

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**

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

Date of Report (Date of earliest event reported): **March 4, 2024**

**AEROVIRONMENT, INC.**

(Exact name of registrant as specified in its charter)

<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>001-33261</b> (Commission File Number)	<b>95-2705790</b> (I.R.S. Employer Identification No.)
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<b>241 18th Street South, Suite 415</b> <b>Arlington, Virginia</b> (Address of Principal Executive Offices)	<b>22202</b> (Zip Code)
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Registrant's telephone number, including area code: **(805) 520-8350**

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

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

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

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

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

Emerging growth company

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

**Item 2.02. Results of Operations and Financial Condition**

On March 4, 2024, AeroVironment, Inc. (the “Company”) issued a press release announcing third quarter financial results for the period ended January 27, 2024, a copy of which is attached hereto as Exhibit 99.1.

**Item 7.01. Regulation FD Disclosure**

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

Attached as Exhibit 99.2 hereto is a presentation containing additional information regarding the Company’s third quarter fiscal 2024 financial results for the period ended January 27, 2024. A copy of the presentation is also available on the investor relations section of the Company’s website at <https://investor.avinc.com/events-and-presentations>. The information contained on the Company’s website is not incorporated by reference into, and does not form a part of, this Current Report on Form 8-K.

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

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

**Item 9.01. Financial Statements and Exhibits**

(d) Exhibits.

Exhibit Number	Description
99.1	<a href="#">Press release issued by AeroVironment, Inc., dated March 4, 2024.</a>
99.2	<a href="#">Presentation regarding AeroVironment, Inc.’s third quarter fiscal 2024 financial results dated March 4, 2024.</a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

**SIGNATURE**

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

AEROVIRONMENT, INC.

Date: March 4, 2024

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

PROCEED  
WITH  
CERTAINTY24118th Street South, Suite 415, Arlington, VA 22202  
avinc.com // NASDAQ: AVAV**PRESS RELEASE****AeroVironment Announces Fiscal 2024 Third Quarter Results**

**ARLINGTON, VA, March 4, 2024** — AeroVironment, Inc. (“AeroVironment” or the “Company”) reported today financial results for the fiscal third quarter ended January 27, 2024.

## Third Quarter Highlights:

- Record third quarter revenue of \$186.6 million, up 39% year-over-year
- Third quarter net income of \$13.9 million and adjusted EBITDA of \$28.8 million, increases of \$14.6 million and \$5.1 million, year-over-year, respectively
- Funded backlog of \$462.8 million as of January 27, 2024

“Once again, AeroVironment has delivered outstanding results, including a record for third quarter revenue that’s nearly 40% above the same period last fiscal year,” said Wahid Nawabi, AeroVironment chairman, president and chief executive officer. “Solid bottom-line results, fueled by record demand and strong operating execution, have us on track for our best year ever. In addition, the Company continues to show tremendous growth in the Loitering Munition Systems segment, which delivered record revenue in the quarter.

With the increased global demand for our solutions, strong backlog and growing pipeline, AeroVironment remains well positioned for continued growth. As such, we are raising and narrowing our fiscal year revenue guidance for 2024 to between \$700 million and \$710 million, and we continue to anticipate double-digit revenue growth in fiscal year 2025.”

**FISCAL 2024 THIRD QUARTER RESULTS**

Revenue for the third quarter of fiscal 2024 was \$186.6 million, an increase of 39% as compared to \$134.4 million for the third quarter of fiscal 2023, reflecting higher product sales of \$64.7 million, partially offset by lower service revenue of \$12.5 million. From a segment standpoint, the year-over-year increase was due to revenue growth in Loitering Munitions Systems (“LMS”) of 140% and Unmanned Systems (“UMS”) of 23%, partially offset by a decrease in MacCready Works (“MW”) of 13%.

Gross margin for the third quarter of fiscal 2024 was \$67.3 million, an increase of 48% as compared to \$45.5 million for the third quarter of fiscal 2023, reflecting higher product margin of \$20.1 million and higher service gross margin of \$1.7 million. As a percentage of revenue, gross margin increased to 36% from 34%, primarily due to an increase in the proportion of product revenue to total revenue, partially offset by an unfavorable product mix. Gross margin was favorably impacted by a decrease in depreciation charges for in-service assets of \$5.3 million related to the closure of COCO site locations during fiscal year 2023. Gross margin was negatively impacted by \$4.0 million of intangible amortization expense and other related non-cash purchase accounting expenses in the third quarter of fiscal 2024 as compared to \$3.3 million in the third quarter of fiscal 2023.

Income from operations for the third quarter of fiscal 2024 was \$14.3 million as compared to \$4.6 million for the third quarter of last fiscal year. The increase year-over-year was primarily due higher gross margin of \$21.8 million, partially offset by increases in research and development (“R&D”) expense of \$9.0 million and selling, general and administrative (“SG&A”) expense of \$3.1 million.

