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Second Quarter Fiscal Year 2024 Earnings Presentation

December 5, 2023



Safe Harbor Statement

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

Factors that could cause actual results to differ materially from the forward-looking statements include, but are not limited to, the impact of our 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; potential need for changes in our long-term strategy in response to future developments; 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; changes in the supply and/or demand and/or prices for our products and services; increased competition; uncertainty in the customer adoption rate of commercial use unmanned aircraft systems; failure to remain a market innovator, to create new market opportunities or to expand into new markets; unexpected changes in significant operating expenses, including components and raw materials; failure to develop new products or integrate new technology into current products; any increase in litigation activity or unfavorable results in legal proceedings, including pending class actions; our ability to respond and adapt to unexpected legal, regulatory and government budgetary changes, including those resulting from the COVID-19 pandemic or future pandemics, such as supply chain disruptions and delays, potential governmentally-mandated shutdowns, travel restrictions and site access, diversion of government resources to non-defense priorities, and other business restrictions affecting our ability to manufacture and sell our products and provide our services; our ability to comply with the covenants in our loan documents; our ability to attract and retain skilled employees; the impact of inflation; and general economic and business conditions in the United States and elsewhere in the world; and the failure to establish and maintain effective internal control over financial reporting. For a further list and description of such risks and uncertainties, see the reports we file with the Securities and Exchange Commission. We do not intend, and undertake no obligation, to update any forward-looking statements, whether as a result of new information, future events or otherwise.

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Second Quarter Fiscal Year 2024 Key Messages



Achieved second quarter results ahead of our expectations, with revenue of **\$181 million**, a **62% increase** YoY, best Q2 in company history and strong bottom-line results



Achieved healthy backlog of **\$487 million** as of October 28th providing solid visibility for quarters ahead



Due to strong performance and impact from Tomahawk acquisition, increasing and narrowing FY2024 revenue guidance to **\$685 to \$705 million**



Successfully completed acquisition of Tomahawk Robotics, with integration on track to leverage combined technology across our portfolio

Second Quarter Results Fiscal Year 2024

Metric	Q2 FY24	Year-Over-Year Change	Notes
Revenue	\$180.8 m	+62%	Overall increase driven by higher product sales. Increase in UMS revenue, partially offset by decrease in MW, LMS revenue, and lower service revenue.
GAAP Gross profit	\$75.4 m	+191%	Increase reflects higher product margins and higher service gross margins. Favorable gross margins as a result of higher sales volume as well as YoY decrease in depreciation charges and intangible amortization expense.
Adjusted EBITDA ²	\$39.5 m	+\$32.7 m	YOY increase due to higher gross profit partially offset by higher operating expenses.
Non-GAAP EPS (diluted) ¹	\$0.97	+\$0.96	YOY increases due to higher gross profit partially offset by higher operating expenses.
Funded Backlog	\$487.0 m	+66%	Strong backlog driven by Ukraine and increasing international demand.

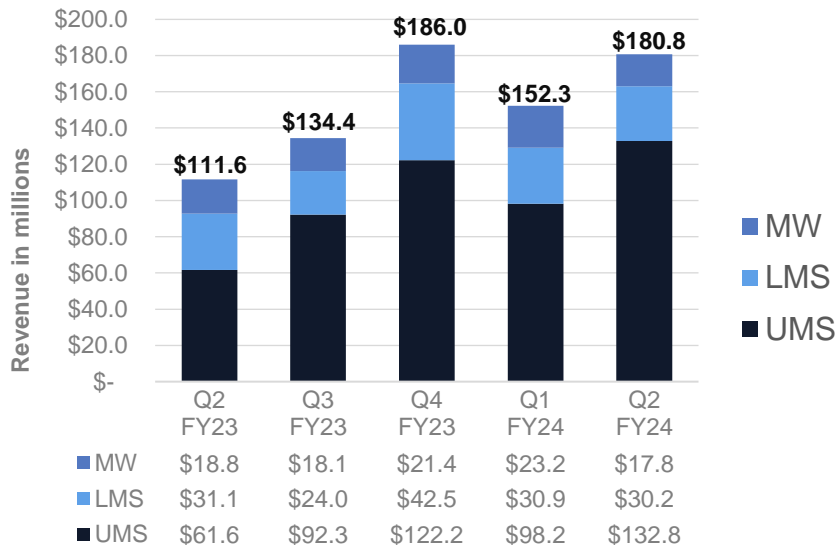
¹ Q2 GAAP EPS was \$0.66 per diluted share. Refer to Reconciliation of Non-GAAP Earnings Per Diluted Share on Appendix A

² Q2 GAAP Net income was \$17.8M. Refer to Adjusted EBITDA reconciliation on Appendix D.

