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AeroVironment, Inc. (AVAV)

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CORPORATE PARTICIPANTS

Robert F. Smith
Chief Operating Officer & Executive Vice President, AeroVironment, Inc.

Denise Pacioni
Head-Investor Relations, AeroVironment, Inc.

OTHER PARTICIPANTS

David Strauss
Analyst, Wells Fargo Securities LLC

MANAGEMENT DISCUSSION SECTION

David Strauss
Analyst, Wells Fargo Securities LLC

I'm David Strauss, aerospace and defense analyst here at Wells Fargo. And please to have AeroVironment here. Dr. Rob Smith and Denise Pacioni. Rob is Chief Operating Officer, joined the company a couple of months ago. Actually, I knew you in your prior life at BWXT.

Robert F. Smith
Chief Operating Officer & Executive Vice President, AeroVironment, Inc.

I remember you.

David Strauss
Analyst, Wells Fargo Securities LLC

Yeah.

Robert F. Smith
Chief Operating Officer & Executive Vice President, AeroVironment, Inc.

Yes.

David Strauss
Analyst, Wells Fargo Securities LLC

And Denise, Head of Investor Relations. So, we'll run through a couple of couple of questions here over the next half an hour or so.

QUESTION AND ANSWER SECTION

David Strauss
Analyst, Wells Fargo Securities LLC

Q

So, yeah, Rob, so you – like I said, you joined a couple of months ago, I think prior at Lockheed, BWXT, couple other stops. Maybe we talk about your background and what got you to AeroVironment and kind of what your objectives are?

Robert F. Smith
Chief Operating Officer & Executive Vice President, AeroVironment, Inc.

A

Yeah. So, thanks. Good. It's good to see you again. Appreciate the invite to come talk a little bit. I think for me, I've been very fortunate. I was a government employee in the intelligence community. I've been in a small business. I was – as you said, ran billion dollar businesses, multiple billion dollar businesses at Lockheed, Raytheon, BWXT, had been lucky enough to be across a lot of different customer bases, both internationally and locally in the domestic market. So, I bring a lot of different experiences from that.

And if you think about what is AV today, that's what we are. We're a multi-billion dollar business across all domains. We've got the heritage BlueHalo and the heritage AV coming together and we've got loitering munition, we've got one way attack, we've got uncrewed systems, we've got counter-UAS, all phases of it from RF to laser weapon systems, and soon we'll have a kinetic capability. And then you add that with the space and the cyber with worldwide operations. So, what I'm most excited about is an amazing team with amazing products and amazing leadership team. So, I'm personally just really excited to be a part of that, bringing the experience that I have from these other companies and continue to just leverage that and move this business forward.

David Strauss
Analyst, Wells Fargo Securities LLC

Q

Yeah. Denise, maybe you could dig a little bit deeper in terms of the portfolio. What exactly you guys do? You added BlueHalo and some of the capabilities there. So, maybe just talk about every – with all the different places you guys are involved. I mean, everyone knows you for your heritage, UAS business, but set the stage there.

Denise Pacioni
Head-Investor Relations, AeroVironment, Inc.

A

Sure. Well, Rob did a good job with a high level overview.

David Strauss
Analyst, Wells Fargo Securities LLC

Q

Yeah.

Denise Pacioni
Head-Investor Relations, AeroVironment, Inc.

A

So, I like to say that we operate in four end-user markets. So, we have drones, non-lethal and lethal drones, space technologies, and then counter-UAS. So, I'll start with the counter-UAS because we seem to be getting a lot of questions on that. We have a very layered defense approach to this. We have three different types of counter-UAS. The first is our Titan product, which is an RF detect and defeat. The second you're hearing a lot about right now, particularly with the war in Iran, it's a directed energy, it's called LOCUST. So, this is a directed energy counter-UAS solution, uses a laser advanced targeting and tracking to specifically pinpoint a drone and take it down. The cost to take down a drone is less than $10. And then the third one is something we just recently won a program on last summer. It's the long-range kinetic intercept. So, this is our Freedom Eagle-1 product. It's sort of our entry way into missiles. This is something we just recently put a press release out that we're expanding our facility in Huntsville, Alabama, to prepare for the demand that we foresee coming for that product probably in the next year-and-a-half.

So, the counter-UAS is something that we acquired with BlueHalo that closed about a year ago, maybe 13 months ago now. Other technologies that we got from there are in space technology, cyber and mission solutions. And then on the legacy AV, which is what we're obviously known for, we've been around for decades. We have several lethal effects and loitering munition products. So, the one that's most commonly known as our Switchblade family of products, started with the Switchblade 300, one man portable, you can carry it in a knapsack, tube-launched, it shoots out, it can go around. It's very maneuverable, it can go to high altitudes, go down, go up, go around, find the target.

From there we developed the Switchblade 600, same type of platform, larger, larger warhead, can take out a tank. Just recently, last fall, we came out with the Switchblade 400. This was for the US Army's LASSO contract. It's the best of both worlds between a Switchblade 300 and a Switchblade 600. Size of a Switchblade 300 warhead of a Switchblade 600. Other products that we have in our one way attack or precision strike would be Red Dragon. This is one of our higher growth programs and most recently we introduced our Mayhem. So, I think that Mayhem is something that's very underestimated right now. It's got the capabilities of a loitering munition, but you can swap out the payload. So, it does not have to carry a lethal component to. You can put whatever you want on there.

In addition to being launched from the ground, it can also be launched from a helicopter or a manned or unmanned aircraft. So, I think that covers sort of the full gamut of everything that we offer. We're a leader in innovation. We spend a lot of money on internal R&D. I think it's important to note that compared to our peers, we do spend more on internal R&D, clearly, more than our larger defense primes. And just because of the way the landscape of drone technology is moving in order to stay ahead, just to keep up with everyone, you have to stay ahead. So, that's been a focus for the company for the last several years.

Robert F. Smith
Chief Operating Officer & Executive Vice President, AeroVironment, Inc.

A

Yeah. You were asking about, some of our priorities and what we're looking at doing. Over the past year, we've increased our capacity for production by about 300%. And we have a plan the next 12 months to do another 500%. So, we've got lot of tailwinds in the markets where we're working with suppliers, we're buying long lead materials and we're really enhancing there. Also, with the business coming together, we're looking at continuing to do more solutions where we're providing multiple products, even potentially other people's products, able to deliver capabilities for the customer. And I think that's really important as we go forward. It's something that the heritage BlueHalo and heritage AV couldn't do without coming together. I kind of talked about, hey, look at – we're in all the domains, many markets, many different customers, to be able to bring all that knowledge together to deliver is really important and something we're going to continue to leverage.

And lastly, we're spending a lot of time. I'm looking at how we continue to do things more cost effectively. We've got a really robust planning process called SIOP, and which is a piece of it. We're looking at bringing the best practices from heritage BlueHalo as well as AV, bringing those best practices together from key performance indicators. And we're also now moving and we're looking at a strategy that says now that we have all this data, how do we layer artificial intelligence, how do we do additional autonomy to be able to continue to drive our margins higher and also be able to give the customer better price points.

David Strauss
Analyst, Wells Fargo Securities LLC

Q

Bringing back to high level, maybe talk about the budget picture. There's a lot of money in the fiscal 2027 budget. We don't know exactly how it's going to play out. I mean there was I think $50-some-billion for the [indiscernible] (00:07:48).

Robert F. Smith
Chief Operating Officer & Executive Vice President, AeroVironment, Inc.

A

Yeah.

David Strauss
Analyst, Wells Fargo Securities LLC

Q

And so just how you – what you see in the budget in terms of the areas that are, or are right there for you guys to tap into?

Robert F. Smith
Chief Operating Officer & Executive Vice President, AeroVironment, Inc.

A

Well, we clearly have key programs of record. I mean, if you look at the – what's happened, whether it's Iran or whether it's Ukraine, you see the future of warfare. We're always going to need exquisite systems. So, I don't think that's going anywhere. And it's clear the power of what drones and that technology can do, and the importance to counter that. We're in those markets along with many others. But, you are asking me specifically about DAWG. So, Defense Autonomous Working Group, DAWG, they have a $50 billion request in, in the President's budget. And it's for one-way attack, counter-UAS, all the markets that we were just talking about that we are in. I don't know how much I'll come through on that. We'll see. But it's likely to be, a very, very large market.

Just kind of stepping back you said taking the big picture, Renaissance did a study in 2025 and they looked at the counter-UAS market and they looked at the directed energy market and they said, what is that likely to be in 2030? And the answer was the counter-UAS market, $17 billion with 8% or 9% growth. And then the directed energy market, $4 billion, with about the same amount of growth. And that was before Iran. So, I have to believe that if that study was done again, that those numbers would be even higher. And again, we're just talking about part of our business. We're just talking about the counter-UAS and the drone business, not the cyber or the space, and all the other areas that we're in which also have a significant amount of growth. And we're primarily positioned in.

So, it's hard for me to say what's going to happen. I think it'll be $50 billion. Probably not. But will it be something significant? It looks like it will be. And that's just a really nice tailwind for us as we move forward and that money gets executed. And I'll just let me also add this. We are putting ourselves in a position where we're buying long lead materials, at-risk ahead of time. So, when the customer funding comes, this is what Department of War wants, they want to be able to put you under contract and have it delivered, and we're strategically thinking through where we want to do that. So, when the money comes and the customer says, who can deliver this to us in the next three months, we can say we can do that and move forward.

David Strauss
Analyst, Wells Fargo Securities LLC

Q

Supply chain. I mean you touched on that a little bit, but kind of, in terms of what you need, what are kind of any potential key chokepoints or I mean, how are you interested in talking about the capacity expansion you're putting in place? How directly are you going at the supply chain side of it?

Robert F. Smith
Chief Operating Officer & Executive Vice President, AeroVironment, Inc.

A

It's a critical component. We obviously buy a lot of components from a lot of suppliers. So, we're doing a couple of different things. One, we're looking at where we should be consolidating suppliers and we have small contracts, and we want to bring those together, have larger contracts to have more buying power, be able to do better negotiations there. And we're looking at places where we have sole source and we need additional capacity and we're looking to dual source in some cases. We're working with our major suppliers on it. We have 18-month forecast on what we're going to need and we're working with them and putting in long-term arrangements so that they can facilitize for that capacity. We're really enhancing our ability and our capability to be able to do supplier quality. So, we're spending a lot more time with suppliers, having a more robust supplier qualification process, and then working with them to make sure that what we get has the quality we need at the scale that we need. So, supply chains are going to be really important and it's something that we're continuing to look at.

David Strauss
Analyst, Wells Fargo Securities LLC

Q

In terms of the competitive environment, I mean we seem to hear about new players in the drone market every day. Maybe talk about how the competitive landscape has evolved? And what you're doing from a cost perspective to try and it seems like the price – the price points are going, potentially have the potential to go lower and lower. What you're doing to be increasingly competitive from a cost standpoint?

Robert F. Smith
Chief Operating Officer & Executive Vice President, AeroVironment, Inc.

A

Yeah. I mean, obviously, cost is always going to be important. We want to continue to leverage our fixed – take our fixed cost. We've got good tailwinds for growth going forward, holding those overheads and those fixed costs to be less than what our growth will be to leverage the bottom line. And I kind of mentioned it earlier, but with our ops expansion, we're looking at, moving and we've got a facility that we're facilitizing in Utah to have low cost manufacturing for the Switchblade 600, right, 600, for the Switchblade 600. And we're really looking forward to that. And that has capacity to do about $2 billion. So, I think with our facility leverage, being able to go to multiple shifts, we're looking at multiple shifts as we ramp up the facilitation that we're doing to focus on, we have a very robust process. Some people call it, [indiscernible] (00:13:13). There's lots of different things for it. But looking at how do we optimize what we're doing on the factory floor, pull the best practices across them and lower the price. So, we can get some of that savings and drop that to the bottom line. And customers, we continue to be cost competitive with customers.

David Strauss
Analyst, Wells Fargo Securities LLC

Q

There's been some speculation, I guess, in the press about maybe for Denise, the DoW making investments in the space and companies. And I think that's all that's kind of been out there. We haven't heard anything else, but your thoughts or take on that.

Denise Pacioni
Head-Investor Relations, AeroVironment, Inc.

A

Sure. I'll start and Rob can help me out here if I miss anything. Obviously, we feel like we're in a very good position right now. We have been preparing to invest ourselves. We had a very successful capital raise about a year ago. We feel that we do have the balance sheet strength to handle this, the demand that we foresee coming. Having said that, if the government were to propose some fabulous offer, this is not something that we would turn away from. So, I think it's kind of an open-ended item at this point.

Robert F. Smith
Chief Operating Officer & Executive Vice President, AeroVironment, Inc.

A

Yeah. I mean, I would just add the Department of War, the administration has been very clear in their interest to invest in tech, that with businesses that are going to be growing, that have a lot of tailwinds that they're doing, they're doing a lot of business with. And we fit into that category. And like Denise says, we certainly don't need the capital, we're well capitalized, have access to the markets. But if one of our strategic customers, which the US government is obviously one, although we obviously have worldwide products, sold worldwide wants to invest in our business. That's something we will absolutely engage in the discussion around.

David Strauss
Analyst, Wells Fargo Securities LLC

Q

You touched on the counter-UAS market. How many questions you're getting about that. That seems to be the newest area of, kind of focus for investors. And you have a number of different solutions. How do you see that, I mean, it seems like it's kind of early days in that market. We're still trying to figure out what the best solution or if there is one best solution. How do you see that market kind of evolving? I mean, it seems like lasers, directed energy is a great solution, but might not work in certain situations. So just your thoughts on how that market could evolve and kind of where we are today in terms of that playing out.

Robert F. Smith
Chief Operating Officer & Executive Vice President, AeroVironment, Inc.

A

Yeah. You want to have a layered defense and we're fortunate that we have or will have when the Freedom Eagle [ph] gets to own (00:15:51) products and all of the different layers, if you will. So, let's take Golden Dome as an example. There's two parts of Golden Dome. There's – the theater, theatre ballistic missiles and those you know, that's kind of the Raytheon, Lockheeds of the world. And then you've got the counter-UAS layer, which is where we play. So, we have a product called Halo, which think of that as a command and control system for the tactical edge that has artificial intelligence, capabilities, and really can command and control all of our products and candidly, other products as well.

And then for us specifically, we've got counter RF which for – let's think of that as the first line of defense. So, you use RF to knock out the drones. That would be our Titan system. We have two of them. We've got the surveillance Titan, so you can see small drones far distance, and then we've got the actual RF attack type. Then you get two laser weapon systems. Our LOCUST system, our X2 and our X3. X2 is really focused on group one and group two. X3 is focused on one through three, and it's fielded today. And it's knocking down drones. You can look the secretary of the Army was out, he went to White Sands, and he shot our LOCUST, and he tweeted about it and how effective it was in knocking down and taking out UAS. So, you'll have that.

And then in the future you'll have a low cost Freedom Eagle kinetic weapon. And the great thing about Halo_Shield is that it tells you where to lay down all of your assets that you have optimally. And then it has – helps the operators because when these things are happening, I don't know if any of you ever been in these situations. Things are really moving fast. There's a lot happens – there's a lot of decisions that have to be made. So, our software has very advanced artificial intelligence to show the operator optimal ways to respond. And so, you may choose not to respond in the typical way of RF, and then laser, and then kinetic, if it's a lot of swarm and advanced, you might shoot other kinetic capabilities earlier. And these are decisions that the system will tell you to make.

So, we integrate it with other operational platforms as well, so we can communicate at different echelons. But it's – we have a full solution across all of the counter-UAS. And I agree with you. Just look at what's happening over in Iran. These systems are going to be critical. And we have leading capabilities in all these areas.

David Strauss
Analyst, Wells Fargo Securities LLC

Q

So you touched on this is going to be part of Golden Dome. Are there any other places potentially in Golden Dome that the company would plan?

Robert F. Smith
Chief Operating Officer & Executive Vice President, AeroVironment, Inc.

A

That's the big place where we would potentially play, in the counter-UAS. I mean there's other niche things or space. We do a lot of space technology. We have some of the best laser communications technology in the world, particularly for what I call long-haul. So, there's a lot of companies that have laser communications that are shorter-link for LEO or MEO. We really focus on the GEO where you need very precise electronics to be able to close those links over such large distances. And that's really our secret sauce in that market. So, there will be other places where we play peripherally. But in my opinion, the largest piece of – the largest potential for us is in that counter-UAS.

David Strauss
Analyst, Wells Fargo Securities LLC

Q

Okay. Denise, maybe just going back to SCAR, the program, and what exactly happened there and how much is it contributing in kind of the fiscal 2026 revenue that won't be there in 2027? And what is the path forward on that program or that technology?

Robert F. Smith
Chief Operating Officer & Executive Vice President, AeroVironment, Inc.

A

You're being kind to me because I'm the new guy.

David Strauss
Analyst, Wells Fargo Securities LLC

Q

Well, I thought, you've only been here for two months.

Robert F. Smith
Chief Operating Officer & Executive Vice President, AeroVironment, Inc.

A

Yeah. You have to give her the hard question.

David Strauss
Analyst, Wells Fargo Securities LLC

Q

Well, I wouldn't say that was the hard. But you – yeah, you weren't here. So, I was going to give it to Denise. [indiscernible] (00:20:02).

Denise Pacioni
Head-Investor Relations, AeroVironment, Inc.
A

So, I can just give you a little bit of background. I'm not going to comment too much on it. But so, the SCAR program was part of the BlueHalo acquisition that came over. It started off as a cost plus. It was moving to a firm fixed price. In January, there was an announcement that we were going to – there was going to be a stop work order. We were taking a pause. Then later in March, it was announced that there was going to be a termination for convenience. So, related to that, right now, we still feel very strongly that the technology is very important to the US government as well as perhaps other customers. We are still going to work through this product. We are going to invest in this product. There will be a recompete with the Space Force and we have said that we are going to participate in that. So, I mean, at this point, I think that's all that we can say. We do feel like that we have very good technology in this area. We do think that it's very important. It makes a lot of sense. So, this is something that we are going to continue to pursue.

Robert F. Smith
Chief Operating Officer & Executive Vice President, AeroVironment, