61)	\$ (0.47)
Weighted-average shares outstanding:				
Basic	24,900,873	24,641,614	24,852,219	24,630,838
Diluted	24,900,873	24,885,870	24,852,219	24,630,838

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

	October 29, 2022 (Unaudited)	April 30, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 101,417	\$ 77,231
Short-term investments	—	24,716
Accounts receivable, net of allowance for doubtful accounts of \$74 at October 29, 2022 and \$592 at April 30, 2022	31,664	60,170
Unbilled receivables and retentions	92,457	104,194
Inventories, net	109,810	90,629
Income taxes receivable	8,940	442
Prepaid expenses and other current assets	13,244	11,527
Total current assets	357,532	368,909
Long-term investments	22,462	15,433
Property and equipment, net	52,415	62,296
Operating lease right-of-use assets	25,580	26,769
Deferred income taxes	8,098	7,290
Intangibles, net	88,660	97,224
Goodwill	334,963	334,347
Other assets	1,972	1,932
Total assets	<u>\$ 891,682</u>	<u>\$ 914,200</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 26,317	\$ 19,244
Wages and related accruals	25,049	25,398
Customer advances	7,074	8,968
Current portion of long-term debt	10,000	10,000
Current operating lease liabilities	7,564	6,819
Income taxes payable	26	759
Other current liabilities	27,824	30,203
Total current liabilities	103,854	101,391
Long-term debt, net of current portion	155,622	177,840
Non-current operating lease liabilities	20,043	21,915
Other non-current liabilities	748	768
Liability for uncertain tax positions	1,450	1,450
Deferred income taxes	2,482	2,626
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.0001 par value:		
Authorized shares—10,000,000; none issued or outstanding at October 29, 2022 and April 30, 2022	—	—
Common stock, \$0.0001 par value:		
Authorized shares—100,000,000		
Issued and outstanding shares—25,157,618 shares at October 29, 2022 and 24,951,287 shares at April 30, 2022	4	2
Additional paid-in capital	283,789	267,248
Accumulated other comprehensive loss	(8,480)	(6,514)
Retained earnings	332,170	347,233
Total AeroVironment, Inc. stockholders' equity	607,483	607,969
Noncontrolling interest	—	241
Total equity	607,483	608,210
Total liabilities and stockholders' equity	<u>\$ 891,682</u>	<u>\$ 914,200</u>

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

	Six Months Ended	
	October 29, 2022	October 30, 2021
Operating activities		
Net loss	\$ (15,018)	\$ (11,362)
Adjustments to reconcile net loss from operations to cash provided by (used in) operating activities:		
Depreciation and amortization	32,275	30,019
Loss (income) from equity method investments	1,773	(520)
Loss on deconsolidation of previously controlled subsidiary	189	
Amortization of debt issuance costs	422	258
Provision for doubtful accounts	19	(35)
Other non-cash expense, net	565	157
Non-cash lease expense	3,775	3,358
(Gain) loss on foreign currency transactions	(59)	30
Unrealized gain on available-for-sale equity securities, net	(928)	—
Deferred income taxes	(808)	(840)
Stock-based compensation	4,402	2,342
Loss on disposal of property and equipment	825	3,036
Amortization of debt securities	125	113
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	28,012	37,134
Unbilled receivables and retentions	11,696	(46,619)
Inventories	(23,836)	(10,075)
Income taxes receivable	(8,539)	(10,667)
Prepaid expenses and other assets	(1,117)	272
Accounts payable	6,823	(3,587)
Other liabilities	(8,664)	3,642
Net cash provided by (used in) operating activities	31,932	(3,344)
Investing activities		
Acquisition of property and equipment	(7,587)	(13,147)
Equity method investments	(2,774)	(6,245)
Equity security investments	(5,100)	—
Business acquisitions, net of cash acquired	(5,105)	(46,150)
Proceeds from deconsolidation of previously controlled subsidiary, net of cash deconsolidated	(635)	—
Redemptions of available-for-sale investments	25,945	30,531
Purchases of available-for-sale investments	(1,326)	—
Other	—	224
Net cash provided by (used in) investing activities	3,418	(34,787)
Financing activities		
Principal payments of term loan	(22,500)	(5,000)
Holdback and retention payments for business acquisition	—	(5,991)
Proceeds from shares issued, net of issuance costs	11,778	—
Tax withholding payment related to net settlement of equity awards	(853)	(1,176)
Exercise of stock options	682	119
Other	(14)	(16)
Net cash used in financing activities	(10,907)	(12,064)
Effects of currency translation on cash and cash equivalents	(257)	(275)
Net increase (decrease) in cash, cash equivalents, and restricted cash	24,186	(50,470)
Cash, cash equivalents and restricted cash at beginning of period	77,231	157,063
Cash, cash equivalents and restricted cash at end of period	<u>\$ 101,417</u>	<u>\$ 106,593</u>
Supplemental disclosures of cash flow information		
Cash paid, net during the period for:		
Income taxes	\$ 718	\$ 1,923
Interest	\$ 3,398	\$ 2,283
Non-cash activities		
Unrealized (gain) loss on available-for-sale investments, net of deferred tax expense of \$0 for the six months ended October 29, 2022 and October 30, 2021, respectively	\$ (26)	\$ 3
Change in foreign currency translation adjustments	\$ (1,992)	\$ (2,017)
Issuances of inventory to property and equipment, ISR in-service assets	\$ 4,085	\$ 12,472
Acquisitions of property and equipment included in accounts payable	\$ 810	\$ 415

