UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended January 25, 2025

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-33261

AEROVIRONMENT, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**95-2705790** (I.R.S. Employer Identification No.)
241 18th Street South, Suite 650 **Arlington, Virginia** (Address of principal executive offices)	**22202** (Zip Code)

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

N/A
(Former name, former address and former fiscal year, if changed since last report)

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**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of February 26, 2025, the number of shares outstanding of the registrant's common stock, $0.0001 par value, was 28,218,842.

AeroVironment, Inc.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	January 25, 2025 (Unaudited)	April 30, 2024
Assets		
Current assets:		
Cash and cash equivalents	$ 47,000	$ 73,301
Accounts receivable, net of allowance for doubtful accounts of $94 at January 25, 2025 and $159 at April 30, 2024	81,231	70,305
Unbilled receivables and retentions	229,651	199,474
Inventories, net	147,973	150,168
Income taxes receivable	15,112	—
Prepaid expenses and other current assets	22,919	22,333
Total current assets	543,886	515,581
Long-term investments	25,522	20,960
Property and equipment, net	49,587	46,602
Operating lease right-of-use assets	31,696	30,033
Deferred income taxes	41,303	41,303
Intangibles, net	57,780	72,224
Goodwill	275,289	275,652
Other assets	23,080	13,505
Total assets	$ 1,048,143	$ 1,015,860
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 48,766	$ 48,298
Wages and related accruals	36,550	44,312
Customer advances	12,064	11,192
Current portion of long-term debt	—	10,000
Current operating lease liabilities	9,365	9,841
Income taxes payable	25	4,162
Other current liabilities	22,138	17,074
Total current liabilities	128,908	144,879
Long-term debt, net of current portion	25,000	17,092
Non-current operating lease liabilities	24,820	22,745
Other non-current liabilities	2,106	2,132
Liability for uncertain tax positions	5,603	5,603
Deferred income taxes	651	664
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.0001 par value:		
Authorized shares—10,000,000; none issued or outstanding at January 25, 2025 and April 30, 2024	—	—
Common stock, $0.0001 par value:		
Authorized shares—100,000,000		
Issued and outstanding shares—28,219,440 shares at January 25, 2025 and 28,134,438 shares at April 30, 2024	4	4
Additional paid-in capital	609,606	597,646
Accumulated other comprehensive loss	(6,197)	(5,592)
Retained earnings	257,642	230,687
Total stockholders' equity	861,055	822,745
Total liabilities and stockholders' equity	$ 1,048,143	$ 1,015,860

See accompanying notes to condensed consolidated financial statements (unaudited).

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

	Three Months Ended		Nine Months Ended	
	January 25, 2025	January 27, 2024	January 25, 2025	January 27, 2024
Revenue:				
Product sales	$ 139,753	$ 155,923	$ 450,488	$ 421,173
Contract services	27,883	$ 30,655	95,089	98,568
	167,636	186,578	545,577	519,741
Cost of sales:				
Product sales	81,001	99,486	253,572	240,126
Contract services	23,436	19,805	73,701	71,318
	104,437	119,291	327,273	311,444
Gross margin:				
Product sales	58,752	56,437	196,916	181,047
Contract services	4,447	10,850	21,388	27,250
	63,199	67,287	218,304	208,297
Selling, general and administrative	43,788	27,826	115,499	79,800
Research and development	22,498	25,127	75,827	62,618
(Loss) income from operations	(3,087)	14,334	26,978	65,879
Other income (loss):				
Interest expense, net	(248)	(114)	(1,177)	(4,072)
Other income (expense), net	976	1,004	758	(2,983)
(Loss) income before income taxes	(2,359)	15,224	26,559	58,824
(Benefit from) provision for income taxes	(605)	1,259	659	3,710
Equity method investment (loss) income, net of tax	—	(80)	1,055	(1,494)
Net (loss) income	(1,754)	13,885	26,955	53,620
Net (loss) income per share				
Basic	$ (0.06)	$ 0.50	$ 0.96	$ 1.99
Diluted	$ (0.06)	$ 0.50	$ 0.96	$ 1.98
Weighted-average shares outstanding:				
Basic	28,031,901	27,907,568	28,001,089	26,957,061
Diluted	28,031,901	28,044,127	28,171,089	27,061,409

See accompanying notes to condensed consolidated financial statements (unaudited).

AeroVironment, Inc.
Condensed Consolidated Statements of Comprehensive (Loss) Income (Unaudited)
(In thousands)

	Three Months Ended		Nine Months Ended	
	January 25, 2025	January 27, 2024	January 25, 2025	January 27, 2024
Net (loss) income	$ (1,754)	$ 13,885	$ 26,955	$ 53,620
Other comprehensive (loss) income:				
Change in foreign currency translation adjustments	(969)	1,189	(605)	(436)
Total comprehensive (loss) income	$ (2,723)	$ 15,074	$ 26,350	$ 53,184

See accompanying notes to condensed consolidated financial statements (unaudited).

AeroVironment, Inc.
Condensed Consolidated Statements of Stockholders' Equity
For the three months ended January 25, 2025 and January 27, 2024 (Unaudited)
(In thousands except share data)

	Common Stock		Additional Paid-In	Retained	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Earnings	Loss	Total
Balance at October 26, 2024	28,205,237	$ 4	$ 604,225	$ 259,396	$ (5,228)	$ 858,397
Net loss	—	—	—	(1,754)	—	(1,754)
Foreign currency translation	—	—	—	—	(969)	(969)
Stock options exercised	—	—	—	—	—	—
Restricted stock awards	16,804	—	—	—	—	—
Restricted stock awards forfeited	(2,601)	—	—	—	—	—
Tax withholding payment related to net share settlement of equity awards	—	—	—	—	—	—
Stock based compensation	—	—	5,381	—	—	5,381
Balance at January 25, 2025	28,219,440	$ 4	$ 609,606	$ 257,642	$ (6,197)	$ 861,055

	Common Stock		Additional Paid-In	Retained	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Earnings	Loss	Total
Balance at October 28, 2023	28,135,539	$ 4	$ 589,047	$ 210,756	$ (6,077)	$ 793,730
Net income	—	—	—	13,885	—	13,885
Foreign currency translation	—	—	—	—	1,189	1,189
Restricted stock awards	4,622	—	—	—	—	—
Restricted stock awards forfeited	(3,426)	—	—	—	—	—
Stock based compensation	—	—	4,181	—	—	4,181
Balance at January 27, 2024	28,136,735	$ 4	$ 593,228	$ 224,641	$ (4,888)	$ 812,985

AeroVironment, Inc.
Condensed Consolidated Statements of Stockholders' Equity
For the nine months ended January 25, 2025 and January 27, 2024 (Unaudited)
(In thousands except share data)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
Balance at April 30, 2024	28,134,438	$ 4	$ 597,646	$ 230,687	$ (5,592)	$ 822,745
Net income	—	—	—	26,955	—	26,955
Foreign currency translation	—	—	—	—	(605)	(605)
Stock options exercised	16,164	—	506	—	—	506
Restricted stock awards	88,587	—	—	—	—	—
Restricted stock awards forfeited	(7,764)	—	—	—	—	—
Tax withholding payment related to net share settlement of equity awards	(11,985)	—	(4,064)	—	—	(4,064)
Stock based compensation	—	—	15,518	—	—	15,518
Balance at January 25, 2025	28,219,440	$ 4	$ 609,606	$ 257,642	$ (6,197)	$ 861,055

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
Balance at April 30, 2023	26,216,897	$ 4	$ 384,397	$ 171,021	$ (4,452)	$ 550,970
Net income	—	—	—	53,620	—	53,620
Foreign currency translation	—	—	—	—	(436)	(436)
Restricted stock awards	149,990	—	—	—	—	—
Restricted stock awards forfeited	(9,602)	—	—	—	—	—
Tax withholding payment related to net share settlement of equity awards	(13,919)	—	(1,370)	—	—	(1,370)
Shares issued, net of issuance costs	807,370	—	87,956	—	—	87,956
Issuance of common stock for business acquisition	985,999	—	109,820	—	—	109,820
Stock based compensation	—	—	12,425	—	—	12,425
Balance at January 27, 2024	28,136,735	$ 4	$ 593,228	$ 224,641	$ (4,888)	$ 812,985

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

	Nine Months Ended	
	January 25, 2025	**January 27, 2024**
Operating activities		
Net income	$ 26,955	$ 53,620
Adjustments to reconcile net income to cash (used in) provided by operating activities:		
Depreciation and amortization	27,144	24,969
(Gain) loss from equity method investments	(1,055)	1,494
Amortization of debt issuance costs	1,121	638
Provision for doubtful accounts	(64)	(67)
Reserve for inventory excess and obsolescence	2,025	11,668
Other non-cash expense, net	1,810	783
Non-cash lease expense	7,379	6,923
(Gain) loss on foreign currency transactions	(22)	54
Unrealized (gain) loss on available-for-sale equity securities, net	(1,187)	2,712
Deferred income taxes	—	(1,604)
Stock-based compensation	15,518	12,425
Loss on disposal of property and equipment	201	115
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(11,095)	36,387
Unbilled receivables and retentions	(30,172)	(41,950)
Inventories	(1,167)	(31,901)
Income taxes receivable	(14,738)	(8,081)
Prepaid expenses and other assets	(9,314)	(15,896)
Accounts payable	(1,359)	(10,003)
Other liabilities	(13,034)	(15,321)
Net cash (used in) provided by operating activities	(1,054)	26,965
Investing activities		
Acquisition of property and equipment	(14,292)	(13,901)
Contributions in equity method investments	(2,309)	(1,875)
Acquisition of intangibles	—	(1,500)
Business acquisitions, net of cash acquired	—	(24,156)
Net cash used in investing activities	(16,601)	(41,432)
Financing activities		
Principal payments of term loan	(28,000)	(95,000)
Holdback and retention payments for business acquisition	(390)	(500)
Payment of contingent consideration	—	(2,132)
Proceeds from shares issued, net of issuance costs	—	88,437
Proceeds from revolving credit facility	25,000	—
Payment of debt issuance costs	(1,056)	(37)
Payment of equity issuance costs	(365)	—
Tax withholding payment related to net settlement of equity awards	(4,064)	(1,370)
Exercise of stock options	506	—
Other	(19)	(19)
Net cash used in financing activities	(8,388)	(10,621)
Effects of currency translation on cash and cash equivalents	(258)	(77)
Net decrease in cash and cash equivalents	(26,301)	(25,165)
Cash and cash equivalents at beginning of period	73,301	132,859
Cash and cash equivalents at end of period	$ 47,000	$ 107,694
Supplemental disclosures of cash flow information		
Cash paid, net during the period for:		
Income taxes	$ 19,342	$ 15,195
Interest	$ 1,196	$ 5,850
Non-cash activities		
Issuance of common stock for business acquisition	$ —	$ 109,820
Change in foreign currency translation adjustments	$ (605)	$ (436)
Acquisitions of property and equipment included in accounts payable	$ 1,608	$ 2,519

See accompanying notes to condensed consolidated financial statements (unaudited).

AeroVironment, Inc.
Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Organization and Significant Accounting Policies

Organization

AeroVironment, Inc., a Delaware corporation (the "Company"), is engaged in the design, development, production, delivery and support of a technologically advanced portfolio of intelligent, multi-domain robotic systems and related services for government agencies and businesses. AeroVironment, Inc. supplies uncrewed aircraft and ground robot systems, loitering munitions systems and related services primarily to organizations within or supplying the U.S. Department of Defense ("D.o.D."), other federal agencies and international allied governments.

Effective May 1, 2023, the Company reorganized its segments. Due to the Company's growth as an organization, the reorganization was implemented to drive additional operational improvements, foster synergies and provide leaders with greater autonomy over their product lines. The Company's reportable segments are as follows:

Loitering Munitions Systems ("LMS")—The LMS segment, which consists of the former Tactical Missile Systems segment, focuses primarily on tube-launched aircraft that deploy with the push of a button, fly at higher speeds than small UAS products, and perform either effects delivery or reconnaissance missions, and related support services including training, spare parts, product repair, and product replacement. The LMS segment also includes customer-funded research and development ("R&D")programs.

Uncrewed Systems ("UxS")—The UxS segment, which consists of the former small uncrewed aircraft systems ("SUAS"), medium uncrewed aircraft systems ("MUAS") and uncrewed ground vehicles ("UGV") segments and Tomahawk Robotics, Inc. ("Tomahawk"), which was acquired on September 15, 2023, focuses primarily on (i) small UAS products designed to operate reliably at lower altitudes in a wide range of environmental conditions, providing a vantage point from which to collect and deliver valuable information as well as related support including training, spare and accessory parts, product repair, product replacement, maintenance and upgrades; (ii) medium UAS products designed to operate reliably at medium altitudes with longer range while carrying larger payloads including airborne platforms, (iii) payloads and payload integration, ground support equipment and other items and services related generally to uncrewed aircraft systems historically including intelligence, surveillance, and reconnaissance ("ISR") services; (iv) UGV products designed to help responders remove, contain or neutralize hazards in situations where improvised explosive devices, caustic chemicals, nuclear, radiological or biological hazards or violent individuals represent significant danger to humans; and (v) AI-enabled common control and communication solutions that allow any uncrewed system to be controlled from a common user interface while aggregating data from multiple platforms to provide real time intelligence.

MacCready Works ("MW")—The MW segment, which consists of the former MacCready Works and High Altitude Pseudo-Satellite systems ("HAPS") segments, focuses on customer-funded R&D in the areas of HAPS, robotics, sensors, software analytics, data intelligence and connectivity. This segment contains the Company's center of excellence for the development of machine learning, object identification and autonomy solutions and also seeks to identify new products, services and businesses for the Company.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information and with the instructions of Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments, consisting only of normal recurring adjustments necessary for a fair presentation with respect to the interim financial statements have been included. The results of operations for the three and nine months ended January 25, 2025 are not necessarily indicative of the results for the full year ending April 30, 2025. For further information, refer to the consolidated financial statements and footnotes thereto for the year ended April 30, 2024, included in the Company's Annual Report on Form 10-K.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions, including estimates of anticipated contract costs and revenue utilized in the revenue recognition process, that affect the reported amounts in the unaudited condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

The Company's unaudited condensed consolidated financial statements include the assets, liabilities and operating results of wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated.

Recent and Pending Acquisitions

On September 15, 2023, the Company closed its acquisition of Tomahawk pursuant to a merger agreement, and post-acquisition, Tomahawk has been incorporated into the UxS segment. The assets, liabilities and operating results of Tomahawk have been included in the Company's unaudited condensed consolidated financial statements. Refer to Note 16—Business Acquisitions for further details.

On November 13, 2024, the Company formed Archangel Merger Sub LLC, a Delaware limited liability company and a direct wholly owned subsidiary of the Company ("Merger Sub"), for the purpose of the announced acquisition of BlueHalo Financing Topco, LLC ("BlueHalo").

On November 19, 2024, the Company announced the execution of a definitive agreement under which the Company will acquire BlueHalo in an all-stock transaction. The Company, Merger Sub, BlueHalo, and BlueHalo Holdings Parent, LLC, a Delaware limited liability company and sole member of BlueHalo Financing Topco, LLC ("Seller"), entered into an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which, and subject to the satisfaction or waiver of the conditions set forth in the Merger Agreement, Merger Sub will merge with and into BlueHalo, with BlueHalo continuing as a wholly owned subsidiary of the Company and the surviving company of the merger (the "Merger" and together with the other transactions contemplated by the Merger Agreement, the "Transactions").

Subject to the terms and conditions of the Merger Agreement, at the effective time of the Merger (the "Effective Time"), all of the equity interests of BlueHalo issued and outstanding immediately prior to the Effective Time shall be automatically converted into the right to receive a number of shares of the Company's common stock ("Company Common Stock") equal to 18,548,698 shares (the "Transaction Consideration"), which will represent approximately 39.5% of the fully diluted shares outstanding of the pro forma combined company immediately prior to the execution and delivery of the Merger Agreement. The Transaction Consideration is subject to downwards adjustments, which shall be determined prior to the consummation of the Transactions (the "Closing"), for certain items of leakage, distribution or payment of cash or other property up to the Closing, incurred by BlueHalo and its subsidiaries since June 30, 2024 as set forth in the Merger Agreement.

The Merger Agreement further provides that the Company may be required to pay a termination fee of $200,000,000 to Seller upon termination of the Merger Agreement under specified circumstances, including (i) termination by the Company to accept an Alternative Sale Transaction, (ii) termination by Seller due to the occurrence of a Company Board Adverse Recommendation Change or (iii) if the Company consummates an Alternative Sale Transaction within 9 months of termination of the Merger Agreement, subject to certain conditions as set forth in the Merger Agreement.

Concurrently with the execution and delivery of the Merger Agreement, Arlington Capital Partners V, L.P. and Arlington Capital Partners VI, L.P., the equityholders of the Key Seller Member (collectively, the "Sponsor Members") have entered into a shareholder's agreement (the "Shareholder's Agreement") with the Company pursuant to which the Sponsor Members have, among other things, agreed to abide by customary standstill covenants, obligations to vote consistent with the recommendation of the Company Board, and customary employee non-solicit restrictions with respect to the employees of the Company and its subsidiaries (including BlueHalo and its subsidiaries after the Closing). The Company has, among other things, agreed to provide the Sponsor Members with certain board designation rights and customary registration rights, including customary demand and piggyback rights. The Sponsor Members will have such designation rights to designate two directors until it and its affiliates cease to collectively hold and own, directly or indirectly, at least 20% of the issued and outstanding Company Common Stock and the Sponsor Members will have such designation rights to designate one director until they and their affiliates cease to collectively hold and own, directly or indirectly, at least 15% but less than 20% of the issued and outstanding Company Common Stock. The Sponsor Members are expected to beneficially own approximately 26.2% of the Company Common Stock at Closing (assuming no adjustments under the Merger Agreement).

At the Effective Time, the Board of Directors of the Company (the "New Company Board") is expected to consist of ten members, two of whom may be designated by the Sponsor Members for approval by the stockholders of the Company for appointment to the New Company Board, subject to certain conditions and qualifications as set forth in the Shareholder's Agreement.

In connection with the Merger Agreement, the Company entered into a commitment letter (the "Debt Commitment Letter") with Bank of America, N.A. ("BofA NA") and BofA Securities, Inc. ("BofA Securities") and JPMorgan Chase Bank, N.A. ("JPM") on November 18, 2024 and amended and restated on December 30, 2024 to include U.S. Bank National Association ("U.S. Bank"), Citibank, N.A. ("Citi"), BMO Bank, N.A. ("BMO Bank"), Citizens Bank, N.A. ("Citizens"), and Royal Bank of Canada ("RBC"; RBC, together with BofA, JPM, U.S. Bank, Citi, BMO Bank, and Citizens, the "Commitment Parties," and BofA Securities, JPM and U.S. Bank, collectively, the "Joint Lead Arrangers"), pursuant to which the Joint Lead Arrangers have committed to amend the Existing Credit Agreement (such amendment, the "Credit Agreement Amendment") to provide a new Term Loan A facility (the "Acquisition Financing Facility"). The initial principal amount of the Acquisition Financing Facility will be $700,000,000, and the Acquisition Financing Facility will have a maturity date of two years from effective date of the Credit Agreement Amendment. The proceeds of the Acquisition Financing Facility will be used to refinance a portion of BlueHalo's debt and pay fees, costs and expenses incurred in connection with the Transactions. The definitive documentation governing the Financing has not been finalized, and accordingly, the actual terms may differ from the description of such terms in the Debt Commitment Letter. The consummation of the Transactions is not conditioned upon receipt of the proceeds from the Acquisition Financing Facility or any replacement financing.

Recently Adopted Accounting Standards

The Company did not adopt any accounting standards during the nine months ended January 25, 2025.

Revenue Recognition

The Company's revenue is generated pursuant to written contractual arrangements to design, develop, manufacture and/or modify complex products and to provide related engineering, technical and other services according to the specifications of its customers. These contracts may be firm fixed price ("FFP"), cost plus fixed fee ("CPFF"), or time and materials ("T&M"). The Company considers all such contracts to be within the scope of ASU 2014-09, *Revenue from Contracts with Customers* ("ASC 606").

Performance Obligations

A performance obligation is a promise in a contract to transfer distinct goods or services to a customer, and it is the unit of account in ASC 606. A contract's transaction price is allocated to each distinct performance obligation and revenue is recognized when each performance obligation under the terms of a contract is satisfied. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services. For contracts with multiple performance obligations, the Company allocates the contract's transaction price to each performance obligation using its observable standalone selling price for products and services. When the standalone selling price is not directly observable, the Company uses its best estimate of the standalone selling price of each distinct good or service in the contract using the cost plus margin approach. This approach estimates the Company's expected costs of satisfying the performance obligation and then adds an appropriate margin for that distinct good or service.

Contract modifications are routine in the performance of the Company's contracts. In most instances, contract modifications are for additional goods and/or services that are distinct and, therefore, accounted for as new contracts.

The Company's performance obligations are satisfied over time or at a point in time. Performance obligations are satisfied over time if the customer receives the benefits as the Company performs, if the customer controls the asset as it is being developed or produced, or if the product being produced for the customer has no alternative use and the Company has a contractual right to payment for the Company's costs incurred to date plus a reasonable margin. The contractual right to payment is generally supported by termination for convenience clauses that allow the customer to unilaterally terminate the contract for convenience, pay the Company for costs incurred plus a reasonable profit, and take control of any work in process. Revenue for LMS product deliveries, certain Tomahawk product deliveries and customer-funded R&D contracts is recognized over time as costs are incurred. Contract services revenue is composed of revenue recognized on contracts for the provision of services, including repairs and maintenance, training, engineering design, development and prototyping activities, and technical support services. Contract services revenue is recognized over time as services are rendered. Typically, revenue is recognized over time using an input measure (e.g., costs incurred to date relative to total estimated costs at completion) to measure progress. Contract services revenue includes revenue from ISR services in which the Company operates its MUAS in overseas locations to support U.S. military operations under ISR services contracts under a contractor-owned, contractor-operated ("COCO") arrangement. In accordance with ASC 606, the Company elected the right to invoice practical expedient in which if an entity has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date, such as flight hours for ISR services, the entity may recognize revenue in the amount to which the entity has a right to invoice.

For performance obligations satisfied over time, revenue is generally recognized using costs incurred to date relative to total estimated costs at completion to measure progress. Incurred costs represent work performed, which correspond with, and thereby best depict, transfer of control to the customer. Contract costs include labor, materials, subcontractors' costs, other direct costs, and indirect costs applicable on government and commercial contracts.

For performance obligations which are not satisfied over time per the aforementioned criteria above, revenue is recognized at the point in time in which each performance obligation is fully satisfied. The Company's UxS product sales revenue is composed of revenue recognized on contracts for the delivery of UxS systems and spare parts, respectively. Revenue is recognized at the point in time when control transfers to the customer, which generally occurs when title and risk of loss have passed to the customer.

On January 25, 2025, the Company had approximately $763,549,000 of remaining performance obligations under fully funded contracts with its customers, which the Company also refers to as funded backlog. The Company currently expects to recognize approximately 31% of the remaining performance obligations as revenue in fiscal 2025 and the remaining 69% in fiscal 2026 or beyond.

The Company collects sales, value added, and other taxes concurrent with revenue producing activities, which are excluded from revenue when they are both imposed on a specific transaction and collected from a customer.

Contract Estimates

Accounting for contracts and programs primarily with a duration of less than six months involves the use of various techniques to estimate total contract revenue and costs. For long-term contracts, the Company estimates the total expected costs to complete the contract and recognizes revenue based on the percentage of costs incurred at period end. Typically, revenue is recognized over time using costs incurred to date relative to total estimated costs at completion to measure progress toward satisfying the Company's performance obligations. Incurred costs represent work performed, which corresponds with, and thereby best depicts, the transfer of control to the customer. Contract costs include labor, materials, subcontractors' costs, other direct costs, and indirect costs applicable on government and commercial contracts.

Contract estimates are based on various assumptions to project the outcome of future events that may span several years. These assumptions include labor productivity and availability, the complexity of the work to be performed, the cost and availability of materials, the performance of subcontractors, and the availability and timing of funding from the customer.

The nature of the Company’s contracts gives rise to several types of variable consideration, including undefinitized contract actions which are within the scope of ASC 606 with final contract values to be negotiated, penalty fees and incentive awards generally for late delivery and early delivery, respectively. The Company generally estimates such variable consideration as the most likely amount. In addition, the Company includes the estimated variable consideration to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the related uncertainty is resolved. These estimates are based on historical award experience, anticipated performance and the Company’s best judgment at the time. Based on experience in estimating these amounts, they are included in the transaction price of the Company’s contracts and the associated remaining performance obligations.

As a significant change in one or more of these estimates could affect the profitability of the Company’s contracts, the Company regularly reviews and updates its contract-related estimates. Changes in cumulative revenue estimates, due to changes in the estimated transaction price or cost estimates, are recorded using a cumulative catch-up adjustment in the period identified for contracts with performance obligations recognized over time. Changes in cumulative revenue estimates due to changes in the estimated transaction price are recorded using a cumulative catch-up adjustment in the period identified for contracts with performance obligations at a point in time, including undefinitized contract actions. In the period undefinitized contract actions become definitized, a cumulative catch-up adjustment is recorded to reflect the final consideration, which could have a material positive or negative impact.

If at any time the estimate of contract profitability indicates an anticipated loss on the contract, the Company recognizes the total loss in the quarter it is identified, and it is recorded in other current liabilities. The balance of forward loss reserves as of January 25, 2025 and April 30, 2024 was $230,000 and $374,000, respectively. The Company recorded the forward loss reserves as the total estimated costs to complete the contracts are in excess of the total remaining consideration of the contracts. No adjustment on the forward loss reserve for any one contract was material to the Company’s unaudited condensed consolidated financial statements for the three and nine months ended January 25, 2025 or January 27, 2024, respectively.

The impact of adjustments in contract estimates on the Company’s operating earnings can be reflected in either operating costs and expenses, or revenue. The aggregate impact of adjustments in contract estimates on revenue related to performance obligations satisfied or partially satisfied in previous periods was $9,150,000 and $9,515,000 for the three and nine month periods ended January 25, 2025, respectively. During the three months ended January 25, 2025, the majority of the adjustments relate to the Company revising its estimates of the total expected costs to complete three LMS contracts. The aggregate impact of these adjustments in contract estimates on revenue related to performance obligations satisfied or partially satisfied in previous periods was an increase to revenue of approximately $9,629,000. During the nine months ended January 25, 2025, the Company definitized certain LMS undefinitized contract actions. The aggregate impact of these cumulative catch-up revenue adjustments for the contract definitization was an increase to revenue of approximately $9,870,000. The aggregate impact of adjustments in contract estimates on revenue related to performance obligations satisfied or partially satisfied in previous periods was $4,398,000 and $5,087,000 for the three and nine month periods ended January 27, 2024, respectively. During the three months ended January 27, 2024, the Company revised its estimates to reflect a favorable definitization of an LMS contract. The aggregate impact of these adjustments in contract estimates on revenue related to performance obligations satisfied or partially satisfied in previous periods was an increase to revenue of approximately $3,574,000. During the nine months ended January 27, 2024, the Company revised its estimates of the total expected costs to complete a different LMS contract. The aggregate impact of these adjustments in contract estimates on revenue related to performance obligations satisfied or partially satisfied in previous periods was an increase to revenue of approximately $1,439,000.

Revenue by Category

The following tables present the Company's revenue disaggregated by segment, contract type, customer category and geographic location (in thousands):

Revenue by segment	Three Months Ended January 25, 2025	Three Months Ended January 27, 2024	Nine Months Ended January 25, 2025	Nine Months Ended January 27, 2024
UxS	$ 63,750	$ 113,290	$ 269,142	$ 344,270
LMS	83,941	57,658	213,629	118,824
MW	19,945	15,630	62,806	56,647
Total revenue	$ 167,636	$ 186,578	$ 545,577	$ 519,741

Revenue by contract type	Three Months Ended January 25, 2025	Three Months Ended January 27, 2024	Nine Months Ended January 25, 2025	Nine Months Ended January 27, 2024
FFP	$ 148,768	$ 167,256	$ 489,388	$ 457,077
CPFF	17,372	17,925	52,413	59,445
T&M	1,496	1,397	3,776	3,219
Total revenue	$ 167,636	$ 186,578	$ 545,577	$ 519,741

Each of these contract types presents advantages and disadvantages. Typically, the Company assumes more risk with FFP contracts. However, these types of contracts generally offer additional profits when the Company completes the work for less than originally estimated. CPFF contracts generally subject the Company to lower risk. Accordingly, the associated base fees are usually lower than fees on FFP contracts. Under T&M contracts, the Company's profit may vary if actual labor hour rates vary significantly from the negotiated rates.

Revenue by customer category	Three Months Ended January 25, 2025	Three Months Ended January 27, 2024	Nine Months Ended January 25, 2025	Nine Months Ended January 27, 2024
U.S. government	$ 129,029	$ 133,761	$ 418,345	$ 385,069
Non-U.S. government	38,607	52,817	127,232	134,672
Total revenue	$ 167,636	$ 186,578	$ 545,577	$ 519,741

Revenue by geographic location	Three Months Ended January 25, 2025	Three Months Ended January 27, 2024	Nine Months Ended January 25, 2025	Nine Months Ended January 27, 2024
Domestic	$ 104,097	$ 62,865	$ 258,053	$ 186,445
International	63,539	123,713	287,524	333,296
Total revenue	$ 167,636	$ 186,578	$ 545,577	$ 519,741

Revenue percentage by recognition method	Three Months Ended January 25, 2025	Three Months Ended January 27, 2024	Nine Months Ended January 25, 2025	Nine Months Ended January 27, 2024
Over time	66%	46%	55%	40%
Point in time	34%	54%	45%	60%
Total revenue	100%	100%	100%	100%

Contract Balances

The timing of revenue recognition, billings, and cash collections results in billed accounts receivable, unbilled receivables, and customer advances and deposits on the condensed consolidated balance sheet. In the Company's services contracts, amounts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals, which is generally monthly, or upon the achievement of contractual milestones. Generally, billing occurs subsequent to revenue recognition, resulting in contract assets recorded in unbilled receivables and retentions on the condensed consolidated balance sheet. However, the Company sometimes receives advances or deposits from its customers before revenue is recognized, resulting in contract liabilities recorded in customer advances on the condensed consolidated balance sheet. Contract liabilities are not a significant financing component as they are generally utilized to pay for contract costs within a one-year period or are used to ensure the customer meets contractual requirements. These assets and liabilities are reported on the condensed consolidated balance sheet on a contract-by-contract basis at the end of each reporting period. For the Company's product revenue, the Company generally receives cash payments subsequent to satisfying the performance obligation via delivery of the product, resulting in billed accounts receivable. Changes in the contract asset and liability balances during the three and nine month periods ended January 25, 2025 were not materially impacted by any other factors. For the Company's contracts, there are no significant gaps between the receipt of payment and the transfer of the associated goods and services to the customer for material amounts of consideration.

Revenue recognized for the three and nine month periods ended January 25, 2025 that was included in customer advances balances as of April 30, 2024 was $1,701,000 and $9,662,000. Revenue recognized for the three and nine month periods ended January 27, 2024 that was included in customer advances balances as of April 30, 2023 was $610,000 and $3,026,000.

Cost to Fulfill a Contract with a Customer

The Company recognizes assets for the costs to fulfill a contract with a customer if the costs are specifically identifiable, generate or enhance resources used to satisfy future performance obligations, and are expected to be recovered in accordance with ASC 340-40 Other Assets and Deferred Costs: Contracts with Customers. The assets related to costs to fulfill contracts with customers are capitalized and amortized over the period the related performance obligations are satisfied. As of January 25, 2025, the Company had no costs to fulfill and as of April 30, 2024, the Company's costs to fulfill were not material.

Segments

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the Chief Operating Decision Maker ("CODM") in deciding how to allocate resources and assess performance. As of January 25, 2025, the Company's CODM, the Chief Executive Officer, makes operating decisions, assesses performance and makes resource allocation decisions, including the allocation for R&D. Accordingly, the Company identifies three reportable segments. Refer to Note 18—Segments for further details.

Investments

The Company's investments are accounted for as available-for-sale and are reported at fair value. Unrealized gains and losses for debt securities are excluded from earnings and reported as a separate component of stockholders' equity, net of deferred income taxes for available-for-sale investments. Gains and losses realized on the disposition of investment securities are determined on the specific identification basis and credited or charged to income. Investments in equity securities and warrants are measured at fair value with net unrealized gains and losses from changes in the fair value recognized in other expense, net. Management determines the appropriate classification of securities at the time of purchase and reevaluates such designation as of each balance sheet date.

Fair Values of Financial Instruments

Fair values of cash and cash equivalents, accounts receivable, unbilled receivables and retentions, and accounts payable approximate cost due to the short period of time to maturity.

Government Contracts

Payments to the Company on government CPFF or T&M contracts are based on provisional, or estimated indirect rates, which are subject to an annual audit by the Defense Contract Audit Agency ("DCAA"). The cost audits result in the negotiation and determination of the final indirect cost rates that the Company may use for the period(s) audited. The final rates, if different from the provisional rates, may create an additional receivable or liability for the Company for CPFF and T&M contracts.

For example, during the course of its audits, the DCAA may question the Company's incurred costs, and if the DCAA believes the Company has accounted for such costs in a manner inconsistent with the requirements under Federal Acquisition Regulations, the DCAA auditor may recommend to the Company's administrative contracting officer to disallow such costs. Historically, the Company has not experienced material disallowed costs as a result of government audits. However, the Company can provide no assurance that the DCAA or other government audits will not result in material disallowances for incurred costs in the future. The Company's revenue recognition policy calls for revenue recognized on all cost reimbursable government contracts to be recorded at estimated full year rates unless collectability is not reasonably assured. At January 25, 2025 and April 30, 2024, the Company had no reserve for incurred cost claim audits.

(Loss) Earnings Per Share

Basic (loss) earnings per share is computed using the weighted-average number of common shares outstanding, excluding shares of unvested restricted stock.

The reconciliation of basic to diluted shares is as follows (in thousands except share data):

	Three Months Ended		Nine Months Ended	
	January 25, 2025	January 27, 2024	January 25, 2025	January 27, 2024
Net (loss) income	$ (1,754)	$ 13,885	$ 26,955	$ 53,620
Denominator for basic earnings per share:				
Weighted average common shares	28,031,901	27,907,568	28,001,089	26,957,061
Dilutive effect of employee stock options, restricted stock and restricted stock units	—	136,559	170,000	104,348
Denominator for diluted (loss) earnings per share	28,031,901	28,044,127	28,171,089	27,061,409

Due to the net loss for the three months ended January 25, 2025, no shares reserved for issuance upon exercise of stock options or shares of unvested restricted stock were included in the computation of diluted loss per share as their inclusion would have been anti-dilutive. Potentially dilutive shares not included in the computation of diluted weighted-average common shares because their effect would have been anti-dilutive were 200,667 for the three months ended January 25, 2025. Potentially dilutive shares not included in the computation of diluted weighted-average common shares because their effect would have been anti-dilutive were 265 for the nine months ended January 25, 2025. Potentially dilutive shares not included in the computation of diluted weighted-average common shares because their effect would have been anti-dilutive were 72 and 606 for the three and nine months ended January 27, 2024.

Recently Issued Accounting Standards

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"). ASU 2023-07 improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses reported to the CODM. ASU 2023-07 also requires all segment profit or loss and assets disclosures to be provided on an annual and interim basis. The new standard is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. ASU 2023-07 is adopted retrospectively. The Company will include the required enhanced disclosures in its Annual Report on Form 10-K for the fiscal year ending April 30, 2025.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"). ASU 2023-09 requires updates to the rate reconciliation, income taxes paid and other disclosures. The new standard is effective for fiscal years beginning after December 15, 2024 and interim periods within fiscal years beginning after December 15, 2025, with early adoption permitted. ASU 2023-09 is adopted retrospectively. The Company is evaluating the potential impact of this adoption on its consolidated financial statements.

2. Investments

Investments consist of the following (in thousands):

	January 25, 2025	April 30, 2024
Long-term investments:		
Available-for-sale securities:		
Equity securities and warrants	2,214	1,027
Total long-term available-for-sale securities investments	2,214	1,027
Equity method investments		
Investments in limited partnership funds	23,308	19,933
Total equity method investments	23,308	19,933
Total long-term investments	$ 25,522	$ 20,960

Equity Securities

Equity securities and warrants are measured at fair value with net unrealized gains and losses from changes in the fair value recognized in other expense, net. Unrealized gain (loss) recorded (in thousands):

	Three Months Ended January 25, 2025	Three Months Ended January 27, 2024	Nine Months Ended January 25, 2025	Nine Months Ended January 27, 2024
Net gain (loss) recognized during the period on equity securities	$ 1,454	$ 751	$ 1,187	$ (2,712)
Less: Net loss recognized during the period on equity securities sold during the period	—	—	—	—
Unrealized gain (loss) recognized during the period on equity securities still held at the reporting date	$ 1,454	$ 751	$ 1,187	$ (2,712)

3. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy contains three levels as follows:

- Level 1—Inputs to the valuation based upon quoted prices (unadjusted) for identical assets or liabilities in active markets that are accessible as of the measurement date.
- Level 2—Inputs to the valuation include quoted prices in either markets that are not active, or in active markets for similar assets or liabilities, inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data.
- Level 3—Inputs to the valuation that are unobservable inputs for the asset or liability.

The Company's financial assets measured at fair value on a recurring basis at January 25, 2025, were as follows (in thousands):

	Fair Value Measurement Using			
Description	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Equity securities	$ 1,820	$ —	$ —	$ 1,820
Warrants	—	394	—	394
Total	$ 1,820	$ 394	$ —	$ 2,214

The Company had no financial liabilities measured at fair value on a recurring basis at January 25, 2025.

The Company's financial assets measured at fair value on a recurring basis at April 30, 2024, were as follows (in thousands):

	Fair Value Measurement Using			
Description	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Equity securities	$ 937	$ —	$ —	$ 937
Warrants	—	90	—	90
Total	$ 937	$ 90	$ —	$ 1,027

The Company had no financial liabilities measured at fair value on a recurring basis at April 30, 2024.

On September 12, 2022, the Company invested $5,000,000 and acquired 500,000 shares of common stock and 500,000 privately placed, redeemable warrants of Amprius Technologies, Inc. The privately placed, redeemable warrants have an exercise price of $12.50 and redemption price of $20.00. The Company measures the fair value of the privately placed, redeemable warrants using the quoted market price of the public warrants which have an exercise price of $11.50 and a redemption price of $18.00 and classifies the warrants as a level 2 fair value measurement.

4. Inventories, net

Inventories consist of the following (in thousands):

	January 25, 2025	April 30, 2024
Raw materials	$ 57,699	$ 57,218
Work in process	65,783	53,232
Finished goods	52,286	65,618
Inventories, gross	175,768	176,068
Reserve for inventory excess and obsolescence	(27,795)	(25,900)
Inventories, net	$ 147,973	$ 150,168

5. Equity Method Investments

Investments in Limited Partnership Funds

In July 2019, the Company made its initial capital contribution to a limited partnership fund focusing on highly relevant technologies and start-up companies serving defense and industrial markets. Under the terms of the limited partnership agreement, the Company contributed a total of $10,000,000 during the fiscal years ended April 30, 2021 and 2022, and there were no further contribution commitments to this fund as of April 30, 2022. In March 2022, the Company entered into a limited partnership agreement with a second limited partnership fund also focusing on highly relevant technologies and start-up companies serving defense and industrial markets. Under the terms of the limited partnership agreement, the Company is committed to contributions totaling $20,000,000 over an expected five year period. During the fiscal year ended April 30, 2024 and 2023, the Company made total contributions of $3,074,000 and $5,778,000, respectively. During the three and nine months ended January 25, 2025, the Company made contributions of $1,126,000 and $2,309,000, respectively. Under the terms of the limited partnership agreement, the Company has committed to make additional capital contributions of $8,839,000 to the fund expected to be paid over the next three fiscal years. The Company accounts for investments in limited partnerships as equity method investments as the Company is deemed to have significant influence when it holds more than a minor interest. For the three and nine months ended January 25, 2025, the Company recorded its ownership percentage of the net gain of the limited partnerships, or $0 and $1,066,000, respectively, in equity method investment (loss) income, net of $0 tax in the unaudited condensed consolidated statements of operations, respectively. For the three and nine months ended January 27, 2024, the Company recorded its ownership percentage of the net loss of the limited partnerships, or $(80,000) and $(1,494,000), respectively, in equity method investment (loss) income, net of $0 tax in the unaudited condensed consolidated statements of operations, respectively. At January 25, 2025 and April 30, 2024, the carrying value of the investments in the limited partnership funds of $23,308,000 and $19,933,000, respectively, was recorded in long-term investments on the unaudited condensed consolidated balance sheet.