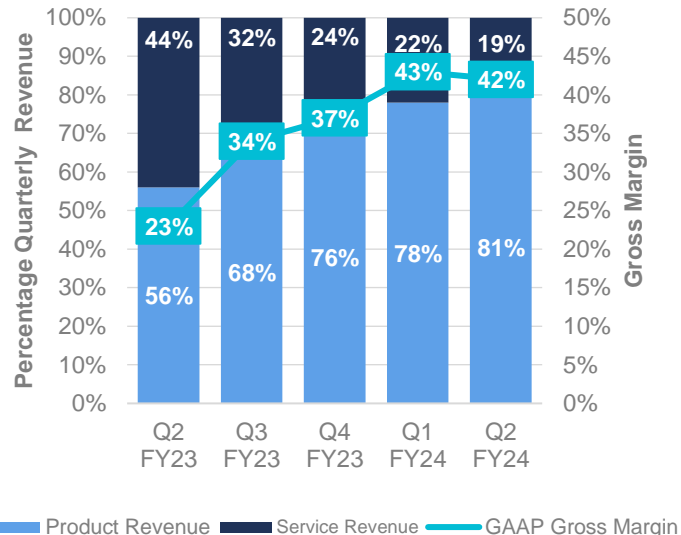
*Figures include impact from Tomahawk acquisition

Revenue Mix by Segment and Type

QUARTERLY REVENUE BY SEGMENT



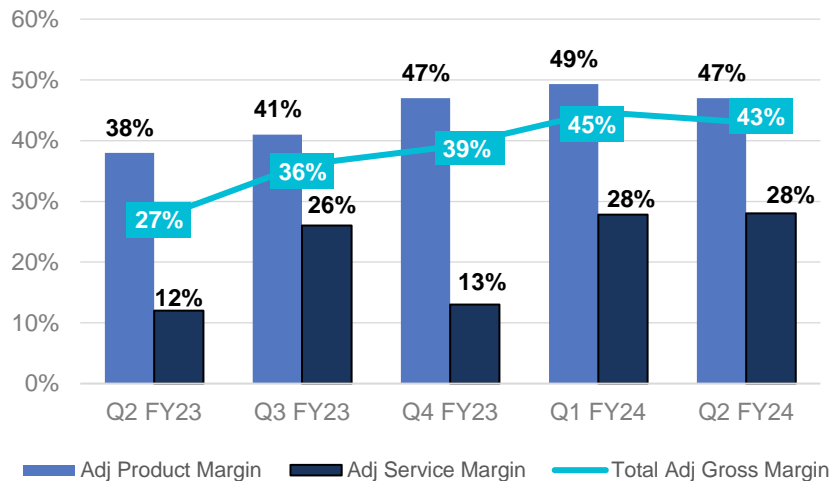
QUARTERLY REVENUE BY TYPE



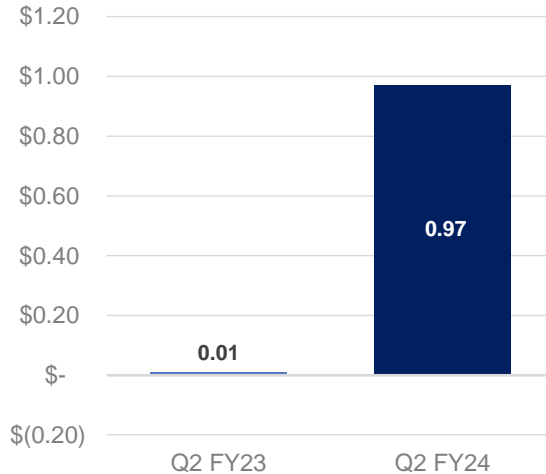
Prior quarter segments reclassified to conform to the current year segments | UMS: Unmanned Systems (includes Tomahawk) | LMS: Loitering munitions systems | MW: MacCready Works

Adjusted Profitability by Type and Non-GAAP EPS

PERCENTAGE ADJUSTED GROSS MARGIN¹



NON-GAAP DILUTED EPS²



¹ Q2 GAAP Product Margin of 46% and Service Margin of 25%. Refer to GAAP to NON-GAAP reconciliation on Appendix C. | ² Refer to Reconciliation of Non-GAAP Diluted Earnings Per Share on Appendix A.

Updated Guidance: Fiscal 2024 Outlook

AS OF 12/5/2023	FY23 RESULTS	FY24 REVISED GUIDANCE	EXPECTED % CHANGE (TO MIDPOINT)
Revenue	\$541 million	\$685 million - \$705 million	28%
Net (Loss)/Income ⁵	(\$176 million)	\$45 million – \$51 million	---
Adjusted EBITDA ²	\$90 million	\$119 million–\$127 million ⁴	37%
Earnings/(Loss) ⁵ Per Share (diluted)	(\$7.04)	\$1.66 – \$1.90	---
Non-GAAP Earnings Per Share (diluted)	\$1.26 ³	\$2.46 – \$2.70 ¹	105%

Expect R&D Expenses of 11.5%-12% of Revenues in FY24.

¹ Refer to Reconciliation of Fiscal Year 2024 Non-GAAP Diluted Earnings Per Share Expectations on Appendix B

² Refer to Adjusted EBITDA reconciliation on Appendix D.

³ Refer to Reconciliation of Fiscal Year 2023 Non-GAAP Diluted Earnings Per Share on Appendix F

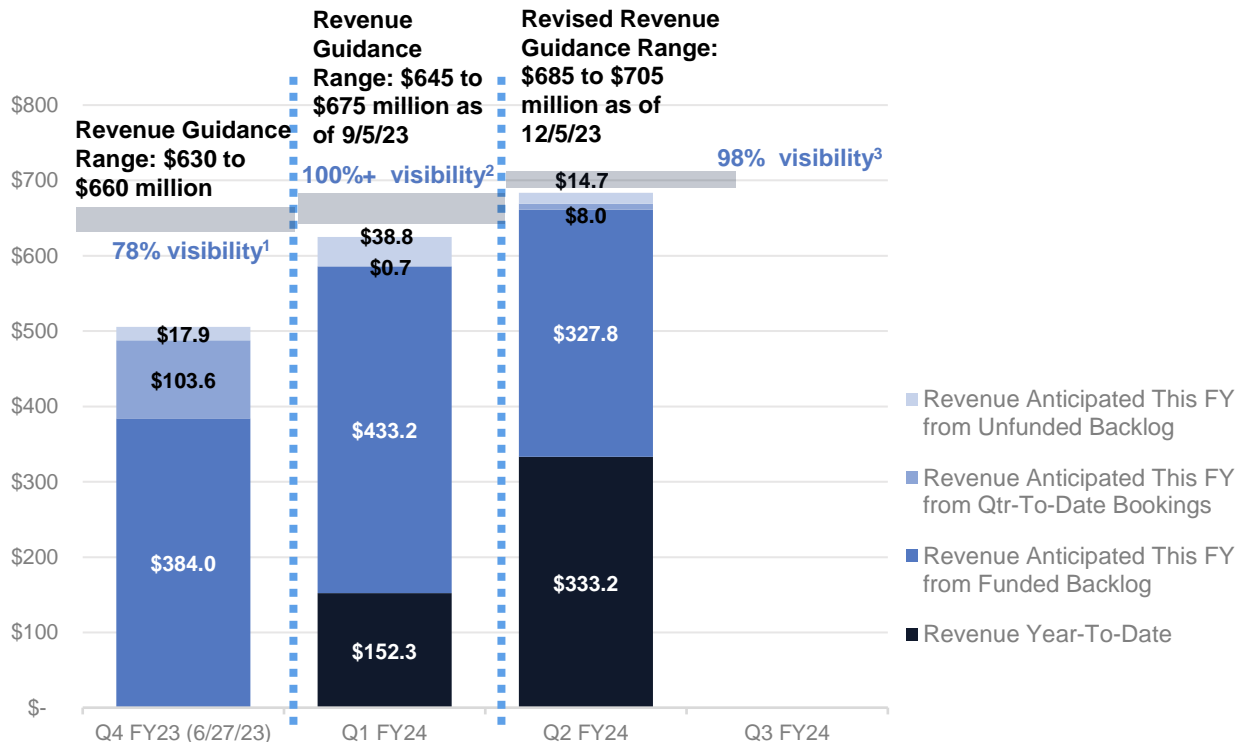
⁴ Refer to Reconciliation of Non-GAAP Fiscal Year 2024 Adjusted EBITDA Expectations on Appendix E. R&D investment anticipated to remain between 10%-12% for FY24

⁵ 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 midpoint Revenue and Adjusted EBITDA Guidance as a result of strong performance and impact from Tomahawk Acquisition.

Visibility for FY24

REVENUE (MILLIONS)



Guidance revised twice in FY2024. Company visibility supports revised revenue guidance range.

¹ Based on prior midpoint of guidance range of \$630-\$660 million | ² Based on midpoint of revised guidance range of \$645-\$675 million | ³ Based on midpoint of revised guidance range of \$685-\$705 million

AEROENVIRONMENT PORTFOLIO OF INTELLIGENT, MULTI-DOMAIN UNMANNED SYSTEMS

SOLAR HAPS

JUMP 20

T-20

PUMA 1E

PUMA 3 AE

PUMA VTOL

SWITCHBLADE 600

SWITCHBLADE 300

BLACKWING

RAVEN

WASP AE

VAPOR 55 MX

QUANTIX RECON

VAPOR 55

INGENUITY MARS HELICOPTER



Financial Tables

DDL NETWORK ANTENNAS

CRYSLIS

MPL

telexmax UGV

tEddor EVO

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

	<u>Three Months</u> <u>Ended</u> <u>October 28, 2023</u>	<u>Three Months</u> <u>Ended</u> <u>October 29, 2022</u>
Earnings (loss) per diluted share	\$ 0.66	\$ (0.27)
Acquisition-related expenses	0.03	0.02
Amortization of acquired intangible assets and other purchase accounting adjustments	0.13	0.25
Equity method and equity securities investments activity, net	0.15	0.01
Earnings per diluted share as adjusted (Non-GAAP)	<u>\$ 0.97</u>	<u>\$ 0.01</u>

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

	Fiscal Year Ending April 30, 2024
Forecast earnings per diluted share	\$ 1.66 - 1.90
Acquisition-related expenses	0.05
Amortization of acquired intangible and FV assets	0.55
Equity method and equity securities investments activity, net	0.20
Forecast earnings per diluted share as adjusted (Non-GAAP)	<u>\$ 2.46 - 2.70</u>

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

<i>(in thousands)</i>	Fiscal 2nd Quarter FY2023	Fiscal 3rd Quarter FY2023	Fiscal 4th Quarter FY2023	Fiscal 1st Quarter FY2024	Fiscal 2nd Quarter FY2024
<u>Products</u>					
Gross Margin	\$22,898	\$36,350	\$65,320	\$57,863	\$66,747
Gross Margin % of Revenue	36.7%	39.9%	46.2%	48.4%	45.8%
Intangible Amortization	\$1,009	\$1,026	\$1,034	\$1,041	\$1,856
Adjusted Gross Margin	\$23,907	\$37,376	\$66,354	\$58,904	\$68,603
Adjusted Gross Margin % of Revenue	38.3%	41.0%	46.9%	49.3%	47.1%
<u>Services</u>					
Gross Margin	\$2,992	9,160	3,080	7,797	8,603
Gross Margin % of Revenue	6.1%	21.2%	6.9%	23.7%	24.6%
Intangible Amortization	\$2,974	\$2,282	\$2,584	\$1,356	\$1,356
Adjusted Gross Margin	\$5,966	\$11,442	\$5,664	\$9,153	\$9,959
Adjusted Gross Margin % of Revenue	12.1%	26.5%	12.7%	27.8%	28.4%

APPENDIX D – HISTORICAL ADJUSTED EBITDA RECONCILIATION

<i>(in thousands)</i>	Fiscal 2nd Quarter FY2023	Fiscal 3rd Quarter FY2023	Fiscal 4th Quarter FY2023	Full Fiscal Year FY2023	Fiscal 1st Quarter FY2024	Fiscal 2nd Quarter FY2024
Net income from continued operations	\$ (6,668)	\$ (676)	\$ (160,473)	\$ (176,212)	\$ 21,895	\$ 17,840
Interest Expense (Income)/net	2,309	2,810	2,646	9,368	2,008	1,951
Tax provision / (benefit)	(10,457)	(531)	(6,282)	(14,665)	1,314	1,137
Depreciation and amortization (1)	18,275	15,834	51,890	99,999	6,951	8,436
EBITDA (Non-GAAP)	\$ 3,459	\$ 17,437	\$ (112,218)	\$ (81,510)	\$ 32,167	\$ 29,363
FV Step-up amortization incl. in loss of disposal of PP&E	53	24	—	192	—	—
Cloud amortization	137	139	158	561	203	203
Stock-based compensation	2,185	2,706	3,657	10,765	3,204	5,040
Acquisition-related expenses	569	286	196	1,386	673	1,093
Arcturus Goodwill Impairment	—	—	156,017	156,017	—	—
Equity method and equity security investments activity, net	345	3,142	(1,404)	2,583	1,034	3,842
Non-controlling interest one-time legal settlement	39	—	—	45	—	—
Adjusted EBITDA (Non-GAAP)	\$ 6,788	\$ 23,734	\$ 46,406	\$ 90,039	\$ 37,282	\$ 39,541

(1) as reported

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

<i>(in millions)</i>	Fiscal Year Ending April 30, 2024
Net income	\$ 45 - 51
Interest expense	7
Tax provision	1 - 3
Depreciation and intangible amortization	38
EBITDA (Non-GAAP)	91 - 99
Cloud amortization	1
Equity method and equity security investment activity	5
Deal and integration costs	2
Stock-based compensation	20
Adjusted EBITDA (Non-GAAP)	<u>\$ 119 - 127</u>

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

	Fiscal Year Ended April 30, 2023
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>