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

	Three Months Ended October 29, 2022					Total
	Small UAS	TMS	MUAS	HAPS	All other	
Revenue	\$ 26,681	\$ 31,101	\$ 27,281	\$ 9,066	\$ 17,455	\$ 111,584
Gross margin	12,319	12,636	(6,884)	3,001	4,818	25,890
Income (loss) from operations	(2,079)	2,004	(15,242)	1,564	(561)	(14,314)
Acquisition-related expenses	-	-	119	-	450	569
Amortization of acquired intangible assets and other purchase accounting adjustments	669	-	5,897	-	1,276	7,842
Adjusted income (loss) from operations	\$ (1,410)	\$ 2,004	\$ (9,226)	\$ 1,564	\$ 1,165	\$ (5,903)

	Three Months Ended October 30, 2021					Total
	Small UAS	TMS	MUAS	HAPS	All other	
Revenue	\$ 54,714	\$ 18,418	\$ 26,525	\$ 10,342	\$ 12,009	\$ 122,008
Gross margin	27,754	6,222	2,223	3,944	2,312	42,455
Income (loss) from operations	13,377	47	(7,000)	2,073	(5,158)	3,339
Acquisition-related expenses	297	163	108	58	222	848
Amortization of acquired intangible assets and other purchase accounting adjustments	707	-	6,358	-	3,257	10,322
Adjusted income (loss) from operations	\$ 14,381	\$ 210	\$ (534)	\$ 2,131	\$ (1,679)	\$ 14,509

AeroVironment, Inc.
Reconciliation of non-GAAP (Loss) Earnings per Diluted Share (Unaudited)

	Three Months Ended October 29, 2022	Three Months Ended October 30, 2021	Six Months Ended October 29, 2022	Six Months Ended October 30, 2021
(Loss) earnings per diluted share	\$ (0.27)	\$ 0.10	\$ (0.61)	\$ (0.47)
Acquisition-related expenses	0.02	0.03	0.03	0.15
Amortization of acquired intangible assets and other purchase accounting adjustments	0.25	0.33	0.47	0.62
Legal accrual related to our former EES business	—	0.32	—	0.32
Earnings (loss) per diluted share as adjusted (Non-GAAP)	\$ —	\$ 0.78	\$ (0.11)	\$ 0.62

Reconciliation of non-GAAP adjusted EBITDA (Unaudited)

<i>(in millions)</i>	Three Months Ended October 29, 2022	Three Months Ended October 30, 2021	Six Months Ended October 29, 2022	Six Months Ended October 30, 2021
Net (loss) income	\$ (7)	\$ 3	\$ (15)	\$ (11)
Interest expense, net	2	1	4	3
Benefit from income taxes	(10)	(10)	(8)	(10)
Depreciation and amortization	19	17	32	30
EBITDA (Non-GAAP)	4	11	13	12
Amortization of purchase accounting adjustment included in loss on disposal of property and equipment	—	1	—	1
Stock-based compensation	2	—	4	2
Equity method and equity securities investments activity, net	—	(1)	2	—
Acquisition-related expenses	1	1	1	4
Legal accrual related to our former EES business	—	10	—	10
Adjusted EBITDA (Non-GAAP)	\$ 7	\$ 22	\$ 20	\$ 29

Reconciliation of Forecast Earnings per Diluted Share (Unaudited)

	Fiscal year ending April 30, 2023
Forecast earnings per diluted share	\$ 0.33 - 0.65
Acquisition-related expenses	0.02
Amortization of acquired intangible assets and other purchase accounting adjustments	0.91
Forecast earnings per diluted share as adjusted (Non-GAAP)	\$ 1.26 - 1.58

Reconciliation of 2023 Forecast and Fiscal Year 2022 Actual Non-GAAP adjusted EBITDA (Unaudited)

<i>(in millions)</i>	Fiscal year ending April 30, 2023	Fiscal year ended April 30, 2022
Net income (loss)	\$ 8 - 17	\$ (4)
Interest expense, net	9	5
Benefit from income taxes	(6) - (7)	(10)
Depreciation and amortization	63	61
EBITDA (Non-GAAP)	74 - 82	52
Amortization of purchase accounting adjustment included in loss on disposal of property and equipment	—	1
Stock-based compensation	8	5
Sale of ownership in HAPSMobile Inc. joint venture	—	(6)
Equity method and equity securities investments activity, net	1	(5)
Legal accrual related to our former EES business	—	10
Acquisition-related expenses	1	5
Adjusted EBITDA (Non-GAAP)	\$ 84 - 92	\$ 62

Statement Regarding Non-GAAP Measures

The non-GAAP measures set forth above should be considered in addition to, and not as a replacement for or superior to, the comparable GAAP measures, and may not be comparable to similarly titled measures reported by other companies. Management believes that these measures provide useful information to investors by offering additional ways of viewing our results that, when reconciled to the corresponding GAAP measures, help our investors to understand the long-term profitability trends of our business and compare our profitability to prior and future periods and to our peers. In addition, management uses these non-GAAP measures to evaluate our operating and financial performance.

Non-GAAP Adjusted Operating Income

Adjusted operating income is defined as operating income before intangible amortization, amortization of non-cash purchase accounting adjustments, and acquisition related expenses.

Non-GAAP Earnings per Diluted Share

We exclude the acquisition-related expenses, amortization of acquisition-related intangible assets and one-time non-operating items because we believe this facilitates more consistent comparisons of operating results over time between our newly acquired and existing businesses, and with our peer companies. We believe, however, that it is important for investors to understand that such intangible assets contribute to revenue generation and that intangible asset amortization will recur in future periods until such intangible assets have been fully amortized.

Adjusted EBITDA (Non-GAAP)

Adjusted EBITDA is defined as net income before interest income, interest expense, income tax expense (benefit) and depreciation and amortization including amortization of purchase accounting adjustments, adjusted for the impact of certain other items, including stock-based compensation, acquisition related expenses, equity method investment gains or losses, equity securities investments gains or losses, and one-time non-operating gains or losses. We present Adjusted EBITDA, which is not a recognized financial measure under U.S. GAAP, because we believe it is frequently used by analysts, investors and other interested parties to evaluate companies in our industry. We believe this facilitates more consistent comparisons of operating results over time between our newly acquired and existing businesses, and with our peer companies. We believe, however, that it is important for investors to understand that such intangible assets contribute to revenue generation, intangible asset amortization will recur in future periods until such intangible assets have been fully amortized and that interest and income tax expenses will recur in future periods. In addition, Adjusted EBITDA may not be comparable to similarly titled measures used by other companies in our industry or across different industries.