Investment in Altoy

On September 15, 2021, the Company entered into a Share Sale and Purchase Agreement with Toygun whereby the Company sold 35% of the common shares of Altoy to Toygun. On October 14, 2022, the Company sold an additional 35% of the common shares of Altoy to Toygun. As a result of the sales, the Company decreased its interest in Altoy from 85% to 15%. The Company no longer controls Altoy, and therefore, has deconsolidated Altoy in the Company's unaudited condensed consolidated financial statements. The Company maintains significant influence, accounts for its investment in Altoy as an equity method investment and records its proportion of any gains or losses of Altoy in equity method investment loss, net of tax. For the three and nine months ended January 25, 2025, the Company recorded $0 and $(11,000) for its ownership percentage of the net activity of Altoy in equity method investment (loss) income, net of tax in the unaudited condensed consolidated statements of operations. For the three and nine months ended January 27, 2024, the Company recorded $0 for its ownership percentage of the net activity of Altoy in equity method investment (loss) income, net of tax in the unaudited condensed consolidated statements of operations. At January 25, 2025 and April 30, 2024, the carrying value of the investment in Altoy of $141,000 and $152,000, respectively, was recorded in other assets on the unaudited condensed consolidated balance sheet.

6. Warranty Reserves

The Company accrues an estimate of its exposure to warranty claims based upon both current and historical product sales data and warranty costs incurred. The warranty reserve is included in other current liabilities on the unaudited condensed consolidated balance sheet. The related expense is included in cost of sales. Warranty reserve activity is summarized as follows for the three and nine months ended January 25, 2025 and January 27, 2024, respectively (in thousands):

	Three Months Ended		Nine Months Ended	
	January 25, 2025	January 27, 2024	January 25, 2025	January 27, 2024
Beginning balance	$ 3,642	$ 5,242	$ 5,538	$ 3,642
Balance acquired from acquisition	—	—	—	40
Warranty expense	(230)	507	(1,070)	3,294
Warranty costs settled	(625)	(383)	(1,681)	(1,610)
Ending balance	$ 2,787	$ 5,366	$ 2,787	$ 5,366

7. Intangibles, net

The components of intangibles are as follows (in thousands):

	January 25, 2025	April 30, 2024
Technology	$ 100,815	$ 101,012
Licenses	1,008	1,008
Customer relationships	77,227	77,313
Backlog	2,790	2,831
In-process research and development	550	550
Non-compete agreements	320	320
Trademarks and tradenames	1,668	1,668
Other	146	146
Intangibles, gross	184,524	184,848
Less accumulated amortization	(126,744)	(112,624)
Intangibles, net	$ 57,780	$ 72,224

The weighted average amortization period as of January 25, 2025 and April 30, 2024 was three years, respectively. Amortization expense for the three and nine months ended January 25, 2025 was $4,778,000 and $14,348,000 respectively. Amortization expense for the three and nine months ended January 27, 2024 was $5,445,000 and $12,721,000, respectively.

Estimated amortization expense for the next five years is as follows (in thousands):

	Year ending April 30,
2025	$ 4,777
2026	14,972
2027	12,605
2028	11,891
2029	7,764
	$ 52,009

8. Goodwill

The following table presents the changes in the Company's goodwill balance by segment (in thousands):

	UxS	LMS	MW	Total
Balance at April 30, 2024	$ 256,398	$ —	$ 19,254	$ 275,652
Change to goodwill	(363)	—	—	(363)
Balance at January 25, 2025	$ 256,035	$ —	$ 19,254	$ 275,289

The UxS segment includes goodwill from the acquisitions of Pulse Aerospace, LLC ("Pulse"), Arcturus UAV, Inc. ("Arcturus"), Telerob, Planck and Tomahawk acquisitions. The goodwill change to UxS is attributable to the Telerob acquisition recorded in Euros and translated to U.S. dollars at each reporting date. The MW segment includes goodwill from the purchase of certain assets of Intelligent Systems Group business segment ("ISG") of Progeny Systems Corporation.

The estimated fair value of the MUAS reporting unit, the renamed Arcturus acquisition included in the UxS reportable segment, does not substantially exceed its carrying value due to the impairment recorded during the fourth quarter ended April 30, 2023. The fair value of the MUAS reporting unit exceeded its carrying value by 10% as of January 28, 2024, the date of the most recent annual goodwill impairment test. Fair value determinations utilized in the quantitative goodwill impairment test require considerable judgment and are sensitive to changes in underlying assumptions, estimates, and market factors. Estimating the fair value of individual reporting units requires the Company to make assumptions and estimates regarding future plans, as well as industry, economic, and regulatory conditions. These assumptions and estimates include estimated future annual net cash flows, income tax rates, discount rates, growth rates, and other market factors. Estimated future annual net cash flows based in part upon the Company's ability to obtain contracts from the U.S. Department of Defense and foreign allied nations and negotiate the estimated pricing are considered the most significant, sensitive assumptions. If current expectations of future growth rates and margins are not met, if market factors outside of the Company's control, such as discount rates, income tax rates, or inflation, change, or if management's expectations or plans otherwise change, including updates to long-term operating plans, then the MUAS reporting unit goodwill may become impaired in the future. Accordingly, the MUAS reporting unit is considered at an increased risk of failing future quantitative goodwill impairment tests. The MUAS reporting unit has a goodwill balance of $135,774,000 as of January 25, 2025. During the most recent annual impairment test during the fourth quarter of fiscal year 2024, the estimated fair value of all reporting units, other than MUAS, substantially exceeded their carrying value.

As of January 25, 2025, the company has not identified any events or circumstances that could trigger an impairment review prior to the Company's annual impairment test. The annual impairment test for the fiscal year ending April 30, 2025 will be performed during the fourth quarter. The intangibles included in the MUAS reporting unit of $10,923,000 as of January 25, 2025 will also be evaluated for potential impairment during the fourth quarter.

9. Debt

In connection with the consummation of the acquisition of Arcturus, a California corporation, pursuant to a Stock Purchase Agreement with Arcturus and each of the shareholders and other equity interest holders of Arcturus, to purchase 100% of the issued and outstanding equity of Arcturus (the "Arcturus Acquisition") on February 19, 2021, the Company, as borrower, and Arcturus, as guarantor, entered into a Credit Agreement with certain lenders, letter of credit issuers, BofA, N.A., as the administrative agent and the swingline lender, and BofA Securities, JPM., and U.S. Bank, as joint lead arrangers and joint bookrunners (the "Credit Agreement").

The Credit Agreement and its associated Security and Pledge Agreement set forth the terms and conditions for (i) a five-year $100,000,000 revolving credit facility, which includes a $25,000,000 sublimit for the issuance of standby and commercial letters of credit (the "Revolving Facility"), and (ii) a five-year amortized $200,000,000 term A loan (the "Term Loan Facility", and together with the Revolving Facility, the "Credit Facilities"). Certain existing letters of credit issued by JPM were reserved for under the Revolving Facility at closing and remain outstanding under the terms thereof. Upon execution of the Credit Agreement, the Company drew the full principal of the Term Loan Facility for use in the acquisition of Arcturus. The Term Loan Facility requires payment of 5% of the outstanding obligations in each of the first four loan years, with the remaining 80% payable in loan year five, consisting of three quarterly payments of 1.25% each, with the remaining outstanding principal amount of the Term Loan Facility due and payable on the final maturity date. Proceeds from the Term Loan Facility were used in part to finance a portion of the cash consideration for the Arcturus Acquisition.

Any borrowing under the Credit Agreement may be repaid, in whole or in part, at any time and from time to time without premium or penalty other than customary breakage costs, and any amounts repaid under the Revolving Facility may be reborrowed. Mandatory prepayments are required under the revolving loans when borrowings and letter of credit usage exceed the aggregate revolving commitments of all lenders. Mandatory prepayments are also required in connection with the disposition of assets to the extent not reinvested and unpermitted debt transactions.

In support of its obligations pursuant to the Credit Facilities, the Company has granted security interests in substantially all of the personal property of the Company and its domestic subsidiaries, including a pledge of the equity interests in its subsidiaries (limited to 65% of outstanding equity interests in the case of foreign subsidiaries), and the proceeds thereof, with customary exclusions and exceptions. The Company's existing and future domestic subsidiaries, including Arcturus, are guarantors for the Credit Facilities.

The Credit Agreement contains certain customary representations and warranties and affirmative and negative covenants, including certain restrictions on the ability of the Company and its subsidiaries (as defined in the Credit Agreement) to incur any additional indebtedness or guarantee indebtedness of others, to create liens on properties or assets, or to enter into certain asset and stock-based transactions.

On February 4, 2022, the Company entered into a First Amendment to Credit Agreement and Waiver relating to its existing Credit Agreement (the "First Amendment to Credit Agreement"). The First Amendment to Credit Agreement waives any event of default that may have occurred as a result of the potential failure by the Company to comply with the consolidated leverage ratio covenant set forth in the Credit Agreement for the fiscal quarter ended January 29, 2022. In addition, the parties amended the maximum permitted Consolidated Leverage Ratio, such that such ratio may not exceed 4.00 to 1.00 for the Company's fiscal quarters ended January 29, 2022 and April 30, 2022; 3.50 to 1.00 for any of the Company's fiscal quarters ending during the period from May 1, 2022 to October 31, 2022; and 3.00 to 1.00 for any fiscal quarter ending thereafter. On June 6, 2023, the Company entered into a Second Amendment to Credit Agreement relating to its existing Credit Agreement which increased the sublimit from $10,000,000 to $25,000,000.

The Credit Agreement, as amended by the First Amendment to Credit Agreement and Second Amendment to the Credit Agreement, contains certain customary events of default, which include failure to make payments when due thereunder, the material inaccuracy of representations or warranties, failure to observe or perform certain covenants, cross-defaults, bankruptcy and insolvency-related events, certain judgments, certain ERISA-related events, invalidity of loan documents, or a Change of Control (as defined in the Credit Agreement). Upon the occurrence and continuation of an event of default, the Lenders may cease making future loans under the Credit Agreement and may declare all amounts owing under the Credit Agreement to be immediately due and payable.

The First Amendment to Credit Agreement also implemented certain secured overnight financing rate ("SOFR") interest rate mechanics and interest rate reference benchmark replacement provisions in order to effectuate the transition from LIBOR as a reference interest rate. Following the First Amendment to Credit Agreement, the Company has a choice of interest rates between (a) Term SOFR (with a 0% floor) plus the Applicable Margin; or (b) Base Rate (defined as the highest of (a) the Federal Funds Rate plus one-half percent (0.50%), (b) the Bank of America prime rate, and (c) the one (1) month SOFR plus one percent (1.00%)) plus the Applicable Margin. The Applicable Margin is based upon the Consolidated Leverage Ratio (as defined in the Credit Agreement) and whether the Company elects SOFR (ranging from 1.50 - 2.50%) or Base Rate (ranging from 0.50 - 1.50%). The Company may choose interest periods of one, three or six months with respect to Term SOFR and all such rates will include a 0.10% SOFR adjustment. The Company also remains responsible for certain commitment fees from 0.20-0.35% depending on the Consolidated Leverage Ratio, and administrative agent expenses incurred in relation to the Credit Facilities. In the event of a default, an additional 2% default interest rate in addition to the applicable rate if specified or the Base Rate plus Applicable Margin if an applicable rate is not specified.

On October 4, 2024, the Company entered into a Third Amendment to Credit Agreement with the existing lenders, BofA NA, the administrative agent and the swingline lender, JPM, and U.S. Bank, and Citibank (the "New Lender") (the "Third Amendment to Credit Agreement" and the existing Credit Agreement as amended thereby, the "Amended Credit Agreement").

The Amended Credit Agreement now provides for an aggregate $200,000,000 revolving credit facility, including a $25,000,000 sublimit for the issuance of standby and commercial letters of credit, and a $10,000,000 sublimit for swingline loans, secured by all assets of the Company and the Guarantors, and extends the maturity date for obligations pursuant to the Amended Credit Agreement to October 4, 2029. Upon effectiveness of the Amended Credit Agreement, the Company drew $15,000,000 from the amended Revolving Facility and repaid in full all outstanding amounts owed pursuant to the prior Term Loan Facility. The Amended Credit Agreement reflects the removal of the Term Loan Facility. The unamortized debt issuance costs allocated to the Term Loan Facility of $590,000 were expensed upon repayment of the Term Loan Facility and recorded in interest expense.

In addition to adding the New Lender and adjusting certain fee schedules, the Amended Credit Agreement also allows the Company to incur additional forms of secured and unsecured permitted indebtedness without separate consent of the Administrative Agent and make certain payments related thereto, including certain bilateral letters of credit, supply chain financing transactions, securitization transactions pertaining to its accounts receivable, and issuance of unsecured convertible debt pertaining to its Common Stock (and certain call spread transactions related thereto), subject in each instance to further specified parameters, including aggregate dollar limits on certain activities and satisfaction of ongoing and pro forma financial covenants.

The Amended Credit Agreement substitutes a Consolidated Senior Secured Leverage Ratio for the Consolidated Leverage Ratio required to be maintained under the existing Credit Agreement. The Consolidated Leverage Ratio is now an incurrence test, used to determine whether or not the Company may take certain actions, such as borrowing under the Amended Credit Agreement, making acquisitions, incurring certain unsecured debt, or making payments on junior debt. In order to take such actions, the Consolidated Leverage Ratio may not exceed 4.00 to 1.0. However, the ratio increases to 4.50 to 1.0 during a Leverage Increase Period, covering each of the four fiscal quarters of the Company immediately following the consummation of any qualified acquisition. The newly added Consolidated Senior Secured Leverage Ratio, measuring the Consolidated Senior Secured Funded Indebtedness, as of a date of determination, to Consolidated EBITDA for the applicable measurement period, shall not exceed 3.00 to 1.0 at the end of any fiscal quarter of the Company, increasing to 3.50 to 1.0 in a Leverage Increase Period. In each case, no more than one Leverage Increase Period shall be in effect at any time, and the basic ratio levels must be achieved and maintained for at least two fiscal quarters immediately following each Leverage Increase Period prior to giving effect to another Leverage Increase Period. The requirement for the Consolidated Fixed Charge Coverage Ratio to be no less than 1.25 to 1.0 at the end of any fiscal quarter of the Company remains unchanged in the Amended Credit Agreement. The Amended Credit Agreement removes the requirement that the Company prepay the loans with the proceeds of dispositions of assets or newly incurred debt. The Company's ability to borrow under the Revolving Facility is reduced by outstanding letters of credit of $9,489,000 as of January 25, 2025. As of January 25, 2025, approximately $165,511,000 was available under the Revolving Facility. Borrowings under the Revolving Facility may be used for working capital and other general corporate purposes, including acquisitions that meet certain parameters. As of January 25, 2025, the Company is in compliance with all amended covenants.

Long-term debt and the current period interest rates were as follows:

	January 25, 2025 (In thousands)	April 30, 2024 (In thousands)
Term loan	$ —	$ 28,000
Revolving credit facility	25,000	—
Total debt	25,000	28,000
Less current portion	—	10,000
Total long-term debt, less current portion	25,000	18,000
Less unamortized debt issuance costs–term loans	—	908
Total long-term debt, net of unamortized debt issuance costs–term loans	$ 25,000	$ 17,092
Unamortized debt issuance costs–revolving credit facility	$ 1,354	$ 511
Current period interest rate	5.9%	6.9%

Future contractual long-term debt principal payments at January 25, 2025 were as follows:

	(In thousands)
2025	$ —
2026	—
2027	—
2028	—
2029	25,000
	$ 25,000

10. Leases

The Company leases certain buildings, land and equipment. At contract inception the Company determines whether the contract is, or contains, a lease and whether the lease should be classified as an operating or a financing lease. Operating leases are recorded in operating lease right-of-use assets, current operating lease liabilities and non-current operating lease liabilities on the unaudited condensed consolidated balance sheet.

The Company recognizes operating lease right-of-use assets and operating lease liabilities based on the present value of the future minimum lease payments over the lease term at commencement date. The Company uses its incremental borrowing rate based on the information available at commencement date to determine the present value of future payments and the appropriate lease classification. The Company defines the initial lease term to include renewal options determined to be reasonably certain. The Company’s leases have remaining lease terms of less than one year to seven years, some of which may include options to extend the lease for up to nine years, and some of which may include options to terminate the lease after three years. If the Company determines the option to extend or terminate is reasonably certain, it is included in the determination of lease assets and liabilities. For operating leases, the Company recognizes lease expense for these leases on a straight-line basis over the lease term.

Many of the Company’s real estate lease agreements contain incentives for tenant improvements, rent holidays, or rent escalation clauses. For tenant improvement incentives, if the incentive is determined to be a leasehold improvement owned by the lessee, the Company generally records incentive as a reduction to fixed lease payments thereby reducing rent expense. For rent holidays and rent escalation clauses during the lease term, the Company records rental expense on a straight-line basis over the term of the lease. For these lease incentives, the Company uses the date of initial possession as the commencement date, which is generally when the Company is given the right of access to the space and begins to make improvements in preparation for intended use.

The Company does not have any material restrictions or covenants in its lease agreements, sale-leaseback transactions, land easements or residual value guarantees.

In determining the inputs to the incremental borrowing rate calculation, the Company makes judgments about the value of the leased asset, its credit rating and the lease term including the probability of its exercising options to extend or terminate the underlying lease. Additionally, the Company makes judgments around contractual asset substitution rights in determining whether a contract contains a lease.

The components of lease costs recorded in cost of sales and selling, general and administrative (“SG&A”) expense were as follows (in thousands):

	Nine Months Ended January 25, 2025	Nine Months Ended January 27, 2024
Operating lease cost	$ 7,379	$ 6,923
Short term lease cost	398	984
Variable lease cost	1,212	1,192
Sublease income	—	—
Total lease costs, net	$ 8,989	$ 9,099

Supplemental lease information was as follows:

	Nine Months Ended January 25, 2025 (In thousands)	Nine Months Ended January 27, 2024 (In thousands)
Cash paid for amounts included in the measurement of operating lease liabilities	$ 7,328	$ 6,895
Right-of-use assets obtained in exchange for new lease liabilities	$ 7,112	$ 7,399
Weighted average remaining lease term	50 months	52 months
Weighted average discount rate	5.6%	5.2%

Maturities of operating lease liabilities as of January 25, 2025 were as follows (in thousands):

2025	$ 2,311
2026	9,905
2027	9,348
2028	7,326
2029	6,212
Thereafter	3,543
Total lease payments	38,645
Less: imputed interest	(4,460)
Total present value of operating lease liabilities	$ 34,185

11. Accumulated Other Comprehensive Loss and Reclassifications Adjustments

The components of accumulated other comprehensive loss and adjustments are as follows (in thousands):

	Nine Months Ended January 25, 2025	Nine Months Ended January 27, 2024
Balance as of April 30, 2024 and April 30, 2023, respectively	$ (5,592)	$ (4,452)
Change in foreign currency translation adjustments	(605)	(436)
Balance as of January 25, 2025 and January 27, 2024, respectively	$ (6,197)	$ (4,888)

12. Customer-Funded Research & Development

Customer-funded R&D costs are incurred pursuant to contracts (revenue arrangements) to perform R&D activities according to customer specifications. These costs are direct contract costs and are expensed to cost of sales as costs are incurred. Revenue from customer-funded R&D contracts is recognized in accordance with ASC 606 over time as costs are incurred. Revenue from customer-funded R&D was approximately $19,730,000 and $58,569,000 for the three and nine months ended January 25, 2025. Revenue from customer-funded R&D was approximately $17,617,000 and $61,078,000 for the three and nine months ended January 27, 2024.

13. Long-Term Incentive Awards

During the three months ended July 27, 2024, the Company granted awards under its 2021 Equity Incentive Plan (the "2021 Plan") to key employees ("Fiscal 2025 LTIP"). Awards under the Fiscal 2025 LTIP consist of: (i) time-based restricted stock awards and time-based restricted stock units, which vest in equal tranches in July 2025, July 2026 and July 2027, and (ii) performance-based restricted stock units ("PRSUs"), which vest based on the Company's achievement of revenue and non-GAAP adjusted earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA") targets for the three-year period ending April 30, 2027. At the award date, target achievement levels for each of the financial performance metrics were established for the PRSUs, at which levels the PRSUs would vest at 100% for each such metric. Threshold achievement levels for which the PRSUs would vest at 50% for each such metric and maximum achievement levels for which such awards would vest at 250% for each such metric were also established. The actual payout for the PRSUs at the end of the performance period will be calculated based upon the Company’s achievement of the established revenue and non-GAAP adjusted EBITDA targets for the performance period. Settlement of the PRSUs will be made in fully-vested shares of the Company’s common stock. For the three and nine months ended January 25, 2025, the Company recorded $918,000 and $2,192,000 of compensation expense related to the Fiscal 2025 LTIP. The Company recorded no compensation expense related to the Fiscal 2025 LTIP for the three and nine months ended January 27, 2024. At January 25, 2025, the maximum compensation expense that may be recorded for the performance-based portion of the Fiscal 2025 LTIP is $18,979,000.