Other income, net, for the third quarter of fiscal 2024 was \$0.9 million, as compared to other loss, net of \$5.4 million for the third quarter of last fiscal year. The increase in other income, net was primarily due to increases in net unrealized gains on investment holdings and interest income and a decrease in interest expense.

Provision for income taxes for the third quarter of fiscal 2024 was \$1.3 million, as compared to a benefit of \$(0.5) million for the third quarter of last fiscal year. The increase in provision for income taxes was primarily attributable to an increase in income before income taxes.

Net income attributable to AeroVironment for the third quarter of fiscal 2024 was \$13.9 million, or \$0.50 per diluted share, as compared to net loss attributable to AeroVironment of \$(0.7) million, or \$(0.03) per diluted share, in the prior-year period, respectively.

Non-GAAP adjusted EBITDA for the third quarter of fiscal 2024 was \$28.8 million and non-GAAP earnings per diluted share were \$0.63, as compared to \$23.7 million and \$0.33, respectively, for the third quarter of fiscal 2023.

#### **BACKLOG**

As of January 27, 2024, funded backlog (defined as remaining performance obligations under firm orders for which funding is currently appropriated to us under a customer contract) was \$462.8 million, as compared to \$424.1 million as of April 30, 2023.

#### **FISCAL 2024 — OUTLOOK FOR THE FULL YEAR**

For fiscal year 2024, the Company now expects revenue of between \$700 million and \$710 million, net income of between \$51 million and \$55 million, Non-GAAP adjusted EBITDA of between \$122 million and \$127 million, earnings per diluted share of between \$1.86 and \$2.00 and non-GAAP earnings per diluted share, which excludes amortization of intangible assets, other non-cash purchase accounting expenses and equity securities investments gains or losses, of between \$2.69 and \$2.83.

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

#### **CONFERENCE CALL AND PRESENTATION**

In conjunction with this release, AeroVironment, Inc. will host a conference call today, Monday, March 4, 2024, at 4:30 pm Eastern Time that will be webcast live. Wahid Nawabi, chairman, president and chief executive officer, Kevin P. McDonnell, chief financial officer and Jonah Teeter-Balin, senior director corporate development and investor relations, will host the call.

Investors may access the call by registering via the following participant registration link up to ten minutes prior to the start time.

Participant registration URL: <https://register.vevent.com/register/B12e69517f68da41c0ade849312a1992e2>

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

#### Audio Replay

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

#### ABOUT AEROVIRONMENT, INC.

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

#### FORWARD-LOOKING STATEMENTS

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

Factors that could cause actual results to differ materially from the forward-looking statements include, but are not limited to, the impact of our ability to successfully close and integrate acquisitions into our operations and avoid disruptions from acquisition transactions that will harm our business, including the acquisition of Tomahawk Robotics; the recording of goodwill and other intangible assets as part of acquisitions that are subject to potential impairments in the future and any realization of such impairments; any actual or threatened disruptions to our relationships with our distributors, suppliers, customers and employees, including shortages in components for our products; the ability to timely and sufficiently integrate international operations into our ongoing business and compliance programs; reliance on sales to the U.S. government, including uncertainties in classification, pricing or potentially burdensome imposed terms for certain types of government contracts; availability of U.S. government funding for defense procurement and R&D programs; changes in the timing and/or amount of government spending, including due to continuing resolutions; adverse impacts of a U.S. government shutdown; our reliance on limited relationships to fund our development of HAPS UAS; our ability to perform under existing contracts and obtain new contracts; risks related to our international business, including compliance with export control laws; the extensive and increasing regulatory requirements governing our contracts with the U.S. government and international customers; the consequences to our financial position, business and reputation that could result from failing to comply with such regulatory requirements; unexpected technical and marketing difficulties inherent in major research and product development efforts; the impact of potential security and cyber threats or the risk of unauthorized access to and resulting misuse of our, our customers' and/or our suppliers' information and systems; uncertainty in the customer adoption rate of commercial use unmanned aircraft systems; failure to remain a market innovator, to create new market opportunities or to expand into new markets; unexpected changes in significant operating expenses, including components and raw materials; failure to develop new products or integrate new technology into current products; any increase in litigation activity or unfavorable results in legal proceedings, including pending class actions; our ability to respond and adapt to legal, regulatory and government budgetary changes, including those resulting from the impact of pandemics and similar outbreaks; our ability to comply with the covenants in our loan documents; our ability to attract and retain skilled employees; the impact of inflation; and general economic and business conditions in the United States and elsewhere in the world; and the failure to establish and maintain effective internal control over financial reporting. For a further list and description of such risks and uncertainties, see the reports we file with the Securities and Exchange Commission. We do not intend, and undertake no obligation, to update any forward-looking statements, whether as a result of new information, future events or otherwise.

#### NON-GAAP MEASURES

In addition to the financial measures prepared in accordance with generally accepted accounting principles (GAAP), this earnings release also contains non-GAAP financial measures. See in the financial tables below the calculation of these

measures, the reasons why we believe these measures provide useful information to investors, and a reconciliation of these measures to the most directly comparable GAAP measures.

– Financial Tables Follow –

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

	Three Months Ended		Nine Months Ended	
	January 27, 2024	January 28, 2023	January 27, 2024	January 28, 2023
	(Unaudited)		(Unaudited)	
<b>Revenue:</b>				
Product sales	\$ 155,923	\$ 91,216	\$ 421,173	\$ 211,533
Contract services	30,655	43,179	98,568	142,962
	<u>186,578</u>	<u>134,395</u>	<u>519,741</u>	<u>354,495</u>
<b>Cost of sales:</b>				
Product sales	99,486	54,866	240,126	127,210
Contract services	19,805	34,019	71,318	122,171
	<u>119,291</u>	<u>88,885</u>	<u>311,444</u>	<u>249,381</u>
<b>Gross margin:</b>				
Product sales	56,437	36,350	181,047	84,323
Contract services	10,850	9,160	27,250	20,791
	<u>67,287</u>	<u>45,510</u>	<u>208,297</u>	<u>105,114</u>
Selling, general and administrative	27,826	24,746	79,800	70,302
Research and development	25,127	16,157	62,618	47,793
Income (loss) from operations	14,334	4,607	65,879	(12,981)
<b>Other income (loss):</b>				
Interest expense, net	(114)	(2,810)	(4,072)	(6,722)
Other income (expense), net	1,004	(2,587)	(2,983)	(2,183)
Income (loss) before income taxes	15,224	(790)	58,824	(21,886)
Provision for (benefit from) income taxes	1,259	(531)	3,710	(8,382)
Equity method investment loss, net of tax	(80)	(417)	(1,494)	(2,190)
Net income (loss)	13,885	(676)	53,620	(15,694)
Net income attributable to noncontrolling interest	—	—	—	(45)
Net income (loss) attributable to AeroVironment, Inc.	<u>\$ 13,885</u>	<u>\$ (676)</u>	<u>\$ 53,620</u>	<u>\$ (15,739)</u>
<b>Net income (loss) per share attributable to AeroVironment, Inc.</b>				
Basic	\$ 0.50	\$ (0.03)	\$ 1.99	\$ (0.63)
Diluted	\$ 0.50	\$ (0.03)	\$ 1.98	\$ (0.63)
<b>Weighted-average shares outstanding:</b>				
Basic	27,907,568	25,012,412	26,957,061	24,906,977
Diluted	28,044,127	25,012,412	27,061,409	24,906,977



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

	January 27, 2024 (Unaudited)	April 30, 2023
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 107,694	\$ 132,859
Accounts receivable, net of allowance for doubtful accounts of \$88 at January 27, 2024 and \$156 at April 30, 2023	53,236	87,633
Unbilled receivables and retentions	148,588	105,653
Inventories, net	161,384	138,814
Income taxes receivable	8,081	—
Prepaid expenses and other current assets	21,708	12,043
<b>Total current assets</b>	<b>500,691</b>	<b>477,002</b>
Long-term investments	21,282	23,613
Property and equipment, net	45,053	39,795
Operating lease right-of-use assets	28,904	27,363
Deferred income taxes	21,378	27,206
Intangibles, net	77,597	43,577
Goodwill	275,189	180,801
Other assets	10,205	5,220
<b>Total assets</b>	<b>\$ 980,299</b>	<b>\$ 824,577</b>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 26,969	\$ 31,355
Wages and related accruals	28,443	35,637
Customer advances	17,536	16,645
Current portion of long-term debt	7,500	7,500
Current operating lease liabilities	8,934	8,229
Income taxes payable	797	2,342
Other current liabilities	17,352	19,626
<b>Total current liabilities</b>	<b>107,531</b>	<b>121,334</b>
Long-term debt, net of current portion	31,292	125,904
Non-current operating lease liabilities	21,978	21,189
Other non-current liabilities	2,105	746
Liability for uncertain tax positions	2,705	2,705
Deferred income taxes	1,703	1,729
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.0001 par value:		
Authorized shares—10,000,000; none issued or outstanding at January 27, 2024 and April 30, 2023	—	—
Common stock, \$0.0001 par value:		
Authorized shares—100,000,000		
Issued and outstanding shares—28,136,735 shares at January 27, 2024 and 26,216,897 shares at April 30, 2023	4	4
Additional paid-in capital	593,228	384,397
Accumulated other comprehensive loss	(4,888)	(4,452)
Retained earnings	224,641	171,021
<b>Total stockholders' equity</b>	<b>812,985</b>	<b>550,970</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 980,299</b>	<b>\$ 824,577</b>

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

	Nine Months Ended	
	January 27, 2024	January 28, 2023
	(Unaudited)	
<b>Operating activities</b>		
Net income (loss)	\$ 53,620	\$ (15,694)
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation and amortization	24,969	48,109
Loss from equity method investments	1,494	2,190
Amortization of debt issuance costs	638	634
Provision for doubtful accounts	(67)	5
Reserve for inventory excess and obsolescence	11,668	3,787
Other non-cash expense, net	783	935
Non-cash lease expense	6,923	5,866
Loss on foreign currency transactions	54	38
Unrealized loss on available-for-sale equity securities, net	2,712	1,798
Deferred income taxes	(1,604)	(1,250)
Stock-based compensation	12,425	7,108
Loss on disposal of property and equipment	115	1,193
Amortization of debt securities discount	—	125
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	36,387	6,847
Unbilled receivables and retentions	(41,950)	(5,098)
Inventories	(31,901)	(43,111)
Income taxes receivable	(8,081)	(9,388)
Prepaid expenses and other assets	(15,896)	(3,114)
Accounts payable	(10,003)	7,789
Other liabilities	(15,321)	(157)
Net cash provided by operating activities	26,965	8,612
<b>Investing activities</b>		
Acquisition of property and equipment	(13,901)	(10,116)
Equity method investments	(1,875)	(2,774)
Equity security investments	—	(5,100)
Acquisition of intangibles	(1,500)	—
Business acquisitions, net of cash acquired	(24,156)	(5,105)
Proceeds from deconsolidation of previously controlled subsidiary, net of cash deconsolidated	—	(635)
Redemptions of available-for-sale investments	—	25,945
Purchases of available-for-sale investments	—	(1,326)
Net cash (used in) provided by investing activities	(41,432)	889
<b>Financing activities</b>		
Principal payments of term loan	(95,000)	(22,500)
Holdback and retention payments for business acquisition	(500)	—
Payment of contingent consideration	(2,132)	—
Proceeds from shares issued, net of issuance costs	88,437	20,104
Payment of debt issuance costs	(37)	—
Tax withholding payment related to net settlement of equity awards	(1,370)	(853)
Exercise of stock options	—	868
Other	(19)	(21)
Net cash used in financing activities	(10,621)	(2,402)
Effects of currency translation on cash and cash equivalents	(77)	695
Net (decrease) increase in cash, cash equivalents, and restricted cash	(25,165)	7,794
Cash, cash equivalents and restricted cash at beginning of period	132,859	77,231
Cash, cash equivalents and restricted cash at end of period	\$ 107,694	\$ 85,025
<b>Supplemental disclosures of cash flow information</b>		
Cash paid, net during the period for:		
Income taxes	\$ 15,195	\$ 1,192
Interest	\$ 5,850	\$ 5,697
<b>Non-cash activities</b>		
Issuance of common stock for business acquisition	\$ 109,820	\$ —
Unrealized gain on available-for-sale investments, net of deferred tax expense of \$0 for the nine months ended January 27, 2024 and January 28, 2023, respectively	\$ —	\$ (26)
Change in foreign currency translation adjustments	\$ (436)	\$ 1,433
Issuance of inventory to property and equipment, ISR in-service assets	\$ —	\$ 4,677
Acquisitions of property and equipment included in accounts payable	\$ 2,519	\$ 731

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

	Three Months Ended January 27, 2024			Total
	UMS	LMS	MW	
Revenue:				
Product sales	\$ 104,522	\$ 51,338	\$ 63	\$ 155,923
Contract services	8,768	6,320	15,567	30,655
	<u>\$ 113,290</u>	<u>\$ 57,658</u>	<u>\$ 15,630</u>	<u>\$ 186,578</u>
Segment adjusted income (loss) from operations	\$ 20,417	\$ 7,562	\$ (8,103)	

	Three Months Ended January 28, 2023			Total
	UMS	LMS	MW	
Revenue:				
Product sales	\$ 74,966	\$ 16,203	\$ 47	\$ 91,216
Contract services	17,363	7,812	18,004	43,179
	<u>\$ 92,329</u>	<u>\$ 24,015</u>	<u>\$ 18,051</u>	<u>\$ 134,395</u>
Segment adjusted income (loss) from operations	\$ 11,792	\$ (129)	\$ 376	

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

	<u>Three Months Ended</u> <u>January 27, 2024</u>	<u>Three Months Ended</u> <u>January 28, 2023</u>	<u>Nine Months Ended</u> <u>January 27, 2024</u>	<u>Nine Months Ended</u> <u>January 28, 2023</u>
Earnings (loss) per diluted share	\$ 0.50	\$ (0.03)	\$ 1.98	\$ (0.63)
Acquisition-related expenses	—	0.01	0.05	0.04
Amortization of acquired intangible assets and other purchase accounting adjustments	0.16	0.22	0.38	0.69
Equity method and equity securities investments activity, net	(0.03)	0.13	0.16	0.16
Earnings per diluted share as adjusted (Non-GAAP)	<u>\$ 0.63</u>	<u>\$ 0.33</u>	<u>\$ 2.57</u>	<u>\$ 0.26</u>

**Reconciliation of non-GAAP adjusted EBITDA (Unaudited)**

<i>(in millions)</i>	<u>Three Months Ended</u> <u>January 27, 2024</u>	<u>Three Months Ended</u> <u>January 28, 2023</u>	<u>Nine Months Ended</u> <u>January 27, 2024</u>	<u>Nine Months Ended</u> <u>January 28, 2023</u>
Net income (loss)	\$ 13.9	\$ (0.7)	\$ 53.6	\$ (15.7)
Interest expense, net	0.1	2.8	4.1	6.7
Provision for (benefit from) income taxes	1.3	(0.5)	3.7	(8.4)
Depreciation and amortization	9.6	15.8	25.0	48.1
EBITDA (Non-GAAP)	<u>24.9</u>	<u>17.4</u>	<u>86.4</u>	<u>30.7</u>
Stock-based compensation	4.2	2.7	12.4	7.1
Equity method and equity securities investments activity, net	(0.7)	3.2	4.2	4.0
Amortization of cloud computing arrangement implementation	0.5	0.1	0.9	0.4
Acquisition-related expenses	(0.1)	0.3	1.7	1.2
Adjusted EBITDA (Non-GAAP)	<u>\$ 28.8</u>	<u>\$ 23.7</u>	<u>\$ 105.6</u>	<u>\$ 43.4</u>

**Reconciliation of Forecast Earnings per Diluted Share (Unaudited)**

	<b>Fiscal year ending April 30, 2024</b>	
Forecast earnings per diluted share	\$ 1.86 - 2.00	
Acquisition-related expenses	0.05	
Amortization of acquired intangible assets and other purchase accounting adjustments	0.54	
Equity method and equity securities investments activity, net	0.24	
Forecast earnings per diluted share as adjusted (Non-GAAP)	<u>\$ 2.69 - 2.83</u>	

**Reconciliation of 2024 Forecast and Fiscal Year 2023 Actual Non-GAAP adjusted EBITDA (Unaudited)**

<i>(in millions)</i>	<b>Fiscal year ending April 30, 2024</b>		<b>Fiscal year ended April 30, 2023</b>	
Net income (loss)	\$	51 - 55	\$	(176)
Interest expense, net		5		9
Provision for (benefit from) income taxes		3 - 4		(15)
Depreciation and amortization		36		100
EBITDA (Non-GAAP)		<u>95 - 100</u>		<u>(82)</u>
Amortization of cloud computing arrangement implementation		1		1
Stock-based compensation		17		11
Equity method and equity securities investments activity, net		7		3
Acquisition-related expenses		2		1
Goodwill impairment		—		156
Adjusted EBITDA (Non-GAAP)	\$	<u>122 - 127</u>	\$	<u>90</u>

## Statement Regarding Non-GAAP Measures

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

### Non-GAAP Adjusted Operating Income

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

### Non-GAAP Earnings per Diluted Share

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

### Adjusted EBITDA (Non-GAAP)

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

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For additional media and information, please follow us



**CONTACT**

Jonah Teeter-Balin

+1 (805) 520-8350 x4278

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



PROCEED  
WITH  
CERTAINTY

# Third Quarter Fiscal Year 2024 Earnings Presentation

March 4, 2024





# Safe Harbor Statement

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

Factors that could cause actual results to differ materially from the forward-looking statements include, but are not limited to, the impact of our ability to successfully close and integrate acquisitions into our operations and avoid disruptions from acquisition transactions that will harm our business, including the acquisition of Tomahawk Robotics; the recording of goodwill and other intangible assets as part of acquisitions that are subject to potential impairments in the future and any realization of such impairments; any actual or threatened disruptions to our relationships with our distributors, suppliers, customers and employees, including shortages in components for our products; the ability to timely and sufficiently integrate international operations into our ongoing business and compliance programs; reliance on sales to the U.S. government, including uncertainties in classification, pricing or potentially burdensome imposed terms for certain types of government contracts; availability of U.S. government funding for defense procurement and R&D programs; changes in the timing and/or amount of government spending, including due to continuing resolutions; adverse impacts of a U.S. government shutdown; our reliance on limited relationships to fund our development of HAPS UAS; our ability to perform under existing contracts and obtain new contracts; risks related to our international business, including compliance with export control laws; the extensive and increasing regulatory requirements governing our contracts with the U.S. government and international customers; the consequences to our financial position, business and reputation that could result from failing to comply with such regulatory requirements; unexpected technical and marketing difficulties inherent in major research and product development efforts; the impact of potential security and cyber threats or the risk of unauthorized access to and resulting misuse of our, our customers' and/or our suppliers' information and systems; uncertainty in the customer adoption rate of commercial use unmanned aircraft systems; failure to remain a market innovator, to create new market opportunities or to expand into new markets; unexpected changes in significant operating expenses, including components and raw materials; failure to develop new products or integrate new technology into current products; any increase in litigation activity or unfavorable results in legal proceedings, including pending class actions; our ability to respond and adapt to legal, regulatory and government budgetary changes, including those resulting from the impact of pandemics and similar outbreaks; our ability to comply with the covenants in our loan documents; our ability to attract and retain skilled employees; the impact of inflation; and general economic and business conditions in the United States and elsewhere in the world; and the failure to establish and maintain effective internal control over financial reporting. For a further list and description of such risks and uncertainties, see the reports we file with the Securities and Exchange Commission. We do not intend, and undertake no obligation, to update any forward-looking statements, whether as a result of new information, future events or otherwise.