For additional media and information, please follow us



CONTACT

Jonah Teeter-Balin

+1 (805) 520-8350 x4278

<https://investor.avinc.com/contact-us>



PROCEED
WITH
CERTAINTY

SECOND QUARTER FISCAL YEAR 2023 EARNINGS PRESENTATION

December 6, 2022

SAFE HARBOR STATEMENT

- Certain statements in this presentation may constitute "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain words such as "believe," "anticipate," "expect," "estimate," "intend," "project," "plan," or words or phrases with similar meaning. Forward-looking statements are based on current expectations, forecasts and assumptions that involve risks and uncertainties, including, but not limited to, economic, competitive, governmental and technological factors outside of our control, that may cause our business, strategy or actual results to differ materially from the forward-looking statements.
- Factors that could cause actual results to differ materially from the forward-looking statements include, but are not limited to, the impact of our recent acquisitions, including but not limited to Arcturus UAV, Inc., Telerob GmbH and the Intelligent Systems Group of Progeny Systems Corp. and our ability to successfully integrate them into our operations; the risk that disruptions will occur from the transactions that will harm our business; any disruptions or threatened disruptions to our relationships with our distributors, suppliers, customers and employees, including shortages in components for our products; the ability to timely and sufficiently integrate international operations into our ongoing business and compliance programs; reliance on sales to the U.S. government and related to our development of HAPS UAS; availability of U.S. government funding for defense procurement and R&D programs; changes in the timing and/or amount of government spending; our ability to perform under existing contracts and obtain new contracts; risks related to our international business, including compliance with export control laws; potential need for changes in our long-term strategy in response to future developments; the extensive regulatory requirements governing our contracts with the U.S. government and international customers; the consequences to our financial position, business and reputation that could result from failing to comply with such regulatory requirements; unexpected technical and marketing difficulties inherent in major research and product development efforts; the impact of potential security and cyber threats or the risk of unauthorized access to our, our customers' and/or our suppliers' information and systems; changes in the supply and/or demand and/or prices for our products and services; increased competition; uncertainty in the customer adoption rate of commercial use unmanned aircraft systems; failure to remain a market innovator, to create new market opportunities or to expand into new markets; unexpected changes in significant operating expenses, including components and raw materials; failure to develop new products or integrate new technology into current products; unfavorable results in legal proceedings; our ability to respond and adapt to unexpected legal, regulatory and government budgetary changes, including those resulting from the ongoing COVID-19 pandemic, such as supply chain disruptions, vaccine mandates, the threat of future variants and potential governmentally-mandated shutdowns, quarantine policies, travel restrictions and social distancing, curtailment of trade, diversion of government resources to non-defense priorities, and other business restrictions affecting our ability to manufacture and sell our products and provide our services; our ability to comply with the covenants in our loan documents; our ability to attract and retain skilled employees; the impact of inflation; and general economic and business conditions in the United States and elsewhere in the world; and the failure to establish and maintain effective internal control over financial reporting. For a further list and description of such risks and uncertainties, see the reports we file with the Securities and Exchange Commission. We do not intend, and undertake no obligation, to update any forward-looking statements, whether as a result of new information, future events or otherwise.
- For a further list and description of such risks and uncertainties, see the reports we file with the Securities and Exchange Commission, including our most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, which are available at www.sec.gov or on our website at www.investor.avinc.com/financial-information. We do not intend, and undertake no obligation, to update any forward-looking statements, whether as a result of new information, future events or otherwise.

SECOND QUARTER FISCAL YEAR 2023 KEY MESSAGES

- **Achieved second quarter and first half results in line with expectations, while continuing to experience strong demand across nearly all product lines**
- **In November, Company received largest FMS contract in company history with \$176 million ceiling and \$86 million funded to date**
- **Given growing order volume, company is increasing revenue guidance for FY2023 while slightly reducing profitability outlook due to increased R&D investments and MUAS accelerated asset depreciation**
- **With record November backlog of \$388 million, strong revenue visibility and increasing order flow, the company is positioned for double digit top-line growth in FY2023 and beyond**

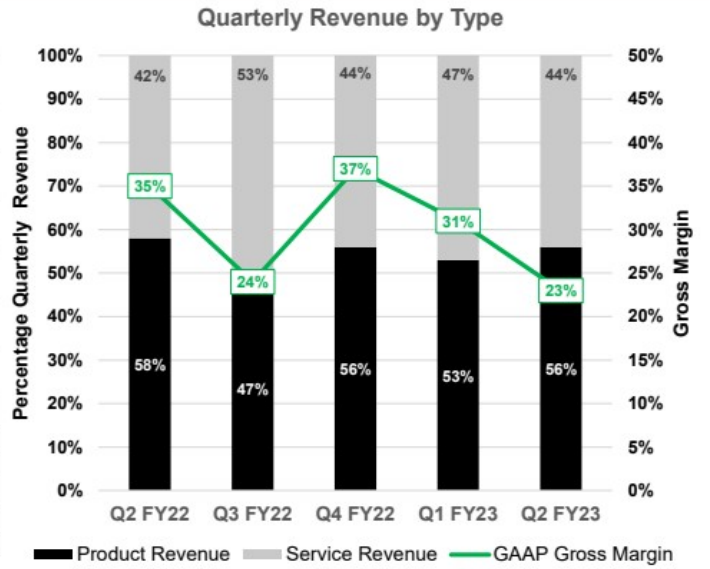
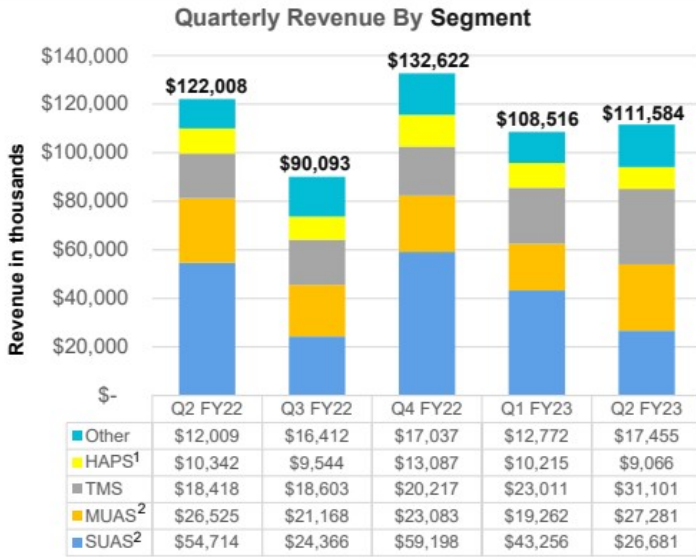
SECOND QUARTER RESULTS FISCAL YEAR 2023

Metric	Q2 FY23	Year-Over-Year Change	Notes
Revenue	\$111.6 million	(9%)	Decline impacted by lower product sales and service revenue primarily due to decrease in revenue in SUAS segment partially offset by an increase in revenue from the TMS segment and customer-funded R&D revenue
GAAP Gross profit	\$25.9 million	(39%)	Decline impacted by lower sales volume, unfavorable product sales mix (as a result of lower SUAS mix), unfavorable service margins as a result of accelerated depreciation on certain MUAS assets following the consolidation of COCO sites
Adjusted EBITDA ¹	\$6.8 million	(\$15.1 million)	YoY decline due to lower revenue, unfavorable product mix and higher R&D investments
Non-GAAP EPS (diluted) ²	\$0.00	(\$0.78)	YoY decline due to lower revenue, unfavorable product mix, accelerated depreciation of certain MUAS assets, higher R&D investments, and higher interest expense
Funded Backlog	\$293.1 million	16%	Strong backlog driven by SUAS and TMS increase in international demand following the war in Ukraine

¹ Refer to Adjusted EBITDA reconciliation on Appendix D.

² Refer to Reconciliation of Non-GAAP Earnings Per Diluted Share on Appendix A.

REVENUE MIX BY SEGMENT AND TYPE

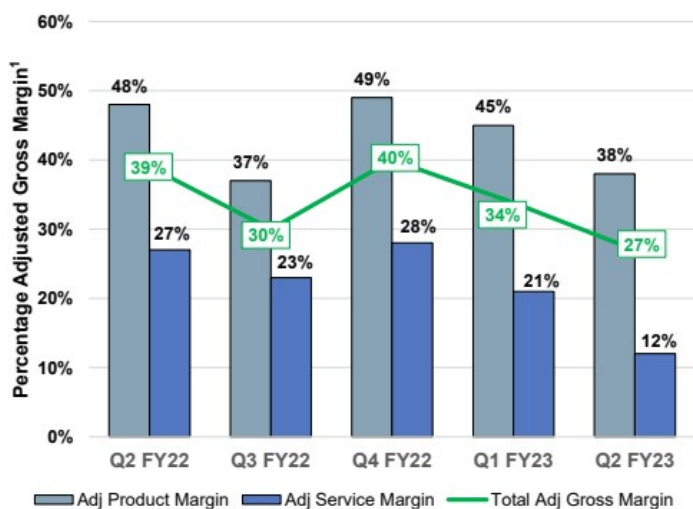


¹ HAPS on track to deliver revenues of \$30-\$35 million for FY23

² Expect FY23 second half decline in MUAS services revenues more than offset by anticipated increases in SUAS and MUAS product revenues

ANTICIPATE SHIFT BACK TO 70% PRODUCT AND 30% SERVICE MIX DURING SECOND HALF OF FY23

ADJUSTED PROFITABILITY BY TYPE AND NON-GAAP EPS



¹ Refer to GAAP to NON-GAAP reconciliation on Appendix C.

² Refer to Reconciliation of Non-GAAP Diluted Loss Per Share on Appendix A.

GROSS MARGINS EXPECTED TO EXPAND SEQUENTIALLY AND RETURN TO FY22 LEVELS FOR THE FULL YEAR. PRODUCT MARGINS EXPECTED IN LOW-TO-MID 40% RANGE IN SECOND HALF OF FY23.

UPDATED GUIDANCE: FISCAL 2023 OUTLOOK

As of 12/6/2022	FY22 Results	FY23 Revised Guidance	Expected % Change (to midpoint)
Revenue	\$446 million	\$505 million - \$525 million	15%
Net Income/(Loss)	(\$4 million)	\$8 million – \$17 million	---
Adjusted EBITDA ¹	\$63 million	\$84 million – \$92 million ⁴	40%
Earnings/(Loss) Per Share (diluted)	(\$0.17)	\$0.33 – \$0.65	---
Non-GAAP Earnings Per Share (diluted)	\$1.25 ³	\$1.26 – \$1.58 ²	14%

Expect R&D Expenses of 11%-12% of Revenues in FY23.
Anticipate Q3 accelerated depreciation of ~\$2.5M

¹ Refer to Adjusted EBITDA reconciliation on Appendix D.

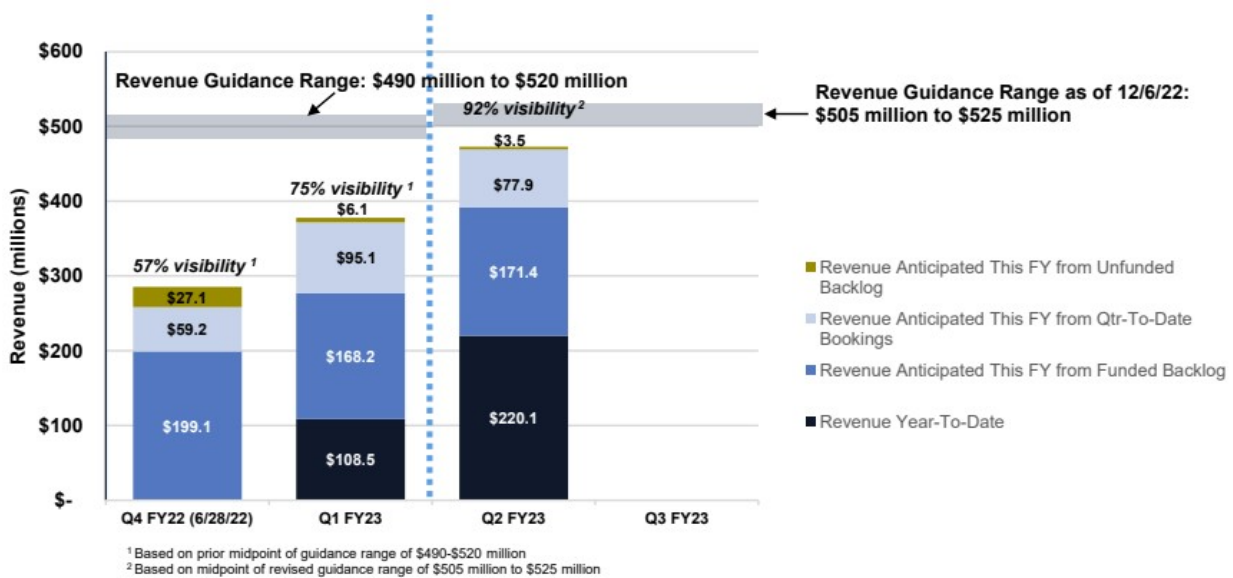
² Refer to Reconciliation of Fiscal Year 2023 Non-GAAP Diluted Earnings Per Share Expectations on Appendix B

³ Refer to Reconciliation of Fiscal Year 2022 Non-GAAP Diluted Earnings Per Share on Appendix A

⁴ Refer to Reconciliation of Non-GAAP Fiscal Year 2023 Adjusted EBITDA Expectations on Appendix E.

**INCREASE IN FY23 REVENUE AND ADJUSTED EBITDA GUIDANCE DUE TO STRONG ORDER FLOW.
EPS ADJUSTED FOR IMPACT OF NON-CASH ACCELERATED DEPRECIATION AND INCREMENTAL R&D INVESTMENTS.**

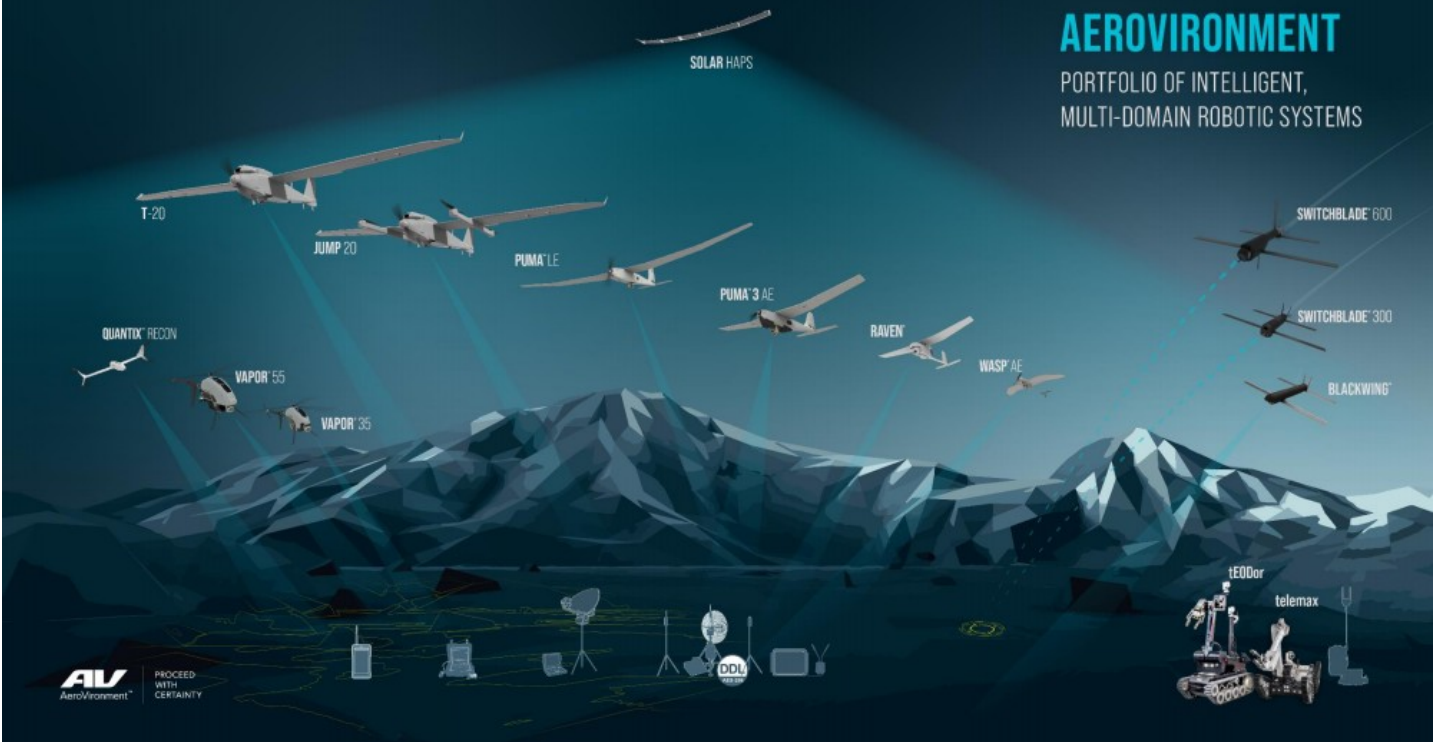
VISIBILITY FOR FY23



ANTICIPATE ~60% OF SECOND HALF REVENUES IN Q4 WITH INVENTORIES EXPECTED TO GROW AS WE RAMP TO MEET DEMAND.

AEROVIRONMENT

PORTFOLIO OF INTELLIGENT,
MULTI-DOMAIN ROBOTIC SYSTEMS



AV
AeroVIRONMENT™

PROCEED
WITH
CERTAINTY

DDL

tEODor

telemax

APPENDIX A – RECONCILIATION OF FISCAL YEAR 2022 NON-GAAP EARNINGS PER DILUTED SHARE (UNAUDITED)

	<u>Three Months Ended</u> <u>October 29, 2022</u>	<u>Three Months Ended</u> <u>October 30, 2021</u>	<u>Fiscal year ending</u> <u>April 30, 2022</u>
(Loss) earnings per diluted share	\$ (0.27)	\$ 0.10	\$ (0.17)
Acquisition-related expenses	0.02	0.03	0.18
Amortization of acquired intangible assets and other purchase accounting adjustments	0.25	0.33	1.17
Sale of ownership in HAPSMobile Inc. joint venture	—	—	(0.25)
Legal accrual related to our former EES business	—	0.32	0.32
Earnings (loss) per diluted share as adjusted (Non-GAAP)	<u>\$ —</u>	<u>\$ 0.78</u>	<u>\$ 1.25</u>