During the three months ended July 29, 2023, the Company granted awards under the 2021 Plan to key employees (“Fiscal 2024 LTIP”). Awards under the Fiscal 2024 LTIP consist of: (i) time-based restricted stock awards and time-based restricted stock units, which vest in equal tranches in July 2024, July 2025 and July 2026, and (ii) PRSUs, which vest based on the Company’s achievement of revenue and non-GAAP adjusted EBITDA targets for the three-year period ending April 30, 2026. At the award date, target achievement levels for each of the financial performance metrics were established for the PRSUs, at which levels the PRSUs would vest at 100% for each such metric. Threshold achievement levels for which the PRSUs would vest at 50% for each such metric and maximum achievement levels for which such awards would vest at 250% for each such metric were also established. The actual payout for the PRSUs at the end of the performance period will be calculated based upon the Company’s achievement of the established revenue and non-GAAP adjusted EBITDA targets for the performance period. Settlement of the PRSUs will be made in fully-vested shares of the Company’s common stock. For the three and nine months ended January 25, 2025, the Company recorded $938,000 and $3,128,000 of compensation expense related to the Fiscal 2024 LTIP, respectively. For the three and nine months ended January 27, 2024, the Company recorded $965,000 and $2,798,000 of compensation expense related to the Fiscal 2024 LTIP, respectively. At January 25, 2025, the maximum compensation expense that may be recorded for the performance-based portion of the Fiscal 2024 LTIP is $15,673,000.

During the three months ended July 30, 2022, the Company granted awards under the 2021 Plan to key employees (“Fiscal 2023 LTIP”). Awards under the Fiscal 2023 LTIP consist of: (i) time-based restricted stock awards and time-based restricted stock units, which vest in equal tranches in July 2023, July 2024 and July 2025, and (ii) PRSUs, which vest based on the Company’s achievement of revenue and non-GAAP adjusted EBITDA targets for the three-year period ending April 30, 2025. At the award date, target achievement levels for each of the financial performance metrics were established for the PRSUs, at which levels the PRSUs would vest at 100% for each such metric. Threshold achievement levels for which the PRSUs would vest at 50% for each such metric and maximum achievement levels for which such awards would vest at 250% for each such metric were also established. The actual payout for the PRSUs at the end of the performance period will be calculated based upon the Company’s achievement of the established revenue and non-GAAP adjusted EBITDA targets for the performance period. Settlement of the PRSUs will be made in fully-vested shares of the Company’s common stock. For the three and nine months ended January 25, 2025, the Company recorded $587,000, and $2,253,000 of compensation expense related to the Fiscal 2023 LTIP, respectively. For the three and nine months ended January 27, 2024, the Company recorded $702,000 and $2,554,000 of compensation expense related to the Fiscal 2023 LTIP, respectively. At January 25, 2025, the maximum compensation expense that may be recorded for the performance-based portion of the Fiscal 2023 LTIP is $11,448,000.

During the three months ended July 31, 2021, the Company also granted awards under the Restated 2006 Plan to key employees (“Fiscal 2022 LTIP”). Awards under the Fiscal 2021 LTIP consist of: (i) time-based restricted stock awards, which vest in equal tranches in July 2022, July 2023 and July 2024, and (ii) PRSUs, which vest based on the Company’s achievement of revenue and non-GAAP operating income targets for the three-year period ending April 30, 2024. During the three months ended July 27, 2024, the Company issued a total of 15,427 fully-vested shares of the Company’s common stock to settle the PRSUs in the Fiscal 2022 LTIP. For the three and nine months ended January 25, 2025, the Company recorded no compensation expense. For the three and nine months ended January 27, 2024, the Company recorded $125,000 and $613,000 of compensation expense related to the Fiscal 2022 LTIP, respectively.

At each reporting period, the Company reassesses the probability of achieving the performance targets for the PRSUs. The estimation of whether the performance targets will be achieved requires judgment, and, to the extent actual results or updated estimates differ from the Company’s current estimates, the cumulative effect on current and prior periods of those changes will be recorded in the period estimates are revised. No compensation cost is ultimately recognized for awards for which employees do not render the requisite service and are forfeited.

14. Income Taxes

For the three and nine months ended January 25, 2025, the Company recorded an income tax benefit of $(605,000), and an income tax expense of $659,000 yielding an effective tax rate of 25.6% and 2.5%, respectively. For the three and nine months ended January 27, 2024, the Company recorded an income tax expense provision of $1,259,000 and $3,710,000, respectively, yielding an effective tax rate of 8.3% and 6.3%, respectively. The variance from statutory rates for the three months ended January 25, 2025 was primarily due to the loss before income taxes for the three months ended January 25, 2025. The variance from statutory rates for the nine months ended January 25, 2025 was primarily due to the decrease in income before taxes, offset by a decrease in foreign-derived intangible income ("FDII") deductions and, federal R&D credits. The variance from statutory rates for the three and nine months ended January 27, 2024 was primarily due to an increase in profit before taxes, foreign derived intangible income deductions and federal R&D credits.

15. Share Repurchase Plan and Issuances

On September 8, 2022 the Company filed an S-3 shelf registration statement to offer and sell shares of the Company's common stock, including a prospectus supplement in relation to an Open Market Sale Agreement[SM], also dated September 8, 2022, with Jefferies LLC relating to the proposed offer and sale of shares of the Company's common stock having an aggregate offering price of up to $200,000,000 from time to time through Jefferies LLC as the sales agent. During the six months ended October 28, 2023, the Company completed the Open Market Sale AgreementSM. During the six months ended October 28, 2023, the Company sold 807,370 shares for total gross proceeds of $91,313,000, total proceeds received of $88,574,000, net of commission expense and $88,437,000 net of equity issuance costs. As of January 27, 2024, the Company completed the Open Market Sale Agreement[SM] and sold 1,917,100 of its shares for total gross proceeds of $200,000,000, total proceeds received of $193,999,000, net of commission expense and $193,086,000 net of equity issuance costs.

16. Business Acquisitions

Tomahawk Acquisition

On September 15, 2023, the Company closed its acquisition of Tomahawk Robotics, Inc., a leader in AI-enabled robotic control systems. Pursuant to the merger agreement, the Company acquired 100% of Tomahawk equity for an aggregate purchase price of $134,467,000 consisting of 985,999 shares of restricted common stock of the Company valued at $109,820,000 and $27,205,000 cash-on-hand, net of $3,048,000 cash acquired, plus a $490,000 holdback. During the fiscal year ended April 30, 2024, the holdback was decreased $100,000 as part of the working capital adjustment, and the total purchase price and goodwill, therefore, decreased by $100,000 as well. The remaining $390,000 holdback was paid during the three months ended October 26, 2024. The fair value of the shares issued was the closing price on September 15, 2023, the close of the Tomahawk purchase agreement. Tomahawk is incorporated into AeroVironment's UxS segment. The acquisition will enable deeper integration of both companies' technology, leading to enhanced interoperability and interconnectivity of uncrewed systems through a singular platform with similar control features. The Company accounted for the acquisition under the acquisition method of accounting for business combinations.

The following table summarizes the final allocation of the purchase price over the estimated fair value of the assets and liabilities assumed in the acquisition of Tomahawk (in thousands):

		September 15, 2023
Fair value of assets acquired:		
Accounts receivable	$	2,314
Unbilled receivable		993
Inventories, net		2,882
Prepaid and other current assets		148
Property and equipment, net		1,789
Operating lease assets		1,337
Other assets		71
Technology		39,000
Customer relationship		4,800
Trademarks		1,600
Deferred tax asset		2,865
Goodwill		95,414
Total identifiable net assets	$	153,213
Fair value of liabilities assumed:		
Accounts payable		3,788
Wages and related accruals		620
Customer advances		1,648
Current operating lease liabilities		482
Other current liabilities		411
Non-current operating lease liabilities		855
Other non-current liabilities		7
Deferred income taxes		11,035
Total liabilities assumed		18,846
Total identifiable net assets	$	134,367
Fair value of consideration transferred:		
Equity consideration	$	109,820
Cash consideration, net of cash acquired		24,157
Holdback		390
Total consideration	$	134,367

Determining the fair value of the intangible assets acquired requires significant judgment, including the amount and timing of expected future cash flows, long-term growth rates and discount rates. The fair value of the intangible assets was determined using a discounted cash flow analysis, which were based on the Company’s preliminary estimates of future sales, earnings and cash flows after considering such factors as general market conditions, anticipated customer demand, changes in working capital, long term business plans and recent operating performance. Use of different estimates and judgments could yield materially different results.

The goodwill is attributable to the synergies the Company expects to achieve through leveraging the acquired technology to its existing customers, the workforce of Tomahawk and expected future customers in the UxS market. For income tax purposes the acquisition is treated as a stock acquisition, as such the goodwill associated with this purchase is not deductible.

Tomahawk Supplemental Pro Forma Information (unaudited)

The following unaudited pro forma summary presents condensed consolidated information of the Company as if the business acquisition had occurred on May 1, 2022 (in thousands):

	Three Months Ended January 27, 2024	Nine Months Ended January 27, 2024
Revenue	$ 186,578	$ 530,262
Net income	$ 13,831	$ 50,849

The Company did not have any material, nonrecurring pro forma adjustments directly attributable to the business acquisition included in the reported pro forma revenue and earnings.

These pro forma amounts have been calculated by applying the Company's accounting policies, assuming transaction costs had been incurred during the three months ended July 30, 2022, reflecting the additional amortization that would have been charged and including the results of Tomahawk prior to acquisition.

The unaudited pro forma supplemental information is based on estimates and assumptions, which the Company believes are reasonable and are not necessarily indicative of the results that have been realized had the acquisition been consolidated in the tables above as of May 1, 2022, nor are they indicative of results of operations that may occur in the future.

17. Pension

As part of the Telerob acquisition, the Company acquired a small foreign-based defined benefit pension plan. The Rheinmetall-Zusatzversorgung service plan covers three former employees based on individual contracts issued to the employees. No other employees are eligible to participate. The Company has reinsurance policies that were taken out for participating former employees, which were pledged to the employees. The measurement date for the Company's pension plan was April 30, 2024.

The table below includes the projected benefit obligation and fair value of plan assets as of April 30, 2024. The net fair value of plan assets (in thousands) is recorded in other assets on the unaudited condensed consolidated balance sheet.

	April 30, 2024 (In thousands)
Projected benefit obligation	$ (3,246)
Fair value of plan assets	3,636
Funded status of the plan	$ 390

The projected benefit obligation includes assumptions of a discount rate of 3.9% and pension increase for in-payment benefits of 2.5% for both January 25, 2025 and April 30, 2024. The accumulated benefit obligation is approximately equal to the Company's projected benefit obligation. The plan assets consist of reinsurance policies for each of the three pension commitments. The reinsurance policies are fixed-income investments considered a level 2 fair value hierarchy based on observable inputs of the policy. The Company does not expect to make any contributions to the plan in the fiscal year ending April 30, 2025. The Company assumed expected return on plan assets of 2.9% for January 25, 2025 and April 30, 2024.

Expected benefit payments as of April 30, 2024 (in thousands):

2025	$	188
2026		192
2027		195
2028		197
2029		199
2030-2034		1,014
Total expected benefit payments	$	1,985

Net periodic benefit cost (in thousands) is recorded in interest expense, net.

	Three Months Ended		Nine Months Ended	
	January 25, 2025	January 27, 2024	January 25, 2025	January 27, 2024
Expected return on plan assets	$ —	$ —	$ —	$ —
Interest cost	28	30	85	89
Actuarial gain	—	—	—	—
Net periodic benefit cost	$ 28	$ 30	$ 85	$ 89

18. Segments

The accounting policies of the segments are the same as those described in Note 1, "Organization and Significant Accounting Policies." The operating segments do not make sales to each other. Effective May 1, 2024, segment adjusted gross margin is the measure of profitability used by the CODM for purposes of making decisions about allocating resources to the segments and assessing performance. Segment adjusted gross margin is defined as gross margin before intangible amortization expense including amortization of purchase accounting adjustments. Prior period segment information has been revised to align with the new segment measure of profitability.

	Three Months Ended January 25, 2025			
	UxS	LMS	MW	Total
Revenue:				
Product sales	$ 57,848	$ 80,206	$ 1,699	$ 139,753
Contract services	5,902	3,735	18,246	27,883
	$ 63,750	$ 83,941	$ 19,945	$ 167,636
Segment adjusted gross margin	$ 29,418	33,008	4,476	$ 66,902
Depreciation and amortization	$ 7,045	$ 906	$ 1,339	$ 9,290

	Three Months Ended January 27, 2024			
	UxS	LMS	MW	Total
Revenue:				
Product sales	$ 104,522	$ 51,338	$ 63	$ 155,923
Contract services	8,768	6,320	15,567	30,655
	$ 113,290	$ 57,658	$ 15,630	$ 186,578
Segment adjusted gross margin	$ 50,050	17,980	3,294	$ 71,324
Depreciation and amortization	$ 7,523	$ 672	$ 1,387	$ 9,582

	Nine Months Ended January 25, 2025			
	UxS	LMS	MW	Total
Revenue:				
Product sales	$ 249,296	$ 199,316	$ 1,876	$ 450,488
Contract services	19,846	14,313	60,930	95,089
	$ 269,142	$ 213,629	$ 62,806	$ 545,577
Segment adjusted gross margin	$ 138,040	76,437	14,963	$ 229,440
Depreciation and amortization	$ 20,855	$ 2,575	$ 3,714	$ 27,144

	Nine Months Ended January 27, 2024			
	UxS	LMS	MW	Total
Revenue:				
Product sales	$ 318,708	$ 100,645	$ 1,820	$ 421,173
Contract services	25,562	18,179	54,827	98,568
	$ 344,270	$ 118,824	$ 56,647	$ 519,741
Segment adjusted gross margin	$ 166,088	39,648	12,206	$ 217,942
Depreciation and amortization	$ 19,104	$ 1,848	$ 4,017	$ 24,969

The following table (in thousands) provides a reconciliation from segment adjusted gross margin to income before income taxes:

	Three Months Ended January 25, 2025	Three Months Ended January 27, 2024	Nine Months Ended January 25, 2025	Nine Months Ended January 27, 2024
Segment adjusted gross margin	$ 66,902	$ 71,324	$ 229,440	$ 217,942
Amortization in cost of sales	(3,703)	(4,037)	(11,136)	(9,645)
Selling, general and administrative	(43,788)	(27,826)	(115,499)	(79,800)
Research and development	(22,498)	(25,127)	(75,827)	(62,618)
Interest expense, net	(248)	(114)	(1,177)	(4,072)
Other expense, net	976	1,004	758	(2,983)
Income before income taxes	$ (2,359)	$ 15,224	$ 26,559	$ 58,824

Identifiable segment assets are summarized in the table below. Corporate assets primarily consist of cash and cash equivalents, prepaid expenses and other current assets, long-term investments, property and equipment, net, operating lease right-of-use assets, deferred income taxes and other assets managed centrally on behalf of the business segments.

	UxS	LMS	MW	Corporate	Total
As of January 25, 2025	$ 504,880	$ 273,454	$ 49,948	$ 219,861	$ 1,048,143
As of April 30, 2024	$ 590,619	$ 165,413	$ 50,767	$ 209,061	$ 1,015,860

19. Subsequent Events

On February 28, 2025, the Department of the Army issued a stop-work order on certain existing U.S. government contracts, previously awarded to the Company for foreign military sales funded by the U.S. government via foreign military financing. As of January 25, 2025, funded backlog included approximately $13,000,000 impacted by the stop-work order.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of our financial condition and the results of operations as of and for the periods presented below. The following discussion and analysis should be read in conjunction with the “Condensed Consolidated Financial Statements” and notes thereto included elsewhere in this Quarterly Report on Form 10-Q. This section and other parts of this Quarterly Report on Form 10-Q contain forward-looking statements that involve risks and uncertainties. In some cases, forward-looking statements can be identified by words such as “anticipates,” “believes,” “could,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “projects,” “should,” “will,” “would” or similar expressions. Such forward-looking statements are based on current expectations, estimates and projections about our industry, our management’s beliefs and assumptions made by our management. Forward-looking statements are not guarantees of future performance and our actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended April 30, 2024, as updated by our subsequent filings under the Securities and Exchange Act of 1934, as amended (the “Exchange Act”).

Unless required by law, we expressly disclaim any obligation to update publicly any forward-looking statements, whether as result of new information, future events or otherwise.

Critical Accounting Estimates

The following should be read in conjunction with the critical accounting estimates presented in our Annual Report on Form 10-K for the fiscal year ended April 30, 2024.

Management’s Discussion and Analysis of Financial Condition and Results of Operations discusses our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. When we prepare these condensed consolidated financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Some of our accounting policies require that we make subjective judgments, including estimates that involve matters that are inherently uncertain. Our most critical estimates include those related to revenue recognition, inventory reserves for excess and obsolescence, intangible assets acquired in a business combination, goodwill, and income taxes. We base our estimates and judgments on historical experience and on various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for our judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our actual results may differ from these estimates under different assumptions or conditions.

Revenue Recognition

We recognize revenue in accordance with ASU 2014-09, *Revenue from Contracts with Customers* (“ASC 606”). ASC 606 requires revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which we expect to be entitled in exchange for those goods or services.

Revenue for LMS product deliveries, customization of UGV transport vehicles and customer-funded research and development contracts is recognized over time as costs are incurred. Contract services revenue is for the provision of services, including repairs and maintenance, training, engineering design, development and prototyping activities, and technical support services. Contract services revenue, including ISR services, is recognized over time as services are rendered. We elected the right to invoice practical expedient in which if an entity has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity’s performance completed to date, such as flight hours for ISR services, the entity may recognize revenue in the amount to which the entity has a right to invoice. Training services are recognized over time using an output method based on days of training completed. For performance obligations satisfied over time, revenue is generally recognized using costs incurred to date relative to total estimated costs at completion to measure progress. Incurred costs represent work performed, which correspond with, and thereby best depict, transfer of control to the customer. Contract costs include labor, materials, subcontractors' costs, other direct costs, and indirect costs applicable on government and commercial contracts.

For performance obligations which are not satisfied over time per the aforementioned criteria above, revenue is recognized at the point in time in which each performance obligation is fully satisfied. Our Uncrewed Systems product sales revenue is primarily composed of revenue recognized on contracts for the delivery of UxS systems and spare parts, respectively. Revenue is recognized at the point in time when control transfers to the customer, which generally occurs when title and risk of loss have passed to the customer.

We review cost performance, estimates-to-complete and variable consideration at least quarterly and in many cases more frequently. Adjustments to original estimates for a contract's revenue, estimated costs at completion and estimated profit or loss are often required as work progresses under a contract, as experience is gained and as more information is obtained, even though the scope of work required under the contract may not change, or if contract modifications, including the finalization of undefinitized contract actions, occur. The impact of revisions in estimate of completion and variable consideration for all types of contracts are recognized on a cumulative catch-up basis in the period in which the revisions are made. Changes in variable consideration associated with the finalization of undefinitized contract actions could result in cumulative catch up adjustments to revenue that could be material. During the three and nine months ended January 25, 2025 and January 27, 2024, changes in accounting estimates on contracts recognized using the over time method are presented below. Amounts representing contract change orders or claims are included in revenue if the order or claim meets the criteria of a contract or contract modification in accordance with ASC 606. Incentives or penalties and awards applicable to performance on contracts are considered in estimating revenue and profit rates, and are recorded when there is sufficient information to assess anticipated contract performance.

For the three months ended January 25, 2025 and January 27, 2024, favorable and unfavorable cumulative catch-up adjustments included in revenue were as follows (in thousands):

	Three Months Ended	
	January 25, 2025	January 27, 2024
Gross favorable adjustments	$ 10,304	$ 4,450
Gross unfavorable adjustments	(1,154)	(52)
Net favorable adjustments	$ 9,150	$ 4,398

For the three months ended January 25, 2025, favorable cumulative catch-up adjustments of $10.3 million were primarily due to cost adjustments on three contracts. During the three months ended January 25, 2025, the Company revised its estimates of the total expected costs to complete three LMS contracts. The aggregate impact of these adjustments in contract estimates on revenue related to performance obligations satisfied or partially satisfied in previous periods was an increase to revenue of approximately $9.6 million. For the same period, unfavorable cumulative catch-up adjustments of $1.2 million were primarily related to higher than expected costs on 23 contracts, which individually were not material.

For the three months ended January 27, 2024, favorable cumulative catch-up adjustments of $4.5 million were primarily due to cost adjustments on three contracts. During the three months ended January 27, 2024, we revised our estimates of the total expected costs to complete an LMS contract. The aggregate impact of these adjustments in contract estimates on revenue related to performance obligations satisfied or partially satisfied in previous periods was an increase to revenue of approximately $3.6 million. For the same period, unfavorable cumulative catch-up adjustments of $0.1 million were primarily related to higher than expected costs on three contracts, which individually were not material.

For the nine months ended January 25, 2025 and January 27, 2024, favorable and unfavorable cumulative catch-up adjustments included in revenue were as follows (in thousands):

	Nine Months Ended	
	January 25, 2025	January 27, 2024
Gross favorable adjustments	$ 11,600	$ 6,539
Gross unfavorable adjustments	(2,085)	(1,452)
Net favorable (unfavorable) adjustments	$ 9,515	$ 5,087

For the nine months ended January 25, 2025, favorable cumulative catch-up adjustments of $11.6 million were primarily due to cost adjustments on four contracts. During the nine months ended January 25, 2025, we definitized certain LMS undefinitized contract actions. The aggregate impact of these cumulative catch-up revenue adjustments for the contract definitization was an increase to revenue of approximately $9.9 million. The remaining adjustments individually were not material. For the same period, unfavorable cumulative catch-up adjustments of $2.1 million were primarily related to higher than expected costs on 30 contracts, which individually were not material.

For the nine months ended January 27, 2024, favorable cumulative catch-up adjustments of $6.5 million were primarily due to cost adjustments on 17 contracts. During the nine months ended January 27, 2024, we revised our estimates of the total expected costs to complete an LMS contract. The aggregate impact of these adjustments in contract estimates on revenue related to performance obligations satisfied or partially satisfied in previous periods was an increase to revenue of approximately $1.4 million. For the same period, unfavorable cumulative catch-up adjustments of $1.5 million were primarily related to higher than expected costs on eight contracts, which individually were not material.

Goodwill

Goodwill represents the excess of the cost of an acquired entity over the fair value of the acquired net assets. We test goodwill for impairment annually during the fourth quarter of our fiscal year or when events or circumstances change in a manner that indicates goodwill might be impaired. Events or circumstances that could trigger an impairment review include, but are not limited to, a significant adverse change in legal factors or in the business or political climate, an adverse action or assessment by a regulator, unanticipated competition, a loss of key personnel, significant changes in the manner of our use of the acquired assets or the strategy for our overall business, significant negative industry or economic trends or significant underperformance relative to projected future results of operations.

Our evaluation of goodwill for impairment involves the comparison of the fair value of each reporting unit to its carrying value. For the impairment test, we first assess qualitative factors, macroeconomic conditions, industry and market considerations, triggering events, cost factors, and overall financial performance, to determine whether it is necessary to perform a quantitative goodwill impairment test. Alternatively, we may bypass the qualitative assessment for some or all of our reporting units and apply the quantitative impairment test. If determined to be necessary, the quantitative impairment test shall be used to identify goodwill impairment and measure the amount of a goodwill impairment loss to be recognized (if any). For the quantitative impairment test, we estimate the fair value by weighting the results from the income approach and the market approach. These valuation approaches consider a number of factors that include, but are not limited to, prospective financial information, growth rates, terminal value, discount rates, and comparable multiples from publicly traded companies in our industry and require us to make certain assumptions and estimates regarding industry economic factors and future profitability of our business.

Subsequent to the performance of our annual goodwill impairment test for fiscal year 2023, in May 2023 a trigger event was identified that indicated that the carrying value of the MUAS reporting unit exceeded its fair value. Specifically, we received notification that we were not down selected for a U.S. D.o.D. program of record which resulted in a significant decrease in the projected future cash flows of the MUAS reporting unit. As a result, we updated our estimates of long-term future cash flows to reflect lower revenue and profitability growth rate expectations used in the valuation of the MUAS reporting unit. These changes in estimates, resulted in the recognition of a goodwill impairment charge of $156.0 million in the MUAS reporting unit during the fiscal year ended April 30, 2023.

As of January 25, 2025, our MUAS reporting unit had a goodwill balance of $135.8 million. The estimated fair value of the MUAS reporting unit does not substantially exceed its carrying value due to the impairment recorded during the fourth quarter ended April 30, 2023. The fair value of the MUAS reporting unit exceeded its carrying value by 10% as of January 28, 2024, the date of the most recent annual goodwill impairment test. Fair value determinations utilized in the quantitative goodwill impairment test require considerable judgment and are sensitive to changes in underlying assumptions, estimates, and market factors. Estimating the fair value of individual reporting units requires us to make assumptions and estimates regarding future plans, as well as industry, economic, and regulatory conditions. These assumptions and estimates include estimated future annual net cash flows, income tax rates, discount rates, growth rates, and other market factors. Estimated future annual net cash flows based in part upon our ability to obtain contracts from the U.S. D.o.D. and foreign allied nations and negotiate the estimated pricing are considered the most significant, sensitive assumptions. If current expectations of future growth rates and margins are not met, if market factors outside of our control, such as discount rates, income tax rates, or inflation, change, or if management's expectations or plans otherwise change, including updates to long-term operating plans, then MUAS may become impaired in the future. Accordingly, the MUAS reporting unit is considered at an increased risk of failing future quantitative goodwill impairment tests. The intangibles included in the MUAS reporting unit of $10.9 million as of January 25, 2025 will also be evaluated for potential impairment during the fourth quarter impairment test. During the most recent annual impairment test during the fourth quarter of fiscal year 2024, the estimated fair value of all reporting units, other than MUAS, substantially exceeded their carrying value. As of January 25, 2025, we have not identified any events or circumstances that could trigger an impairment review prior to the Company's annual impairment test.

The estimates and assumptions used to determine the fair value of our reporting units are highly subjective in nature. Actual results can be materially different from the estimates and assumptions. If actual market conditions are less favorable than those projected by the industry or by us, or if events occur or circumstances change that would reduce the estimated fair value of our indefinite-lived intangible assets below the carrying amounts, we could recognize future impairment charges, the amount of which could be material.

Fiscal Periods

Due to our fixed year end date of April 30, our first and fourth quarters each consist of approximately 13 weeks. The second and third quarters each consist of exactly 13 weeks. Our first three quarters end on a Saturday. Our 2025 fiscal year ends on April 30, 2025 and our fiscal quarters end on July 27, 2024, October 26, 2024 and January 25, 2025, respectively.

Results of Operations

The following tables set forth our results of operations for the periods indicated (in thousands):

Three Months Ended January 25, 2025 Compared to Three Months Ended January 27, 2024

	Three Months Ended	
	January 25, 2025	January 27, 2024
Revenue	$ 167,636	$ 186,578
Cost of sales	104,437	119,291
Gross margin	63,199	67,287
Selling, general and administrative	43,788	27,826
Research and development	22,498	25,127
(Loss) income from operations	(3,087)	14,334
Other income:		
Interest expense, net	(248)	(114)
Other income, net	976	1,004
(Loss) income before income taxes	(2,359)	15,224
(Benefit from) provision for income taxes	(605)	1,259
Equity method investment income (loss), net of tax	—	(80)
Net (loss) income	$ (1,754)	$ 13,885

We have identified three reportable segments, Uncrewed Systems ("UxS"), Loitering Munitions Systems ("LMS") and MacCready Works ("MW"). The UxS segment consists of our SUAS, including our Tomahawk acquisition, MUAS and UGV product lines. The LMS segment consists of our renamed existing tactical missile systems product lines. The MW segment consists of our MacCready Works products and services and the development of High Altitude Pseudo-Satellite systems ("HAPS"). The following tables (in thousands) set forth our segment revenue and segment adjusted gross margin for the periods indicated. Prior period segment information has been revised to align with the new segment measure of profitability. Segment adjusted gross margin is defined as gross margin before intangible amortization expense including amortization of purchase accounting adjustments. All corporate and headquarter expenses are allocated to the reportable segments.

	Three Months Ended January 25, 2025			
	UxS	LMS	MW	Total
Revenue:				
Product sales	$ 57,848	$ 80,206	$ 1,699	$ 139,753
Contract services	5,902	3,735	18,246	27,883
	$ 63,750	$ 83,941	$ 19,945	$ 167,636
Segment adjusted gross margin	$ 29,418	$ 33,008	$ 4,476	

	Three Months Ended January 27, 2024			
	UxS	LMS	MW	Total
Revenue:				
Product sales	$ 104,522	$ 51,338	$ 63	$ 155,923
Contract services	8,768	6,320	15,567	30,655
	$ 113,290	$ 57,658	$ 15,630	$ 186,578
Segment adjusted gross margin	$ 50,050	$ 17,980	$ 3,294	

We recorded intangible amortization expense and other purchase accounting adjustments in the following categories on the accompanying unaudited condensed consolidated statements of operations:

	Three Months Ended		Nine Months Ended	
	January 25, 2025	January 27, 2024	January 25, 2025	January 27, 2024
Cost of sales:				
Product sales	$ 2,606	$ 2,681	$ 7,846	$ 5,577
Contract services	1,097	1,356	3,290	4,068
Selling, general and administrative	1,075	1,559	3,225	3,530
Total	$ 4,778	$ 5,596	$ 14,361	$ 13,175

Revenue. Revenue for the three months ended January 25, 2025 was $167.6 million, as compared to $186.6 million for the three months ended January 27, 2024, representing a decrease of $18.9 million, or 10%. The decrease in revenue was due to a decrease in product revenue of $16.2 million and a decrease in service revenue of $2.8 million. The decrease in product revenue was primarily due to a decrease in product deliveries of our UxS products of $46.7 million primarily due to a decrease in international sales to Ukraine. The decrease was partially offset by an increase of $28.9 million from the production of our Switchblade products primarily driven by increased global demand for our Switchblade products associated with the current global conflicts as well as U.S. D.o.D. resupply and an increase in product deliveries of our MW products of $1.7 million due to the shift from development to early production of certain new products. The decrease in service revenue was due to a decrease of $1.6 million of training and repairs service revenue driven by the decrease in UxS product sales and a decrease of $1.2 million in customer funded R&D and engineering services driven by a decrease in development programs in part due to delays in the establishment of the government fiscal year 2024 budget. The January 2025 Southern California high winds, fires and resulting blackouts and shutdowns negatively impacted revenue for the three months ended January 25, 2025. The increase in the LMS product revenues as compared to the prior year period is expected to continue for the remainder of the fiscal year ending April 30, 2025.

Cost of Sales. Cost of sales for the three months ended January 25, 2025 was $104.4 million, as compared to $119.3 million for the three months ended January 27, 2024, representing a decrease of $14.9 million, or 12%. The decrease in cost of sales was a result of a decrease in product cost of sales of $18.5 million, partially offset by an increase in service costs of sales of $3.6 million. The decrease in product costs of sales was primarily due to a decrease of approximately $10 million associated with the decrease in product revenue and approximately $8 million due to mix shift related primarily to the definitization of LMS contracts. The increase in service cost of sales was primarily due to an increase of approximately $5 million associated with a higher proportion of fixed asset allocated costs, partially offset by a decrease of approximately $2 million associated with the decrease in service revenue. Cost of sales for the three months ended January 25, 2025 included $3.7 million of intangible amortization and other related non-cash purchase accounting expenses as compared to $4.0 million for the three months ended January 27, 2024. As a percentage of revenue, cost of sales decreased from 64% to 62% primarily due to the definitization of LMS contracts, resulting in gross margin increasing from 36% to 38%.

Gross Margin. Gross margin is equal to revenue minus cost of sales.

Selling, General and Administrative. SG&A expense for the three months ended January 25, 2025 was $43.8 million, or 26% of revenue, as compared to SG&A expense of $27.8 million, or 15% of revenue, for the three months ended January 27, 2024. The increase in SG&A expense was primarily due to an increase of $10.1 million in acquisition related expenses related to the BlueHalo merger and an increase of $2.5 million of sales and marketing expense primarily driven by an increase in bid and proposal efforts. Sales and marketing expense includes commissions on certain direct commercial sales to international customers, and an increase in revenue results in an increase in commission expense.

Research and Development. R&D expense for the three months ended January 25, 2025 was $22.5 million, or 13% of revenue, as compared to R&D expense of $25.1 million, or 13% of revenue, for the three months ended January 27, 2024. The decrease was primarily due to an acceleration of R&D activity in the second quarter of fiscal year 2025.

Interest Expense, net. Interest expense, net for the three months ended January 25, 2025 was $0.2 million compared to interest expense, net of $0.1 million for the three months ended January 27, 2024.

Other Income, net. Other income, net, for the three months ended January 25, 2025 was $1.0 million as compared to other expense, net of $1.0 million for the three months ended January 27, 2024.

(Benefit from) Provision for Income Taxes. Our effective income tax rate was 25.6% for the three months ended January 25, 2025, as compared to 8.3% for the three months ended January 27, 2024. The increase in our effective income tax rate was primarily due to an increase in FDII deductions and excess tax benefits from equity awards. The effective income tax rate for the three months ended January 25, 2025 was primarily impacted by expected federal R&D tax credits and FDII deductions and excess tax benefits from equity awards.

Equity Method Investment Loss, net of Tax. Equity method investment loss, net of tax for the three months ended January 25, 2025 was $0 as compared to equity method investment loss, net of tax of $0.1 million for the three months ended January 27, 2024.

Loitering Munitions Systems

	Three Months Ended			
	January 25, 2025		January 27, 2024	
Revenue:				
Product sales	$	80,206	$	51,338
Contract services		3,735		6,320
	$	83,941	$	57,658
Segment adjusted gross margin	$	33,008	$	17,980

Revenue. LMS revenue for the three months ended January 25, 2025 was $83.9 million, as compared to $57.7 million for the three months ended January 27, 2024, representing an increase of $26.2 million, or 45%. The increase in revenue was due to an increase in product revenue of $28.9 million, partially offset by a decrease in service revenue of $2.6 million. The increase in product revenue was primarily due to increased production of our LMS systems primarily due to increased global demand for our loitering munitions systems associated with the current global conflicts as well as U.S. D.o.D. resupply. The decrease in service revenue was primarily due to decreases in customer-funded R&D activities primarily associated with the shift from development to production of certain Switchblade products.

LMS Segment adjusted gross margin. LMS segment adjusted gross margin for the three months January 25, 2025 was $33.0 million, as compared to $18.0 million for the three months ended January 27, 2024, representing an increase of $15.0 million, or 83%. The increase in LMS segment adjusted gross margin was primarily due to an increase in revenue of $26.2 million, partially offset by an increase in adjusted cost of sales of $11.2 million. The increase in adjusted cost of sales was primarily due to an increase in sales volume of approximately $18 million, partially offset by a mix shift of approximately $7 million to related primarily to the definitization of LMS contracts. LMS is operating under multiple unpriced change orders, or UCO's, for which we recognize revenue based upon estimates of the final price negotiations. In the period these contracts are definitized a cumulative catch-up revenue adjustment may be recorded.

Uncrewed Systems

	Three Months Ended			
	January 25, 2025		January 27, 2024	
Revenue:				
Product sales	$	57,848	$	104,522
Contract services		5,902		8,768
	$	63,750	$	113,290
Segment adjusted gross margin	$	29,418	$	50,050

Revenue. UxS revenue for the three months ended January 25, 2025 was $63.8 million, as compared to $113.3 million for the three months ended January 27, 2024, representing a decrease of $49.5 million, or 44%. The decrease in revenue was due to a decrease in product revenue of $46.7 million and a decrease in service revenue of $2.9 million. The decrease in product revenue was primarily due to $46.7 million of decreased international sales of our UxS family of systems, most significantly sales to Ukraine. The decrease in service revenue was primarily due to a decrease of $1.9 million of customer-funded R&D and engineering services.

UxS Segment adjusted gross margin. UxS segment adjusted gross margin for the three months January 25, 2025 was $29.4 million, as compared to $50.1 million for the three months ended January 27, 2024, representing a decrease of $20.7 million, or 41%. The decrease in UxS segment adjusted gross margin was primarily due to a decrease in revenue of $49.5 million, partially offset by a decrease of $28.8 million in adjusted cost of sales. The decrease in adjusted cost of sales was primarily due to a decrease in sales volume of approximately $29 million. Adjusted cost of sales is defined as cost of sales before intangible amortization expense including amortization of purchase accounting adjustments.

MacCready Works

	Three Months Ended	
	January 25, 2025	January 27, 2024
Revenue:		
Product sales	$ 1,699	$ 63
Contract services	18,246	15,567
	$ 19,945	$ 15,630
Segment adjusted gross margin	$ 4,476	$ 3,294

Revenue. MW revenue for the three months ended January 25, 2025 was $19.9 million, as compared to $15.6 million for the three months ended January 27, 2024, representing an increase of $4.3 million, or 28%. The increase in revenue was due to an increase in service revenue of $2.7 million and an increase in product revenue of $1.6 million. The increase in service revenue was primarily due to an increase of $2.7 million in customer funded R&D and engineering services efforts primarily due to HAPS return to flight services. The increase in product revenue was primarily driven by the shift from development to production of certain new product lines.

MW Segment adjusted gross margin. MW segment adjusted gross margin for the three months January 25, 2025 was $4.5 million, as compared to $3.3 million for the three months ended January 27, 2024, representing an increase of $1.2 million or 36%. The increase in MW adjusted gross margin was primarily due to an increase in revenue of $4.3 million, partially offset by an increase in adjusted cost of sales of $3.1 million. The increase in adjusted cost of sales was primarily due to an increase in sales volume of approximately $3 million.

Nine Months Ended January 25, 2025 Compared to Nine Months Ended January 27, 2024

The following tables (in thousands) sets forth our revenue, gross margin and adjusted gross margin generated by each reporting segment for the periods indicated. Adjusted margin is defined as gross margin before intangible amortization, amortization of purchase accounting adjustments. All corporate and headquarter expenses are allocated to the reportable segments.

	Nine Months Ended	
	January 25, 2025	January 27, 2024
Revenue	$ 545,577	$ 519,741
Cost of sales	327,273	311,444
Gross margin	218,304	208,297
Selling, general and administrative	115,499	79,800
Research and development	75,827	62,618
Income from operations	26,978	65,879
Other loss:		
Interest expense, net	(1,177)	(4,072)
Other income (expense), net	758	(2,983)
Income before income taxes	26,559	58,824
Provision for income taxes	659	3,710
Equity method investment income (loss), net of tax	1,055	(1,494)
Net income	$ 26,955	$ 53,620

	Nine Months Ended January 25, 2025			
	UxS	LMS	MW	Total
Revenue:				
Product sales	$ 249,296	$ 199,316	$ 1,876	$ 450,488
Contract services	19,846	14,313	60,930	95,089
	$ 269,142	$ 213,629	$ 62,806	$ 545,577
Segment adjusted gross margin	$ 138,040	$ 76,437	$ 14,963	

	Nine Months Ended January 27, 2024			
	UxS	LMS	MW	Total
Revenue:				
Product sales	$ 318,708	$ 100,645	$ 1,820	$ 421,173
Contract services	25,562	18,179	54,827	98,568
	$ 344,270	$ 118,824	$ 56,647	$ 519,741
Segment adjusted gross margin	$ 166,088	$ 39,648	$ 12,206	

Revenue. Revenue for the nine months ended January 25, 2025 was $545.6 million, as compared to $519.7 million for the nine months ended January 27,2024, representing an increase of $25.8 million, or 5%. The increase in revenue was due to an increase in product revenue of $29.3 million, partially offset by a decrease in service revenue of $3.5 million. The increase in product revenue was primarily due to an increase of $98.7 million from the production of our Switchblade products, driven by increased global demand for our LMS associated with the current global conflicts as well as U.S. D.o.D. resupply and a cumulative catch-up revenue adjustment for the definitization of LMS contracts of $9.9 million. The increase was partially offset by a decrease of $69.4 million of product deliveries of our UxS products, primarily due to a decrease in international sales to Ukraine. The decrease in service revenue was primarily due to a decrease of $1.9 million in customer funded R&D and engineering services due to a decrease in development programs in part due to delays in the establishment of the government fiscal year 2024 budget and a decrease of $1.6 million in training and repair services primarily due to the decrease in UxS product revenue. The January 2025 Southern California high winds, fires and resulting blackouts and shutdowns negatively impacted revenue for the three months ended January

25, 2025. The increase in the LMS product revenues as compared to the prior year period is expected to continue for the remainder of the fiscal year ending April 30, 2025.

Cost of Sales. Cost of sales for the nine months ended January 25, 2025 was $327.3 million, as compared to $311.4 million for the nine months ended January 27, 2024, representing an increase of $15.9 million, or 5%. The increase in cost of sales was a result of an increase in product cost of sales of $13.4 million, partially offset by a decrease in service costs of sales of $2.4 million. The increase in product costs of sales was primarily due to an increase of approximately $16 million associated with the increase in product revenue, partially offset by approximately $3 million due to a mix shift related primarily to the definitization of LMS contracts. The increase in service cost of sales was primarily due to an increase in mix shift of approximately $5 million due to a higher proportion of fixed asset allocated costs, partially offset by a decrease of approximately $3 million associated with the decrease in service revenue. Cost of sales for the nine months ended January 25, 2025 included $11.1 million of intangible amortization and other related non-cash purchase accounting expenses as compared to $9.6 million for the nine months ended January 27, 2024. As a percentage of revenue, cost of sales remained consistent at 60% resulting in gross margin remaining consistent at 40%.

Gross Margin. Gross margin is equal to revenue minus cost of sales.

Selling, General and Administrative. SG&A expense for the nine months ended January 25, 2025 was $115.5 million, or 21% of revenue, as compared to SG&A expense of $79.8 million, or 15% of revenue, for the nine months ended January 27, 2024. The increase in SG&A expense was primarily due to an increase of $12.0 million in acquisition related expenses, $11.3 million of sales and marketing expense primarily driven by an increase in bid and proposal efforts and an increase of $9.0 million in employee related expenses primarily driven by an increase in average headcount to support our growth and expansion of our global business development team. Sales and marketing expense includes commissions on certain direct commercial sales to international customers, and an increase in revenue results in an increase in commission expense.

Research and Development. R&D expense for the nine months ended January 25, 2025 was $75.8 million, or 14% of revenue, as compared to R&D expense of $62.6 million, or 12% of revenue, for the nine months ended January 27,2024. The increase was primarily due to an increase in development activities regarding enhanced capabilities for our products, development of new product lines and support for our acquired businesses.

Interest Expense, net. Interest expense, net for the nine months ended January 25, 2025 was $1.2 million compared to $4.1 million for the nine months ended January 27,2024. The decrease in interest expense, net was primarily due to lower average outstanding balances on our debt facility.

Other Income, net. Other income, net, for the nine months ended January 25, 2025 was $0.8 million compared to other loss, net of $(3.0) million for the nine months ended January 27, 2024. The increase was primarily due to net unrealized gains associated with the fair market value of our equity security investments.

Provision for Income Taxes. Our effective income tax rate was 2.5% for the nine months ended January 25, 2025, as compared to 6.3% for the nine months ended January 27, 2024. The decrease in our effective income tax rate was primarily due to an increase in FDII deductions and excess tax benefits from the vesting of equity awards. The effective income tax rate for the nine months ended January 25, 2025 was primarily impacted by expected federal R&D tax credits and FDII deductions and excess tax benefits from equity awards.

Equity Method Investment Income (Loss), net of Tax. Equity method investment income, net of tax for the nine months ended January 25, 2025 was $1.1 million as compared to equity method investment loss, net of tax of $(1.5) million for the nine months ended January 27,2024.

Loitering Munitions Systems

	Nine Months Ended	
	January 25, 2025	January 27, 2024
Revenue:		
Product sales	$ 199,316	$ 100,645
Contract services	14,313	18,179
	$ 213,629	$ 118,824
Segment adjusted gross margin	$ 76,437	$ 39,648

Revenue. LMS revenue for the nine months ended January 25, 2025 was $213.6 million, as compared to $118.8 million for the nine months ended January 25, 2025, representing an increase of $94.8 million, or 80%. The increase in revenue was due to an increase in product revenue of $98.7 million, partially offset by a decrease in service revenue of $3.9 million. The increase in product revenue was primarily due to increased production of our LMS systems primarily due to increased global demand for our loitering munitions systems associated with the current global conflicts as well as U.S. D.o.D. resupply and a cumulative catch-up revenue adjustment for the definitization of LMS contracts of $9.9 million. The decrease in service revenue was primarily due to decreases in customer-funded R&D activities primarily associated with the shift from development to production of certain Switchblade products.

LMS Segment adjusted gross margin. LMS segment adjusted gross margin for the nine months January 25, 2025 was $76.4 million, as compared to $39.6 million for the nine months ended January 27, 2024, representing an increase of $36.8 million, or 93%. The increase in LMS segment adjusted gross margin was primarily due to an increase in revenue of $94.8 million, inclusive of the cumulative catch-up revenue adjustment of $9.9 million, partially offset by an increase in adjusted cost of sales of $58.0 million. The increase in adjusted cost of sales was primarily due to an increase in sales volume of approximately $62 million, partially offset by mix shift of approximately $4 million related primarily to the definitization of LMS contracts. LMS is operating under multiple unpriced change orders, or UCO's, for which we recognize revenue based upon estimates of the final price negotiations. In the period these contracts are definitized a cumulative catch-up revenue adjustment may be recorded.

Uncrewed Systems

	Nine Months Ended	
	January 25, 2025	January 27, 2024
Revenue:		
Product sales	$ 249,296	$ 318,708
Contract services	19,846	25,562
	$ 269,142	$ 344,270
Segment adjusted gross margin	$ 138,040	$ 166,088

Revenue. UxS revenue for the nine months ended January 25, 2025 was $269.1 million, as compared to $344.3 million for the nine months ended January 27, 2024, representing a decrease of $75.2 million, or 22%. The decrease in revenue was due to a decrease in product revenue of $69.4 million and a decrease in service revenue of $5.7 million. The decrease in product revenue was primarily due to $69.4 million of decreased international sales of our SUAS family of systems, significantly sales to Ukraine. The decrease in service revenue was primarily due to a decrease of $4.8 million of customer funded R&D and engineering services primarily due to the completion of certain MUAS contracts during the nine months ended January 27, 2024.

UxS Segment adjusted gross margin. UxS segment adjusted gross margin for the nine months January 25, 2025 was $138.0 million, as compared to $166.1 million for the nine months ended January 27, 2024, representing a decrease of

$28.1 million, or 17%. The decrease in UxS segment adjusted gross margin was primarily due to a decrease in revenue of $75.2 million, partially offset by a decrease of $47.1 million in adjusted cost of sales. The decrease in adjusted cost of sales was due to a decrease in sales volume of approximately $40 million and by a mix shift of approximately $7 million primarily due to primarily due to a higher proportion of international products sales. Adjusted cost of sales is defined as cost of sales before intangible amortization expense including amortization of purchase accounting adjustments.

MacCready Works

	Nine Months Ended	
	January 25, 2025	January 27, 2024
Revenue:		
Product sales	$ 1,876	$ 1,820
Contract services	60,930	54,827
	$ 62,806	$ 56,647
Segment adjusted gross margin	$ 14,963	$ 12,206

Revenue. MW revenue for the nine months ended January 25, 2025 was $62.8 million, as compared to $56.6 million for the nine months ended January 27, 2024, representing an increase of $6.2 million, or 11%. The increase in revenue was primarily due to an increase in service revenue of $6.1 million. The increase in service revenue was primarily due to an increase of $6.1 million in customer funded R&D efforts and engineering services in part due to HAPS return to flight services.

MW Segment adjusted gross margin. MW segment adjusted gross margin for the nine months January 25, 2025 was $15.0 million, as compared to $12.2 million for the nine months ended January 27, 2024, representing an increase of $2.8 million, or 23%. The increase in MW adjusted gross margin was primarily due to an increase in revenue of $6.2 million, partially offset by an increase in adjusted cost of sales of $3.4 million, primarily due to an increase in sales volume.

Backlog

Consistent with ASC 606, we define funded backlog as remaining performance obligations under firm orders for which funding is currently appropriated to us under a customer contract. As of January 25, 2025, our funded backlog was approximately $763.5 million, as compared to $400.2 million as of April 30, 2024. The Department of the Army issued a stop-work order on certain existing U.S. government contracts, previously awarded to us for foreign military sales funded by the U.S. government via foreign military financing. As of January 25, 2025, funded backlog included approximately $13 million impacted by the stop-work order.

In addition to our funded backlog, we also had unfunded backlog of $1,429.9 million as of January 25, 2025. Unfunded backlog does not meet the definition of a performance obligation under ASC 606. We define unfunded backlog as the total remaining potential order amounts under cost reimbursable and fixed price contracts with (i) multiple one-year options and IDIQ contracts, or (ii) incremental funding. Unfunded backlog does not obligate the customer to purchase goods or services. There can be no assurance that unfunded backlog will result in any orders in any particular period, if at all. Management believes that unfunded backlog does not provide a reliable measure of future estimated revenue under our contracts.

Because of possible future changes in delivery schedules and/or cancellations of orders, backlog at any particular date is not necessarily representative of actual sales to be expected for any succeeding period, and actual sales for the year may not meet or exceed the backlog represented. Our backlog is typically subject to large variations from quarter to quarter as existing contracts expire or are renewed or new contracts are awarded. A majority of our contracts, specifically our IDIQ contracts, do not currently obligate the U.S. government to purchase any goods or services. Additionally, all U.S. government contracts included in backlog, whether or not they are funded, may be terminated at the convenience of the U.S. government.

Liquidity and Capital Resources

On September 8, 2022, we filed an S-3 shelf registration statement to offer and sell shares of our common stock and other securities, including a prospectus supplement in relation to an Open Market Sale Agreement[SM], also dated September 8, 2022, with Jefferies LLC relating to the proposed offer and sale of shares of our common stock having an aggregate offering price of up to $200.0 million from time to time through Jefferies LLC as our sales agent. During the six months ended October 28, 2023, we completed the Open Market Sale Agreement[SM]. During the six months ended October 28, 2023, we sold 807,370 shares for total gross proceeds of $91.3 million, total proceeds received of $88.6 million, net of commission expense and $88.4 million net of equity issuance costs. As of October 28, 2023, we sold 1,917,100 of our shares for total gross proceeds of $200.0 million and $194.0 million proceeds received, net of commission expense and $193.1 million net of equity issuance costs.

On February 19, 2021, in connection with the consummation of the Arcturus Acquisition, we entered into the Credit Agreement for (i) the Revolving Facility, and (ii) the Term Loan Facility, and together with the Revolving Credit Facility, the “Credit Facilities.” The Term Loan Facility required payment of 5% of the outstanding obligations in each of the first four loan years, consisting of three quarterly payments of 1.25% each, with the remaining outstanding principal amount of the Term Loan Facility due and payable on the final maturity date. Proceeds from the Term Loan Facility were used in part to finance a portion of the cash consideration for the Arcturus Acquisition. On October 4, 2024, we amended the Credit Facility agreement to increase the Revolving Facility to $200 million, and the Term Loan Facility was fully repaid in full and removed from the Amended Credit Facility. Our ability to borrow under the Revolving Facility is reduced by outstanding letters of credit of $9.5 million as of January 25, 2025. As of January 25, 2025, approximately $165.5 million was available under the Revolving Facility. On February 26, 2025, we borrowed an additional $15.0 million under the Revolving Facility. Borrowings under the Revolving Facility may be used for working capital and other general corporate purposes, including acquisitions that meet certain parameters. Refer to Note 9—Debt to our unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for further details. In addition, Telerob has a line of credit of €7.0 million ($7.3 million) available for issuing letters of credit of which €0.4 million ($0.4 million) was outstanding as of January 25, 2025.

We anticipate funding our normal recurring trade payables, accrued expenses, ongoing R&D costs and obligations under the Credit Facilities through our existing working capital and funds provided by operating activities including those provided by our acquisitions. The majority of our purchase obligations are pursuant to funded contractual arrangements with our customers. We believe that our existing cash, cash equivalents, cash provided by operating activities and other financing sources will be sufficient to meet our anticipated working capital, capital expenditure requirements, future obligations related to the acquisitions and obligations under the Credit Facilities during the next twelve months. There can be no assurance, however, that our business will continue to generate cash flow at current levels. If we are unable to generate sufficient cash flow from operations, then we may be required to sell assets, reduce capital expenditures or draw on our Credit Facilities. We anticipate that existing sources of liquidity, Credit Facilities, and cash flows from operations will be sufficient to satisfy our cash needs for the foreseeable future.

Our primary recurring liquidity needs are for financing working capital, investing in capital expenditures, supporting product development efforts, introducing new products and enhancing existing products, marketing acceptance and adoption of our products and services, and possible acquisition of entities or strategic assets, including expenses related to the BlueHalo transaction. Our future capital requirements, to a certain extent, are also subject to general conditions in or affecting the defense industry and are subject to general economic, political, financial, competitive, legislative and regulatory factors that are beyond our control. Moreover, to the extent that existing cash, cash equivalents, cash from operations, and cash from our Credit Facilities are insufficient to fund our future activities, we may need to raise additional funds through public or private equity or debt financing, subject to the limitations specified in our Credit Facility agreement. In addition, we may also need to seek additional equity funding or debt financing if we become a party to any agreement or letter of intent for potential investments in, or acquisitions of, businesses, services or technologies.

In connection with the BlueHalo acquisition, we entered into the Debt Commitment Letter with BofA and JPM on November 18, 2024 to amend the Amended Credit Facility, and amended and restated on December 30, 2024 to include U.S. Bank, Citibank, BMO Bank, Citizens and RBC, to provide a new term loan facility, referred to as the Acquisition

Financing Facility. The initial principal amount of the Acquisition Financing Facility will be $700,000,000, and the Acquisition Financing Facility will have a maturity date of two years from the effective date of the amendment to the Amended Credit Facility. The proceeds of the Acquisition Financing Facility will be used to refinance a portion of BlueHalo's debt and pay fees, costs and expenses incurred in connection with the Transactions. We expect the debt will be serviced from the combined cash flows of the Company and BlueHalo. Our ability to restructure or refinance this additional indebtedness (or otherwise refinance the indebtedness of BlueHalo) will depend on numerous factors, including the condition of the capital markets and our results of operations and financial condition. Any refinancing with new debt could be at higher interest rates and may require us to comply with more onerous covenants than the Acquisition Financing Facility, which could further restrict our business operations. Any refinancing through our sale of equity or equity-linked securities would result in further dilution to our stockholders or may provide for rights, preferences or privileges senior to those of holders of our common stock.

Our working capital requirements vary by contract type. On cost-plus-fee programs, we typically bill our incurred costs and fees monthly as work progresses, and therefore working capital investment is minimal. On fixed-price contracts, we typically are paid as we deliver products, and working capital is needed to fund labor and expenses incurred during the lead time from contract award until contract deliveries begin.

During the fiscal year ended April 30, 2022, we made certain commitments outside of the ordinary course of business, including capital contribution commitments to a second limited partnership fund (refer to Note 5—Equity Method Investments to our unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q). Under the terms of a new limited partnership agreement, we have committed to make capital contributions to such fund totaling $20.0 million, inclusive of the expected reinvestment of distributions from our existing limited partnership fund, of which $8.8 million was remaining at January 25, 2025. The contributions are anticipated to be paid over the next three fiscal years. The UGV second year earnout of €2.0 million (approximately $2.1 million) was paid in November 2023. The Tomahawk acquisition closed on September 15, 2023, and we paid a total purchase price of $134.4 million consisting of $109.8 million in stock and $24.2 million from cash on hand, net of cash acquired. Due to the internal revenue service tax capitalization rules, Section 174, which requires R&D expenditures to be capitalized and amortized over a 5 year period for tax purposes, we expect the elevated levels of cash paid for U.S. federal income taxes to continue during the fiscal year ending April 30, 2025 and future fiscal years.

Cash Flows

The following table provides our cash flow data for the nine months ended January 25, 2025 and January 27, 2024 (in thousands):

	Nine Months Ended	
	January 25, 2025	January 27, 2024
	(Unaudited)	
Net cash (used in) provided by operating activities	$ (1,054)	$ 26,965
Net cash used in investing activities	$ (16,601)	$ (41,432)
Net cash used in financing activities	$ (8,388)	$ (10,621)

Cash (Used in) Provided by Operating Activities. Net cash used in operating activities for the nine months ended January 25, 2025 increased by $28.0 million to $(1.1) million, as compared to net cash provided by operating activities of $27.0 million for the nine months ended January 27, 2024. The decrease in net cash provided by operating activities was primarily due to a decrease in net income of $26.7 million and a decrease in non-cash expenses of $7.2 million primarily due to a decrease in reserve for inventory excess and obsolescence, partially offset by an increase in depreciation and amortization, partially offset by an increase in cash as a result of changes in operating assets and liabilities of $5.9 million, largely related to inventories and unbilled receivables and retentions, partially offset by accounts receivable, due to year over year timing differences.

Cash Used in Investing Activities. Net cash used in investing activities decreased by $24.8 million to $16.6 million for the nine months ended January 25, 2025, as compared to $41.4 million for the nine months ended January 27, 2024. The decrease in net cash used in investing activities was primarily due to a decrease in business acquisitions due to Tomahawk acquisition during the nine months ended January 27, 2024.

Cash Used in Financing Activities. Net cash used in financing activities decreased by $2.2 million to $8.4 million for the nine months ended January 25, 2025, as compared to net cash used in financing activities of $10.6 million for the nine months ended January 27, 2024. The decrease in net cash used in financing activities was primarily due to a decrease in net principal payments of the credit facilities of $92 million, partially offset by a decrease in proceeds from shares issued of $88.4 million.

New Accounting Standards

Please refer to Note 1—Organization and Significant Accounting Policies to our unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for the conclusion that we did not adopt any accounting standards during the nine months ended January 25, 2025.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the ordinary course of business, we are exposed to various market risk factors, including fluctuations in interest rates, changes in general economic conditions, domestic and foreign competition, and foreign currency exchange rates.

Interest Rate Risk

It is our policy not to enter into interest rate derivative financial instruments. On February 19, 2021, in connection with the consummation of the Arcturus Acquisition, we entered into the Credit Facilities. The current outstanding balance of the revolving credit facility is $25.0 million and bears a variable interest rate. The market interest rate has increased significantly, and if market interest rates continue to increase, interest due on the revolving credit facility would increase.

Foreign Currency Exchange Rate Risk

Since a significant part of our sales and expenses are denominated in U.S. dollars, we have not experienced significant foreign exchange gains or losses to date. We occasionally engage in forward contracts in foreign currencies to limit our exposure on non-U.S. dollar transactions. With the acquisition of Telerob, a portion of our cash balance is denominated in Euros, which is Telerob’s functional currency.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure.

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by Rule 13a-15(b) under the Exchange Act, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as of January 25, 2025, the end of the period covered by this Quarterly Report on Form 10-Q.

Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that, as of January 25, 2025, the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were effective and were operating at a reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting or in other factors identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 under the Exchange Act that occurred during the quarter ended January 25, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On August 9, 2021, a former employee filed a class action complaint against AeroVironment in California Superior Court in Los Angeles, California alleging various claims pursuant to the California Labor Code related to wages, meal breaks, overtime, unreimbursed business expenses and other recordkeeping matters. The complaint seeks a jury trial and payment of various alleged unpaid wages, penalties, interest and attorneys' fees in unspecified amounts. We filed our answer on December 16, 2021. Written and oral discovery are ongoing. A mediation session in this matter is currently scheduled for May 8, 2025.

On March 29, 2024, a former employee filed a complaint against AeroVironment in the Ventura County Superior Court in California, alleging violations of the California Labor Code related to wages, meal breaks, overtime, unreimbursed business expenses and other recordkeeping matters and seeking penalties recoverable under California Labor Code section 2698, et. seq., Private Attorney General Act of 2004 ("PAGA") and all other remedies available under PAGA. The complaint seeks civil penalties on behalf of the plaintiff and similarly situations persons pursuant to PAGA. We filed our answer on June 20, 2024. The parties have stipulated to stay this PAGA case ahead of the mediation in the class action matter listed in the immediately preceding paragraph above.

We are subject to lawsuits, government investigations, audits and other legal proceedings from time to time in the ordinary course of our business. It is not possible to predict the outcome of any legal proceeding with any certainty. The outcome or costs we incur in connection with a legal proceeding could adversely impact our operating results and financial position.

ITEM 1A. RISK FACTORS

Except as set for below, there have been no material changes to the risk factors disclosed under Part I, Item 1A, "Risk Factors," of our Annual Report on Form 10-K for the fiscal year ended April 30, 2024. Please refer to that section for disclosures regarding the risks and uncertainties related to our business.

Risks Relating to the Company's Pending Acquisition of BlueHalo

The Transactions (as defined below) are subject to closing conditions and may not be completed, the Merger Agreement (as defined below) may be terminated in accordance with its terms, and we may be required to pay a termination fee upon termination.

On November 18, 2024, we entered into an Agreement and Plan of Merger (the "Merger Agreement") with Archangel Merger Sub LLC, a Delaware limited liability company and a direct wholly owned subsidiary of the Company ("Merger Sub"), BlueHalo Financing Topco, LLC, a Delaware limited liability company ("BlueHalo"), and BlueHalo Holdings Parent, LLC, a Delaware limited liability company and sole member of BlueHalo Financing Topco, LLC ("Seller"), pursuant to which, among other matters, and subject to the satisfaction or waiver of the conditions set forth in the Merger Agreement, Merger Sub will merge with and into BlueHalo, with BlueHalo continuing as a wholly owned subsidiary of the Company and the surviving company of the merger (the "Transactions").

The Transactions are subject to customary closing conditions that must be satisfied or waived prior to the consummation of the Transactions (the "Closing"), including, among other things, (i) the absence of any order that is in effect and restrains, enjoins or otherwise prohibits the consummation of the Transactions, (ii) the shares of common stock to be issued in the Transactions being approved for listing (subject to official notice of issuance) on Nasdaq as of the Closing, (iii) our receipt of executed joinder and lock-up agreements from holders of incentive units and restrictive common units of Seller ("Seller Members") entitled to receive 85% of the Aggregate Closing Consideration (as defined in the Merger Agreement), as adjusted, (iv) approval by our stockholders of the issuance of shares under the Merger Agreement in accordance with the rules of Nasdaq at a special meeting, and (v) receipt of all required consents of governmental authorities pursuant to antitrust laws and foreign direct investments laws, as applicable. No assurance can be given that the required shareholder consents and approvals will be obtained or that the required conditions to closing will be satisfied, and, if all required consents and approvals are obtained and the conditions are satisfied, no assurance can be given as to the terms, conditions and timing of the consents and approvals. Any delay in completing the Transactions could cause the combined company not to realize, or to be delayed in realizing, some or all of the benefits that we expect to achieve if the Transactions are successfully completed within the expected time frame.

Additionally, either party may terminate the Merger Agreement under certain circumstances, including, among other reasons, if the Transactions are not completed by August 18, 2025 (subject to certain conditions and one automatic extension period to February 18, 2026 as set forth in the Merger Agreement). The Company may be required to pay a termination fee of $200 million to Seller upon termination of the Merger Agreement under specified circumstances, including (i) termination by the Company if the Board of Directors of the Company (the "Board") determines that an intervening event has occurred or the Board has received a proposal to acquire the Company that the Board has determined in good faith constitutes a superior offer pursuant to the terms of the Merger Agreement (an "Alternative Sale Transaction"), (ii) termination by Seller if the Board exercises its right, subject to certain limitations, to change its recommendation to the Company's stockholders with respect to the Merger Agreement and the Transactions (a "Company Board Adverse Recommendation Change") or (iii) if the Company consummates an Alternative Sale Transaction within nine months of termination of the Merger Agreement, subject to certain conditions as set forth in the Merger Agreement.

Moreover, if the Transactions are not completed for any reason, including as a result of failure to obtain all requisite regulatory approvals or if the Company stockholders fail to approve the applicable proposals, our ongoing business may be adversely affected and, without realizing any of the expected benefits of having completed the Transactions, we would be subject to a number of risks, including the following:

- we may experience negative reactions from the financial markets, including negative impacts on our stock price;
- we may experience negative reactions from our customers, suppliers, distributors, other business partners and employees;
- we will be required to pay our costs relating to the Transactions, such as financial advisory, legal, financing and accounting costs and associated fees and expenses, whether or not the Transactions are completed;
- the market price of our common stock could decline to the extent that the current market price reflects a market assumption that the Transactions will be completed;
- the Merger Agreement places certain restrictions on the conduct of our business prior to completion of the Transactions and such restrictions, the waiver of which are subject to the consent of BlueHalo or Seller, may prevent us from taking actions during the pendency of the Transactions that would be beneficial; and
- matters relating to the Transactions (including integration planning) will require substantial commitments of time and resources by management and other key employees, which could otherwise have been devoted to day-to-day operations or to other opportunities that may have been beneficial to us as an independent company.

The business relationships of the Company and BlueHalo may be subject to disruption due to uncertainty associated with the Transactions, which could have a material adverse effect on the results of operations, cash flows and financial position of the Company or BlueHalo pending and following the Transactions.

Parties with which the Company or BlueHalo do business may experience uncertainty associated with the Transactions, including with respect to current or future business relationships with the combined company following the Transactions. The Company's and BlueHalo's business relationships may be subject to disruption as customers, distributors, suppliers, vendors, landlords, joint venture partners and other business partners may attempt to delay or defer entering into new business relationships, negotiate changes in existing business relationships or consider entering into business relationships with parties other than the Company or BlueHalo prior to or following the Transactions. These disruptions could have a material and adverse effect on the results of operations, cash flows and financial position of the Company or BlueHalo, regardless of whether the Transactions are completed, as well as a material and adverse effect on the Company's ability to realize the expected cost savings and other benefits of the Transactions. The risk, and adverse effect, of any disruption could be exacerbated by a delay in completion of the Transactions or termination of the Merger Agreement.

The consideration payable under the Merger Agreement will not be adjusted based on our performance.

Under the Merger Agreement, the aggregate merger consideration payable by us consists of 18,548,698 shares of our common stock, subject to downward adjustments as set forth in the Merger Agreement based on the excess closing indebtedness share amount of 1,098,133 shares and the closing leakage share amount to be determined at Closing. Leakage is defined as the aggregate amount of all distributions or payments of cash or other property made by the BlueHalo and each subsidiary of BlueHalo for certain transactions specified in the Merger Agreement between June 30, 2024 and the Closing Date. The aggregate merger consideration will not be adjusted for changes in the market price of our common stock or the economic performance of the Company or BlueHalo. If the market price of our common stock increases or the economic performance of BlueHalo relative to us declines (or the economic performance of BlueHalo relative to us improves), the consideration will not be adjusted to account for any such changes or any effective increase or decrease in the value of the consideration issued or paid under the Merger Agreement.

We will be subject to business uncertainties and contractual restrictions, including the risk of litigation, while the Transactions are pending that may cause disruption and may make it more difficult to maintain relationships with employees, suppliers or customers.

Uncertainty about the effect of the Transactions on employees, suppliers and customers may have an adverse effect on us or BlueHalo, which uncertainties may impair our or BlueHalo's ability to attract, retain and motivate key personnel until the Transactions are completed and for a period of time thereafter, and could cause customers, suppliers and others that deal with us or BlueHalo to seek to change existing business relationships with any of us.

Employee retention and recruitment may be challenging before the completion of the Transactions, as employees and prospective employees may experience uncertainty about their future roles following the Transactions. Key employees may depart or prospective key employees may fail to accept employment with us or BlueHalo because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with the combined company following the Transactions, any of which could have a material adverse effect on our business, financial condition and results of operations.

The pursuit of the Transactions and the preparation for the integration may place a significant burden on management and internal resources. The diversion of management's attention away from day-to-day business concerns and any difficulties encountered in the transition and integration process could have a material adverse effect on our business, financial condition and results of operations.

Until the completion of the Transactions or the termination of the Merger Agreement in accordance with its terms, we are prohibited from entering into certain transactions and taking certain actions that might otherwise be beneficial to us and our stockholders, and may find other transactions or actions impractical to undertake during such period.

During the period between the date of the Merger Agreement and the Closing, which, under the Merger Agreement, could take until August 18, 2025 (subject to certain conditions and one automatic extension period to February 18, 2026 as set forth in the Merger Agreement), the Merger Agreement restricts us from taking specified actions or from pursuing what might otherwise be attractive business opportunities or making other changes to our business, in each case without the consent of BlueHalo or Seller. These restrictions may prevent us from taking actions during the pendency of the Transactions that would have been beneficial. Adverse effects arising from these restrictions during the pendency of the Transactions could be exacerbated by any delays in consummation of the Transactions or termination of the Merger Agreement.

Additionally, even if the Merger Agreement does not expressly restrict us from taking a certain action prior to the completion of the Transactions or the termination of the Merger Agreement, the pendency of the Transactions may make it impractical for us to do so. For example, while we may wish to raise capital for strategic or other reasons and would not be prohibited from doing so under the Merger Agreement, our ability to do so may be limited, or may adversely affect the terms on which we are able to raise such capital.

The Company and BlueHalo must obtain certain regulatory approvals and clearances to consummate the Transactions, which, if delayed, not granted or granted with unacceptable conditions, could prevent, substantially delay or impair consummation of the Transactions, result in additional expenditures of money and resources or reduce the anticipated benefits of the Transactions.

Completion of the Transactions is conditioned upon the expiration or early termination of the waiting period relating to the Transactions under the HSR Act (which expiration occurred on January 3, 2025) and other similar antitrust laws in certain other countries as well as certain other applicable laws or regulations and the governmental authorizations required to complete the Transactions having been obtained and being in full force and effect. Although the Company and BlueHalo have agreed in the Merger Agreement to use their reasonable best efforts, subject to certain limitations, to make certain governmental filings or obtain the required governmental authorizations, as the case may be, there can be no assurance that the relevant waiting periods will expire or authorizations will be obtained, and if such authorizations are not obtained, the Transactions will not be completed.

At any time before or after consummation of the Transactions, the DOJ or the FTC, any state attorney general, or a governmental authority in another country could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including but not limited to seeking to enjoin the completion of the Transactions, seeking divestiture of substantial assets of the parties or requiring the parties to license, or hold separate, assets or terminate existing relationships and contractual rights. Private parties may also seek to take legal action under the antitrust laws under certain circumstances. Such conditions or changes and the process of obtaining regulatory approvals could have the effect of delaying or impeding consummation of the Transactions or of imposing additional costs or limitations on the Company or BlueHalo following completion of the Transactions, any of which might have an adverse effect on the Company or BlueHalo following completion of the Transactions and may diminish the anticipated benefits of the Transactions.

The Merger Agreement limits our ability to pursue alternatives to the Transactions and may discourage a potential competing acquirer of the Company, including the payment by the Company of a termination fee.

The Merger Agreement contains provisions that, subject to limited exceptions, restrict our ability to directly or indirectly (i) solicit, initiate or knowingly encourage, or take any action to facilitate any inquiries, announcements or communications relating to, or the making of any submission, proposal or offer that constitutes or that could reasonably be expected to lead to, a Parent Acquisition Proposal (as defined the Merger Agreement), (ii) enter into, participate in, cooperate with any person with respect to, maintain or continue any discussions or negotiations relating to, any Parent Acquisition Proposal with any person other than Seller, BlueHalo or their affiliates, (iii) furnish to any person other than Seller, BlueHalo or their affiliates any non-public information in connection with or in response to a Parent Acquisition

Proposal, (iv) accept any Parent Acquisition Proposal or enter into any agreement, arrangement, term sheet, letter of intent, or understanding (whether written or oral) providing for the consummation of any transaction contemplated by any Parent Acquisition Proposal or otherwise relating to any Parent Acquisition Proposal, (v) adopt, approve or recommend or make any public statement approving or recommending any inquiry, proposal or offer that constitutes, or could reasonably be expected to lead to, a Parent Acquisition Proposal, (vi) take any action or exempt any person (other than the Company and its subsidiaries) from the restriction on "business combinations" or any similar provision contained in applicable takeover laws or the Company's organizational or other governing documents, or (vii) resolve, propose or agree to do any of the foregoing. The Company shall, and shall cause each of its representatives and each of its subsidiaries (and each of their respective representatives) to, immediately cease and cause to be terminated any and all existing activities, discussions or negotiations with any persons conducted prior to or on the date of the Merger Agreement with respect to any Parent Acquisition Proposal. The Company may be required to pay a termination fee of $200 million to Seller upon termination of the Merger Agreement under specified circumstances, including (i) termination by the Company to accept an Alternative Sale Transaction, (ii) termination by Seller due to the occurrence of a Company Board Adverse Recommendation Change or (iii) if the Company consummates an Alternative Sale Transaction within nine months of termination of the Merger Agreement, subject to certain conditions as set forth in the Merger Agreement.

These provisions could discourage a potential third-party acquirer that might have an interest in acquiring all or a significant portion of us from considering or proposing that acquisition, even if it were prepared to pay above market value, or might otherwise result in a potential third-party acquirer proposing to pay a lower price to our stockholders than it might otherwise have proposed to pay because of the added expense of the termination fee that may become payable in certain circumstances.

If the Merger Agreement is terminated and we decide to seek another merger transaction, we may not be able to negotiate or consummate a transaction with another party on terms comparable to, or better than, the terms of the Merger Agreement.

The Transactions will involve substantial costs.

We have incurred and expect to incur substantial non-recurring costs associated with the Transactions and combining the operations of the two companies, as well as transaction fees and other costs related to the Transactions. These costs and expenses include fees paid to legal, financial and accounting advisors, regulatory and public relations advisors, filing fees, printing costs and other costs and expenses. Portions of these transaction costs are contingent upon the Closing occurring, although some have been and will be incurred regardless of whether the Transactions are consummated.

In addition, the combined company will also incur significant restructuring and integration costs in connection with the integration of the Company and BlueHalo and the execution of our business plan, including costs relating to formulating and implementing integration plans and eliminating duplicative costs, as well as potential employment-related costs. The costs related to restructuring will be expensed as a cost of the ongoing results of operations of either us or the combined company. There are processes, policies, procedures, operations, technologies and systems that must be integrated in connection with the Transactions and the integration of BlueHalo's business. While we have assumed a certain level of expenses would be incurred to integrate the Company and BlueHalo and achieve synergies and efficiencies and we continue to assess the magnitude of these costs, many of these expenses are, by their nature, difficult to estimate accurately and there are many factors beyond our control that could affect the total amount or timing of these costs. Although we expect that the elimination of duplicative costs, as well as the realization of strategic benefits, additional income, synergies and other efficiencies should allow the combined company to offset integration-related costs over time, this net benefit may not be achieved in the near term, or at all.

Securities class action and derivative lawsuits may be filed against us, or against our directors, challenging the Transactions, and an adverse ruling in any such lawsuit may prevent the Closing from occurring at all or from occurring within the expected time frame.

Securities class action lawsuits and derivative lawsuits are often brought against public companies that have entered into acquisition, merger or other business combination agreements. Transactions like the Transactions are frequently subject to litigation or other legal proceedings, including actions alleging that our Board breached their fiduciary duties to our stockholders by entering into the Merger Agreement. We cannot provide assurance that such litigation or other legal proceedings will not be brought. If litigation or other legal proceedings are in fact brought against us, or against our Board, we will defend against it, but we may not be successful in doing so. An adverse outcome in such matters, as well as the costs and efforts of a defense even if successful, could have a material adverse effect on the business, results of operations or financial position of us or the combined company, including through the possible diversion of each company's resources or distraction of key personnel.

Lawsuits that may be brought against us, BlueHalo or our or its directors could also seek, among other things, injunctive relief or other equitable relief, including a request to enjoin us from consummating the Transactions. One of the conditions to the Closing is that no order, award or judgment by any court or other tribunal of competent jurisdiction has been entered and continues to be in effect and no law has been adopted or is effective, in either case, that prohibits or makes illegal the Closing. Consequently, if a plaintiff is successful in obtaining an order, award or judgment prohibiting completion of the Transactions, that order, award or judgment may delay or prevent the Closing from being completed within the expected time frame or at all, which may adversely affect our business, financial position and results of operations.

The Transactions may be completed even though a material adverse effect may result from the announcement of the Transactions, industry-wide changes or other causes.

In general, neither we nor BlueHalo is obligated to complete the Transactions if there is a material adverse effect impacting the other party between the date of the Merger Agreement and the Closing. However, certain types of changes are excluded from the concept of a "material adverse effect" as it is defined in the Merger Agreement. Such exclusions include but are not limited to changes in general economic or political conditions, industry wide changes, changes resulting from the announcement of the Transactions, natural disasters, pandemics, other public health events and changes in GAAP. Therefore, if any of these events were to occur affecting us or BlueHalo, the other party would still be obliged to effect the Closing. If any such adverse changes occur and we and BlueHalo execute the Closing, the stock price of the combined company may suffer. This in turn may reduce the value of the Transactions to the stockholders of the Company, BlueHalo or both.

Our stockholders may not realize a benefit from the Transactions commensurate with the ownership dilution they will experience in connection with the Transactions.

If the combined company is unable to realize the full strategic and financial benefits currently anticipated from the Transactions, our stockholders will have experienced substantial dilution of their ownership interests without receiving any commensurate benefit, or only receiving part of the commensurate benefit to the extent the combined company is able to realize only part of the strategic and financial benefits currently anticipated from the Transactions.

Combining the businesses of the Company and BlueHalo may be more difficult, costly or time-consuming than expected and the combined company may fail to realize the anticipated synergies and other benefits of the Transactions, which may adversely affect the combined company's business results and negatively affect the value of our common stock following the Closing.

The Company and BlueHalo have operated and, until the completion of the Transactions will continue to operate, independently. The success of the Transactions will depend on, among other things, the ability of the Company and BlueHalo to combine their respective businesses in a manner that facilitates growth opportunities and realizes expected cost savings. We have entered into the Merger Agreement because we believe that the Transactions are fair to and in the best interests of our stockholders and that combining the businesses of the Company and BlueHalo will produce benefits as well as cost savings and other cost and capital expenditure synergies.

Following the Closing, the Company and BlueHalo must successfully combine their respective businesses in a manner that permits these benefits to be realized. For example, the following issues, among others, must be addressed in integrating the operations of the two companies in order to realize the anticipated benefits of the Transactions:

- combining the companies' operations and corporate functions;
- combining the businesses of the Company and BlueHalo and meeting the capital requirements of the combined company in a manner that permits the combined company to achieve any cost savings or other synergies anticipated to result from the Transactions, the failure of which would result in the anticipated benefits of the Transactions not being realized in the time frame currently anticipated or at all;
- integrating personnel from the two companies;
- harmonizing the companies' operating practices, employee development and compensation programs, internal controls and other policies, procedures and processes;
- maintaining existing agreements with customers, suppliers, distributors and vendors, avoiding delays in entering into new agreements with prospective customers, suppliers, distributors and vendors, and leveraging relationships with such third parties for the benefit of the combined company;
- addressing possible differences in business backgrounds, corporate cultures and management philosophies;
- consolidating the companies' administrative and information technology infrastructure;
- coordinating distribution and marketing efforts; and
- effecting actions that may be required in connection with obtaining regulatory or other governmental approvals.

It is possible that the integration process could result in the loss of key AeroVironment or BlueHalo employees, the loss of customers, the disruption of either company's or both companies' ongoing businesses, inconsistencies in standards, controls, procedures and policies, unexpected integration issues, higher than expected integration costs and an overall post-completion integration process that takes longer than originally anticipated. In addition, the actual integration may result in additional and unforeseen expenses. If the combined company is not able to adequately address integration challenges, we may be unable to successfully integrate operations and the anticipated benefits of the integration plan may not be realized.

In addition, the combined company must achieve the anticipated growth and cost savings without adversely affecting current revenues and investments in future growth. If the combined company is not able to successfully achieve these objectives, the anticipated synergies and other benefits of the Transactions may not be realized fully, or at all, or may take longer to realize than expected. Additionally, we may inherit from BlueHalo legal, regulatory, and other risks that occurred prior to the Transactions, whether known or unknown to us, which may be material to the combined company. Actual growth, cost and capital expenditure synergies and other cost savings, if achieved, may be lower than what we expect and may take longer to achieve than anticipated. Moreover, at times the attention of the combined company's management and resources may be focused on the integration of the businesses of the two companies and diverted from day-to-day business operations or other opportunities that may have been beneficial to such company, which may disrupt the combined company's ongoing business.

An inability to realize the full extent of the anticipated benefits of the Transactions, as well as any delays encountered in the integration process, could have an adverse effect upon the revenues, level of expenses and operating results of the combined company, which may adversely affect the value of our common stock following the consummation of the Transactions. Moreover, if the combined company is unable to realize the full strategic and financial benefits currently anticipated from the Transactions, AeroVironment stockholders will have experienced substantial dilution of their ownership interests without receiving any commensurate benefit, or only receiving part of the commensurate benefit to the extent the combined company is able to realize only part of the strategic and financial benefits currently anticipated from the Transactions.

The combined company may not be able to retain customers, suppliers or distributors, or customers, suppliers or distributors may seek to modify contractual relationships with the combined company, which could have an adverse effect on the combined company's business and operations. Third parties may terminate or alter existing contracts or relationships with the combined company.

As a result of the Transactions, the combined company may experience impacts on relationships with customers, suppliers and distributors that may harm the combined company's business and results of operations. Certain customers, suppliers or distributors may seek to terminate or modify contractual obligations following the Closing whether or not contractual rights are triggered as a result. There can be no guarantee that customers, suppliers and distributors will remain with or continue to have a relationship with the combined company or do so on the same or similar contractual terms following the Closing. If any customers, suppliers or distributors seek to terminate or modify contractual obligations or discontinue the relationship with the combined company, then the combined company's business and results of operations may be harmed. If the combined company's suppliers were to seek to terminate or modify an arrangement with the combined company, then the combined company may be unable to procure necessary supplies from other suppliers in a timely and efficient manner and on acceptable terms, or at all.