# Third Quarter Fiscal Year 2024 Key Messages



Achieved record third-quarter revenue of **\$187 million**, a nearly **40% increase** YoY with strong bottom-line results



**Loitering munitions segment** delivered record quarterly revenue and continues to ramp production to meet surging demand



Given strong performance, **raising** and **tightening** guidance



Continue to expect **double-digit revenue growth** in fiscal year 2025

# Third Quarter Results Fiscal Year 2024

Metric	Q3 FY24	Year-Over-Year Change	Notes
Revenue	\$186.6 m	+39%	Overall increase driven by higher sales in UMS segment and record sales in LMS segment.
GAAP Gross Margin	\$67.3 m	+48%	Increase driven by higher sales volume, greater mix of product sales, and higher service margins.
Adjusted EBITDA <sup>2</sup>	\$28.8 m	+21%	Increase due to higher gross profit partially offset by higher R&D and SG&A expenditures.
Non-GAAP EPS (diluted) <sup>1</sup>	\$0.63	+91%	Increase due to higher gross profit partially offset by higher R&D and SG&A expenditures.
Funded Backlog	\$462.8 m	+12%	Strong backlog driven by increasing global demand and LMS orders.

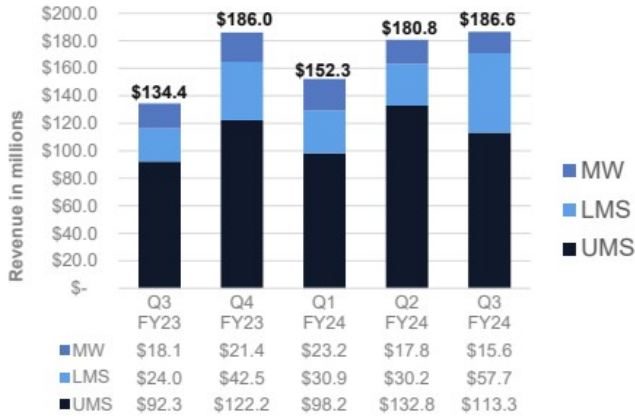
<sup>1</sup> Q3 GAAP EPS was \$0.50 per diluted share. Refer to Reconciliation of Non-GAAP Earnings Per Diluted Share on Appendix A

<sup>2</sup> Q3 GAAP Net Income was \$13.9M. Refer to Adjusted EBITDA reconciliation on Appendix D.

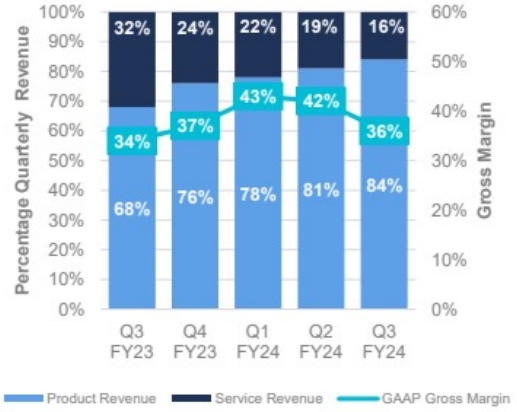
\* Figures include impact from Tomahawk acquisition

# Revenue Mix by Segment and Type

QUARTERLY REVENUE BY SEGMENT



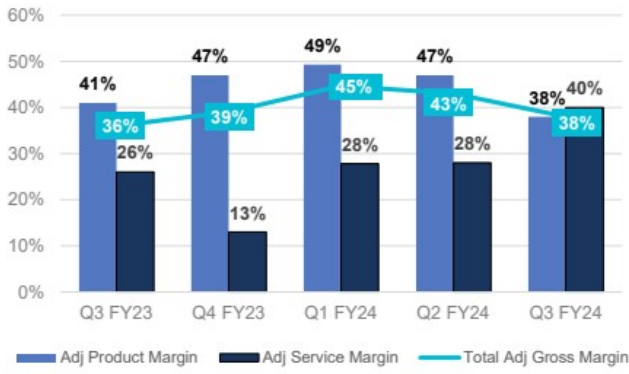
QUARTERLY REVENUE BY TYPE



Prior quarter segments reclassified to conform to the current year segments | UMS: Unmanned Systems (includes Tomahawk) | LMS: Loitering Munitions Systems | MW: MacCready Works

# Adjusted Profitability by Type and Non-GAAP EPS

PERCENTAGE ADJUSTED GROSS MARGIN<sup>1</sup>



NON-GAAP DILUTED EPS<sup>2</sup>



<sup>1</sup> Q3 GAAP Product Margin of 36% and Service Margin of 35%. Refer to GAAP to NON-GAAP reconciliation on Appendix C. | <sup>2</sup> Refer to Reconciliation of Non-GAAP Diluted Earnings Per Share on Appendix A.



# Updated Guidance: Fiscal 2024 Outlook

AS OF 03/04/2024	FY23 RESULTS	FY24 REVISED GUIDANCE	EXPECTED % CHANGE (TO MIDPOINT)
Revenue	\$541 million	\$700 million - \$710 million	30%
Net (Loss)/Income <sup>5</sup>	(\$176 million)	\$51 million – \$55 million	---
Adjusted EBITDA <sup>2</sup>	\$90 million	\$122 million–\$127 million <sup>4</sup>	38%
Earnings/(Loss) <sup>5</sup> Per Share (diluted)	(\$7.04)	\$1.86 – \$2.00	---
Non-GAAP Earnings Per Share (diluted)	\$1.26 <sup>3</sup>	\$2.69 – \$2.83 <sup>1</sup>	119%

Expect R&D Expenses between 13%-14% of Revenues in FY24.

<sup>1</sup> Refer to Reconciliation of Fiscal Year 2024 Non-GAAP Diluted Earnings Per Share Expectations on Appendix B.

<sup>2</sup> Refer to Adjusted EBITDA reconciliation on Appendix D.

<sup>3</sup> Refer to Reconciliation of Fiscal Year 2023 Non-GAAP Diluted Earnings Per Share on Appendix F.

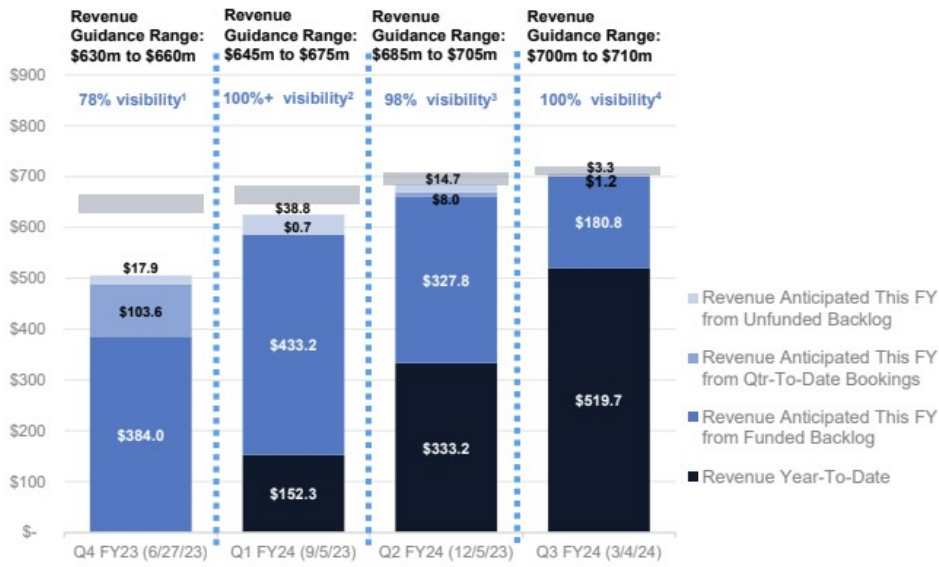
<sup>4</sup> Refer to Reconciliation of Non-GAAP Fiscal Year 2024 Adjusted EBITDA Expectations on Appendix E. R&D investment increasing to between 13%-14% for FY24.

<sup>5</sup> FY23 net loss and GAAP EPS impacted by the following non-cash charges related to the MUAS segment: \$156m goodwill impairment charge, \$34m accelerated intangible amortization, and \$12m accelerated depreciation.

Increasing and narrowing FY24 Guidance ranges due to record Q3 revenue performance and strong visibility.

# Visibility for FY24

## REVENUE (MILLIONS)



Guidance revised three times in FY2024. Record Q3 revenue and strong visibility supports revised revenue guidance range.

<sup>1</sup> Based on prior midpoint of guidance range of \$630-\$660 million | <sup>2</sup> Based on midpoint of revised guidance range of \$645-\$675 million | <sup>3</sup> Based on midpoint of revised guidance range of \$685-\$705 million | <sup>4</sup> Based on midpoint of revised guidance range of \$700-\$710 million



# Financial Tables





## APPENDIX A – RECONCILIATION OF NON-GAAP EARNINGS PER DILUTED SHARE (UNAUDITED)

	Three Months Ended	Three Months Ended	Nine Months Ended	Nine Months Ended
	January 27, 2024	January 28, 2023	January 27, 2024	January 28, 2023
Earnings (loss) per diluted share	\$ 0.50	\$ (0.03)	\$ 1.98	\$ (0.63)
Acquisition-related expenses	—	0.01	0.05	0.04
Amortization of acquired intangible assets and other purchase accounting adjustments	0.16	0.22	0.38	0.69
Equity method and equity securities investments activity, net	(0.03)	0.13	0.16	0.16
Earnings per diluted share as adjusted (Non-GAAP)	<u>\$ 0.63</u>	<u>\$ 0.33</u>	<u>\$ 2.57</u>	<u>\$ 0.26</u>

## APPENDIX B – RECONCILIATION OF FISCAL YEAR 2024 NON-GAAP DILUTED EARNINGS PER SHARE EXPECTATIONS (UNAUDITED)

	<u>Fiscal year ending</u> <u>April 30, 2024</u>
Forecast earnings per diluted share	\$ 1.86 - 2.00
Acquisition-related expenses	0.05
Amortization of acquired intangible assets and other purchase accounting adjustments	0.54
Equity method and equity securities investments activity, net	0.24
Forecast earnings per diluted share as adjusted (Non-GAAP)	<u>\$ 2.69 - 2.83</u>

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

<i>(in thousands)</i>	Fiscal 3rd Quarter FY2023	Fiscal 4th Quarter FY2023	Fiscal 1st Quarter FY2024	Fiscal 2nd Quarter FY2024	Fiscal 3rd Quarter FY2024
<b>Products</b>					
Gross Margin	\$ 36,350	\$ 65,320	\$ 57,863	\$ 66,747	\$ 56,437
Intangible Amortization	\$ 1,026	\$ 1,034	\$ 1,041	\$ 1,856	\$ 2,681
Adjusted Gross Margin	\$ 37,376	\$ 66,354	\$ 58,904	\$ 68,603	\$ 59,118
Adj. Prod GM%	41.0%	46.9%	49.3%	47.1%	37.9%
<b>Services</b>					
Gross Margin	\$ 9,160	\$ 3,080	\$ 7,797	\$ 8,603	\$ 10,850
Intangible Amortization	\$ 2,282	\$ 2,584	\$ 1,356	\$ 1,356	\$ 1,356
Adjusted Gross Margin	\$ 11,442	\$ 5,664	\$ 9,153	\$ 9,959	\$ 12,206
Adj. Service GM%	26.5%	12.7%	27.8%	28.4%	39.8%

# APPENDIX D – HISTORICAL ADJUSTED EBITDA RECONCILIATION –

<i>(in thousands)</i>	Fiscal 3rd Quarter FY2023	Fiscal 4th Quarter FY2023	Full Fiscal Year FY23	Fiscal 1st Quarter FY2024	Fiscal 2nd Quarter FY2024	Fiscal 3rd Quarter FY2024
Net Income from continued operations	\$ (676)	\$ (160,473)	\$ (176,212)	\$ 21,895	\$ 17,840	\$ 13,885
Interest Expense / (Income), net	2,810	2,646	9,368	2,008	1,951	114
Tax provision / (benefit)	(531)	(6,282)	(14,665)	1,314	1,137	1,259
Depreciation	8,652	10,272	36,980	3,786	4,023	3,986
Amortization	7,182	41,618	63,019	3,165	4,413	5,596
Depreciation and amortization (1)	15,834	51,890	99,999	6,951	8,436	9,582
EBITDA (Non-GAAP)	\$ 17,437	\$ (112,218)	\$ (81,510)	\$ 32,168	\$ 29,362	\$ 24,840
FV Step-up amortization incl. in Loss on disposal of PP&E	24	0	192	0	0	0
Cloud amortization	139	158	561	203	203	488
Stock-based compensation	2,706	3,657	10,765	3,204	5,040	4,181
Acquisition-related expenses	286	196	1,386	673	1,093	(54)
Arcturus Goodwill Impairment		156,017	156,017			
Equity method and equity security investment activity	3,142	(1,404)	2,583	1,034	3,842	(671)
Non-controlling interest	0	0	45	0	0	0
One-time legal settlement						
Legal accrual related to our former EES business			0			
Sale of ownership in HAPSMobile JV			0			
Adjusted EBITDA (Non-GAAP)	\$ 23,734	\$ 46,406	\$ 90,039	\$ 37,282	\$ 39,541	\$ 28,784

## APPENDIX E – RECONCILIATION OF NON-GAAP FISCAL YEAR 2024 ADJUSTED EBITDA EXPECTATIONS

<i>(in millions)</i>	<b>Fiscal year ending April 30, 2024</b>	<b>Fiscal year ended April 30, 2023</b>
Net income (loss)	\$ 51 - 55	\$ (176)
Interest expense, net	5	9
Provision for (benefit from) income taxes	3 - 4	(15)
Depreciation and amortization	36	100
EBITDA (Non-GAAP)	95 - 100	(82)
Amortization of cloud computing arrangement implementation	1	1
Stock-based compensation	17	11
Equity method and equity securities investments activity, net	7	3
Acquisition-related expenses	2	1
Goodwill impairment	—	156
Adjusted EBITDA (Non-GAAP)	<u>\$ 122 - 127</u>	<u>\$ 90</u>

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

		<b>Fiscal Year Ended April 30, 2023</b>
Loss per diluted share	\$	(7.04)
Acquisition-related expenses		0.05
Amortization of acquired intangible assets and other purchase accounting adjustments		0.92
Equity method and equity securities investments activity, net		0.10
Goodwill impairment		6.19
Accelerated intangible amortization		1.04
Earnings per diluted share as adjusted (Non-GAAP)	\$	<u>1.26</u>