APPENDIX B – RECONCILIATION OF FISCAL YEAR 2023 NON-GAAP DILUTED EARNINGS PER SHARE EXPECTATIONS (UNAUDITED)

	Fiscal Year Ending April 30, 2023
Forecast earnings per diluted share	\$ 0.33 - 0.65
Acquisition-related expenses	0.02
Amortization of acquired intangible and FV assets	0.91
Forecast earnings per diluted share as adjusted Non-GAAP	<u>\$ 1.26 - 1.58</u>

APPENDIX C – GAAP TO NON-GAAP RECONCILIATION OF ADJUSTED GROSS MARGIN

<i>(in thousands)</i>	Fiscal 2nd Quarter FY2022	Fiscal 3rd Quarter FY2022	Fiscal 4th Quarter FY2022	Fiscal 1st Quarter FY2023	Fiscal 2nd Quarter FY2023
Adjusted Gross Margin					
<i>Products</i>					
Gross Margin	\$32,061	\$13,305	\$34,195	\$25,075	\$22,898
Intangible Amortization	\$2,320	\$2,359	\$1,818	\$1,026	\$1,009
Adjusted Gross Margin	\$34,381	\$15,664	\$36,013	\$26,101	\$23,907
Adjusted Gross Margin % of Revenue	48.4%	36.8%	48.7%	45.0%	38.3%
<i>Services</i>					
Gross Margin	\$10,394	\$8,131	\$14,427	\$8,639	\$2,992
Intangible Amortization	\$3,141	\$2,762	\$2,113	\$2,071	\$2,975
Adjusted Gross Margin	\$13,535	\$10,893	\$16,540	\$10,710	\$5,967
Adjusted Gross Margin % of Revenue	26.5%	22.9%	28.2%	21.2%	12.1%

APPENDIX D – HISTORICAL ADJUSTED EBITDA RECONCILIATION

	Fiscal 2nd Quarter FY2022	Fiscal 3rd Quarter FY2022	Fiscal 4th Quarter FY2022	Full Fiscal Year FY2022	Fiscal 1st Quarter FY2023	Fiscal 2nd Quarter FY2023
Net income from continued operations	\$ 2,525	\$ 10	\$ 7,258	\$ (4,188)	\$ (8,395)	\$ (6,668)
Interest Expense (Income)/net	1,379	1,510	1,276	5,440	1,603	2,309
Tax provision / (benefit)	(9,511)	(15,396)	15,495	(10,369)	2,605	(10,457)
Depreciation and amortization (1)	16,365	17,418	13,388	60,825	14,000	18,275
EBITDA (Non-GAAP)	\$ 10,758	\$ 3,542	\$ 37,417	\$ 51,708	\$ 9,813	\$ 3,459
FV Step-up amortization incl. in loss of disposal of PP&E	869	—	63	1,280	115	53
Cloud amortization	72	91	114	339	126	137
Stock-based compensation	420	1,615	1,433	5,390	2,217	2,185
Acquisition-related expenses	848	368	969	4,853	335	569
Equity method and equity security investments activity, net	(1,133)	(171)	(4,426)	(4,589)	500	345
Non-controlling interest	31	(45)	(46)	3	6	39
Legal accrual related to our former EES business	10,000	—	—	10,000	—	—
Sale of ownership in HAPSMobile JV	—	—	(6,383)	(6,383)	—	—
Adjusted EBITDA (Non-GAAP)	\$ 21,865	\$ 5,400	\$ 28,541	\$ 62,601	\$ 13,112	\$ 6,788

(1) as reported

APPENDIX E – RECONCILIATION OF NON-GAAP FISCAL YEAR 2023 ADJUSTED EBITDA EXPECTATIONS

<i>(in millions)</i>	Fiscal Year Ending April 30, 2023
Net income	\$ 8 - 17
Interest expense, net	9
Benefit from income taxes	(6) - (7)
Depreciation and amortization	63
EBITDA (Non-GAAP)	74 - 82
Stock-based compensation	8
Equity method and equity security investments activity, net	1
Acquisition-related expenses	1
Adjusted EBITDA (Non-GAAP)	\$ 84 - 92