We and BlueHalo also have contracts with third parties, which may require consent from these parties in connection with the Transactions, or which may otherwise contain limitations applicable to such contracts following the Closing. If these consents cannot be obtained, the combined company may suffer a loss of potential future revenue, incur costs and lose rights that may be material to the combined company's business. In addition, third parties with whom we or BlueHalo currently have relationships may terminate or otherwise reduce the scope of their relationship in anticipation of the Closing. Any such disruptions could limit the combined company's ability to achieve the anticipated benefits of the Transactions. The adverse effect of any such disruptions could also be exacerbated by a delay in the Closing or by a termination of the Merger Agreement.

Some of our and BlueHalo's directors and executive officers have interests in the Transactions that are different from our stockholders generally and that may influence them to support or approve the Transactions.

Directors and executive officers of the Company and BlueHalo may have interests in the Transactions that are different from, or in addition to, the interests of other AeroVironment stockholders generally. These interests with respect to our directors and executive officers may include, among others, acceleration of stock option or restricted stock unit vesting, retention bonus payments, severance payments if employment is terminated in a qualifying termination in connection with the Transactions and rights to continued indemnification, expense advancement and insurance coverage. The current members of our Board are expected to continue as directors of the combined company after the effective time of the Transactions, and, following the closing of the Transactions, will be eligible to be compensated similarly to other non-employee directors of the combined company.

Our Board and the Board of Directors of BlueHalo were aware of and considered those interests, among other matters, in reaching their decisions to approve and adopt the Merger Agreement, approve the Transactions, and recommend the approval of the Merger Agreement to the Company stockholders and BlueHalo holders, respectively. These interests, among other factors, may have influenced the directors and executive officers of the Company and BlueHalo to support or approve the Transactions.

Following the Closing, funds affiliated with Arlington Capital Partners are expected to beneficially own approximately 26.2% of our common stock, which will allow them the ability to exert significant influence over us, and their interests may conflict with ours or yours in the future.

Following the Closing, funds affiliated with Arlington Capital Partners are expected to beneficially own approximately 26.2% of our common stock. Accordingly, after the Closing these stockholders may exercise significant influence over matters requiring stockholder approval, including the election of our directors and the determination of significant corporate actions. This concentration of voting power and control could have a significant effect in delaying, deferring or preventing an action that might otherwise be beneficial to our other stockholders or that could be disadvantageous to our stockholders with interests different from yours. As a result, the market price of our common stock could be adversely affected.

Concurrently with the execution and delivery of the Merger Agreement, funds affiliated with Arlington Capital Partners (the “Sponsor Members”) entered into a shareholder’s agreement (the “Shareholder’s Agreement”) with the Company pursuant to which the Sponsor Members have, among other things, agreed to abide by customary standstill covenants, obligations to vote consistent with the recommendation of the Board, and customary employee non-solicit restrictions with respect to the employees of the Company and its subsidiaries (including BlueHalo and its subsidiaries after the Closing). Under the Shareholder’s Agreement, the Company has, among other things and subject to the Closing, agreed to provide the Sponsor Members with certain board designation rights and, following a lock-up period as set forth in the Shareholder’s Agreement, customary registration rights, including customary demand and piggyback rights. The Sponsor Members will have such designation rights to designate two directors until it and its affiliates cease to collectively hold and own, directly or indirectly, at least 20% of the issued and outstanding Company common stock and the Sponsor Members will have such designation rights to designate one director until they and their affiliates cease to collectively hold and own, directly or indirectly, at least 15% but less than 20% of the issued and outstanding Company common stock. The Board of Directors of the combined company (the “New Company Board”) is expected to consist of ten members, up to two of whom may be designated by the Sponsor Members for approval by the stockholders of the Company for appointment to the New Company Board, subject to certain conditions and qualifications as set forth in the Shareholder’s Agreement (the “Shareholder Nominees”).

Moreover, the Shareholder’s Agreement provides that we renounce any interests or expectancy in being offered any business opportunities which the Shareholder Nominees, the Sponsor Members, or their affiliates conduct whether directly or indirectly, whether or not such business is competitive with or in the same or similar lines of business as the Company. This renunciation does not extend to business opportunities invested in on the basis of confidential information received from the Company or its representatives.

The market price of the Company Common Stock after the Transactions may be affected by factors different from those currently affecting the shares of Company Common Stock.

Upon completion of the Transactions, the Seller liquidation and the Seller distribution, Seller equityholders will become Company shareholders. Our business currently differs, and may differ in the future, in certain respects from that of BlueHalo and certain adjustments may be made to our business as a result of the Transactions. Accordingly, the results of operations of the combined company and the market price of the Company Common Stock after the completion of the Transactions may be affected by factors different from those currently affecting our results of operations.

BlueHalo is currently not a U.S. public reporting company and the obligations associated with integrating into a public company, including to remediate BlueHalo’s material weaknesses in internal control over financial reporting, may require significant resources and management attention.

BlueHalo is, and prior to the Closing will remain, a private company that is not subject to public company reporting requirements. Additionally, from the time it was formed until the time it entered the Merger Agreement, BlueHalo consummated a number of acquisitions of companies of varying degrees of size and sophistication with varying degrees of disclosure controls and procedures. As a public company, we are required to document and test our internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002, so that our management can certify as to the effectiveness of our internal control over financial reporting in connection with the annual report. BlueHalo (including all of its prior acquisitions) will be required to be included in the scope of our internal control over financial reporting in the annual report to be filed with the SEC for the fiscal year following the fiscal year in which the Closing occurs and thereafter, which requires us to make and document significant changes to our internal controls over financial reporting. In connection with the preparation of its audited consolidated financial statements for the year ended December 31, 2023, BlueHalo identified two material weaknesses in its internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of a company’s annual or interim financial statements will not be prevented or detected on a timely basis. Specifically, BlueHalo (i) did not maintain a sufficient complement of personnel with an appropriate degree of internal controls and accounting knowledge, experience, and training commensurate with its accounting and financial reporting requirements and (ii) did not design and maintain program change management controls to ensure that program and data changes are identified, tested, authorized, and implemented appropriately, or user access controls to ensure appropriate segregation of duties and to adequately restrict user and privileged access to appropriate personnel. Bringing BlueHalo into compliance with rules and regulations applicable to us as a public company and integrating BlueHalo into our current compliance and accounting system and disclosure controls and procedures is expected to increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources. We cannot predict or estimate the amount of additional costs we may incur to bring BlueHalo into compliance with these requirements (including by remediating its outstanding material weaknesses) and we cannot guarantee the measures we take will be sufficient to satisfy our obligations as a public company. Ineffective internal control over financial reporting could also cause investors to lose confidence in the combined company's reported financial information, which would harm the combined company's business and likely have a negative effect on the trading price of the combined company's shares of common stock. Furthermore, the need to establish the necessary corporate infrastructure to integrate BlueHalo may divert management's attention from implementing our growth strategy, which could prevent us from improving our business, financial condition and results of operations.

Our stockholders will have a reduced ownership and voting interest in, and will exercise less influence over the management of, the combined company following the Closing as compared to their current ownership and voting interests in the respective companies.

After the Closing, the current AeroVironment stockholders will own a smaller percentage of the combined company than their ownership of AeroVironment prior to the Transactions. Immediately after the Closing, the Seller liquidation and the Seller distribution, our stockholders as of immediately prior to the Closing, based on shares of AeroVironment common stock outstanding as of February 7, 2025, are expected to own approximately 61.8% of the outstanding shares of the combined company and Seller equityholders are expected to own approximately 38.2% of the outstanding shares of the combined company. The exact equity stake of AeroVironment stockholders and Seller equityholders in the combined company immediately following the effective time will depend on the number of shares of AeroVironment common stock issued and outstanding immediately prior to the effective time and additional adjustments to the Aggregate Closing Consideration for the closing leakage share amount. As a result of this reduced ownership, the current AeroVironment stockholders will be able to exercise less influence over the combined company following the Closing as compared to their current ownership.

We anticipate our indebtedness will increase upon completion of the Transactions and may have the effect of heightening other risks we now face.

Upon completion of the Transactions, we intend to refinance certain indebtedness of BlueHalo and, assuming that occurs, our consolidated indebtedness will increase substantially and we will be subject to increased risks associated with debt financing. As of January 25, 2025, we had indebtedness of approximately $25 million under our existing credit agreement consisting of borrowings under our $200 million revolving credit facility. In connection with the execution of the Merger Agreement, we entered into a commitment letter (the "Debt Commitment Letter") with BofA NA and BofA Securities, Inc. and JPM on November 18, 2024 and amended and restated on December 30, 2024 to include U.S. Bank, Citi, BMO Bank, Citizens, and RBC; RBC, together with BofA, JPM, U.S. Bank, Citi, BMO Bank, and Citizens, the "Commitment Parties," and BofA Securities, JPM and U.S. Bank, collectively, the "Joint Lead Arrangers"), pursuant to which the Joint Lead Arrangers have committed to amend our existing credit agreement (such amendment, the "Credit Agreement Amendment") to provide a new Term Loan A facility (the "Acquisition Financing Facility"). The initial principal amount of the Acquisition Financing Facility will be $700 million, and the Acquisition Financing Facility will have a maturity date of two years from the effective date of the Credit Agreement Amendment.

Our increased indebtedness could have important consequences to holders of our common stock, including:

- increasing our vulnerability to general adverse economic and industry conditions;

- limiting our ability to obtain additional financing to fund future working capital, capital expenditures and other general corporate requirements;

- requiring the use of a substantial portion of our cash flow from operations for the payment of principal and interest on our indebtedness, thereby reducing our ability to use our cash flow to fund working capital, acquisitions, capital expenditures and general corporate requirements;

- limiting our flexibility in planning for, or reacting to, changes in our business and our industry; and

- putting us at a disadvantage compared to its competitors with less indebtedness.

Our ability to restructure or refinance this additional indebtedness (or otherwise refinance the indebtedness of BlueHalo) will depend on numerous factors, including the condition of the capital markets and our results of operations and financial condition. Any refinancing with new debt could be at higher interest rates and may require us to comply with more onerous covenants than the Acquisition Financing Facility, which could further restrict our business operations. Any refinancing through our sale of equity or equity-linked securities would result in further dilution to our stockholders or may provide for rights, preferences or privileges senior to those of holders of our common stock.

The growth of BlueHalo's business through recently completed acquisitions may expose BlueHalo and the combined company to various risks, including those relating to difficulties in identifying suitable, accretive acquisition opportunities and integrating businesses, assets and personnel, as well as difficulties in obtaining financing for targeted acquisitions.

BlueHalo has pursued selected, accretive acquisitions of complementary assets and businesses. Acquisitions involve numerous risks, including:

- unanticipated costs and exposure to liabilities assumed in connection with the acquired business or assets, including, but not limited to, environmental liabilities and title issues;
- difficulties in integrating the operations and assets of the acquired business and the acquired personnel;
- complexities associated with managing a larger, more complex, integrated business;
- limitations on BlueHalo's ability to properly assess and maintain an effective internal control environment over an acquired business;
- potential losses of key employees, customers and business partners of the acquired business;
- performance shortfalls at one or both of the companies as a result of the diversion of management's attention from their day-to-day responsibilities caused by completing an acquisition and integrating an acquired business;
- risks of entering markets in which BlueHalo has limited prior experience; and
- increases in BlueHalo's expenses and working capital requirements.

The process of integrating an acquired business may involve unforeseen costs and delays or other operational, technical and financial difficulties, and may require a significant amount of time and resources. Difficulties may arise when integrating an acquired business's operations and in realizing expected benefits and synergies from acquisitions. The integration process may involve unforeseen difficulties and may require a disproportionate amount of managerial and financial resources. The inability to successfully integrate the operations of acquired businesses may prevent consolidation savings and result in the incurrence of unanticipated costs and liabilities.

Failure to incorporate acquired businesses and assets into its existing operations successfully or to minimize any unforeseen operational difficulties could have a material adverse effect on the business, liquidity position, financial condition, prospects and results of operations. Furthermore, competition for acquisitions may increase the cost of or otherwise impede the completion of acquisitions.

In addition, insufficient capital resources would prevent the completion of any acquisitions. The combined company may incur substantial indebtedness to finance any future acquisitions and also may issue equity, debt or convertible securities in connection with such acquisitions. Debt service requirements could represent a significant burden on the combined company's results of operations and financial condition, and the issuance of additional equity or convertible securities could be dilutive to the combined company's stockholders. Furthermore, the combined company may not be able to obtain additional financing as needed or on satisfactory terms.

The combined company's ability to continue to grow through acquisitions and manage growth will require the combined company to continue to invest in operational, financial and management information systems and to attract, retain, motivate and effectively manage its employees. The inability to effectively manage the integration of acquisitions could reduce the combined company's focus on operations, which, in turn, could negatively impact its earnings and growth. The combined company's financial position and results of operations may fluctuate significantly from period to period, based on whether or not significant acquisitions are completed in particular periods.

Risks Related to Our Business and Industry

A decline in the U.S. and other government budgets, changes in spending or budgetary priorities, delays in contract awards or in the release of approved funds may significantly and adversely affect our future revenue.

Because we generate a significant portion of our total sales, including sales of our UxS and LMS products and services, from the U.S. government and its agencies and from foreign governments, our results of operations could be adversely affected by government spending caps, delays in the government budget process, program starts, the award of contracts or orders under existing contracts, or delays in release of funds by the federal government. Delays in the definitization of a contract could result in delayed funding, billing and payment. Our business may be adversely impacted due to shifts in the political environment and resulting changes in the government and agency leadership positions and priorities for funding. We cannot assure you that current levels of congressional funding for our products and services will continue and that our business will not decline, or that such funding will be accessible consistent with previously realized timelines due to federal budgetary review activities and potential freezes on or cancellation of various governmental programs from time to time. If annual budget appropriations or continuing resolutions are not enacted timely, we could face U.S. government shutdowns, which could adversely impact our programs and contracts with the U.S. government, our ability to receive timely payment from U.S. government entities and our ability to timely obtain export licenses for our products and services to fulfill contracts with our international customers.

Additionally, there is a possibility that political decisions made by the U.S. government, such as policy changes regarding prior military commitments by the second Trump administration, including those regarding ongoing conflicts, including between Russia and Ukraine or Israel and Hamas, or an impasse on policy issues between the executive branch and Congress, could impact future spending and program authorizations, which may not increase or may decrease or shift to programs in areas in which we do not provide products or services or are less likely to be awarded contracts. Such changes in spending authorizations and budgetary priorities may occur as a result of shifts in spending priorities from defense-related and other programs due to, among other factors, competing demands for federal funds and the number and intensity of military conflicts. We have recently received a stop work order on certain existing U.S. government contracts previously awarded to us for foreign military sales funded by the U.S. government via foreign military financing because of shifting foreign military aid priorities, which are having a negative impact on our results of operations. We may continue to receive future stop work orders and/or contract cancellations for other existing U.S. government contracts due to shifting foreign military aid priorities, including due to the recently announced pause on U.S. military assistance to Ukraine, and we cannot project the aggregate negative impact on our results of operations due to any future stop work orders and/or contract cancellations.

If critical components or raw materials used to manufacture our products or used in our development programs become scarce or unavailable, then we may incur delays in manufacturing and delivery of our products and in completing our development programs, which could damage our business.

Our ability to meet customers' demands depends, in part, on our ability to obtain timely and adequate delivery of quality materials, parts and components from our suppliers. We obtain certain of our hardware components, various subsystems and systems from a limited group of suppliers, some of which are sole source suppliers. Although we hold long term non-binding contracts with certain key suppliers that establish pricing, minimize lead times and to some degree mitigate risk, we do not have long-term agreements with all suppliers that obligate them to continue to sell components, products required to build our systems or products to us. Our reliance on suppliers without long term non-binding contracts involves significant risks and uncertainties, including whether our suppliers will provide an adequate supply of required components or products of sufficient quality, will increase prices for the components or products and will perform their obligations on a timely basis.

If any of our supplier's face capacity constraints, financial instability, or an unwillingness to provide raw materials or components to us, we may need to seek alternative suppliers or revise our designs, particularly because some of our components are sourced from foreign countries. Locating alternative sources may take several months, and even then, we might encounter significant delays in manufacturing and shipping. Additionally, credit constraints among key suppliers could impact our cash flow. We have also experienced rising costs for components, shipping, warehousing, and inventory. The permanence of these cost increases remains uncertain, and obtaining replacement components within our required time frames may prove challenging. Shortages could lead to excess inventory and potential obsolescence risks.
In addition, certain raw materials and components used in the manufacture of our products and in our development programs, are periodically subject to supply shortages, and our business is subject to the risk of price increases and periodic delays in delivery. The electronic components industry has experienced significant shifts in supply levels in recent years. Demand for components in the memory sector is poised for substantial growth, driven by artificial intelligence applications such as large language models and generative artificial intelligence. Due to the volatility of supply and increase in demand, lead times and prices for certain components, such as memory related microprocessors, may continue to experience supply and price uncertainty.

Escalating restrictions between the U.S. and China contribute to supply chain complexities. In January 2024, China imposed sanctions on AeroVironment in response to sales of military equipment by the U.S. Government to Taiwan. Additionally, in March 2025, China's Ministry of Commerce placed the Company on China's export control list. While we have not experienced, and do not expect to experience, a material negative impact on our business as a result of the announced sanctions and export restrictions, we cannot be certain that a material negative effect will not occur in the future as a result of these sanctions and restrictions or future sanctions or restrictions that may be imposed. Some of our components sourced from foreign countries, including China, are at risk of further sanctions and other trade restrictive actions, and any escalation in global trade tensions or trade restrictions may hinder our ability to obtain these components from new suppliers. Restrictions on semiconductor manufacturing equipment and raw materials could lead to higher material costs, material unavailability, and transportation uncertainty.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Trading Plan

During the three months ended January 25, 2025, none of our directors or officers adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS

Exhibit Number	Description
2.1(1)	Agreement and Plan of Merger, dated November 18, 2024, by and among the Company, Merger Sub, BlueHalo and Seller
3.1(2)	Amended and Restated Certificate of Incorporation of AeroVironment, Inc.
3.2(2)	Fifth Amended and Restated Bylaws of AeroVironment, Inc., amended as of October 1, 2024.
10.1(1)	Form of Seller and Sponsor Member Support Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on November 19, 2024)
10.2(1)	Form of Joinder and Lock-Up Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on November 19, 2024)
10.3(1)	Shareholder's Agreement, dated as of November 18, 2024, by and among the Company and the Sponsor Members party thereto (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on November 19, 2024)
10.4(3)	Amended and Restated Executive Severance Plan of AeroVironment, Inc. (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the SEC on December 5, 2024)
10.5(3)	Executive Transaction Severance Plan of AeroVironment, Inc. (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed with the SEC on December 5, 2024)
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.
32#	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document – The instance document does not appear in the Interactive Data Files because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File formatted as Inline XBRL and contained in Exhibit 101

(1) Incorporated by reference herein to Exhibit 2.1 to the Company's Current Report on Form 8-K filed November 19, 2024 (File No. 001-33261).

(2) Incorporated by reference herein to Exhibit 3.1 and Exhibit 3.2 to the Company's Current Report on Form 8-K filed October 3, 2024 (File No. 001-33261).

(3) Incorporated by reference herein to the exhibits to the Company's Quarterly Report on Form 10-Q filed December 5, 2024 (File No. 001-33261).

The information in Exhibit 32 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act (including this report), unless the Company specifically incorporates the foregoing information into those documents by reference.

SIGNATURES

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, thereunto duly authorized.

Date: March 4, 2025

AEROVIRONMENT, INC.

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

/s/ Kevin P. McDonnell
Kevin P. McDonnell
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ Brian C. Shackley
Brian C. Shackley
Vice President and Chief Accounting Officer
(Principal Accounting Officer)

Certification of Principal Executive Officer
Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934

I, Wahid Nawabi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AeroVironment, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 4, 2025

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

Certification of Principal Financial Officer
Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934

I, Kevin P. McDonnell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AeroVironment, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 4, 2025

/s/ Kevin P. McDonnell
Kevin P. McDonnell
Senior Vice President and Chief Financial Officer

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) (the “Act”), each of the undersigned officers of AeroVironment, Inc., a Delaware corporation (the “Company”), does hereby certify, to each such officer’s knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended January 25, 2025 (the “Periodic Report”) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

/s/ Kevin P. McDonnell
Kevin P. McDonnell
Senior Vice President and Chief Financial Officer

Dated: March, 4 2025

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.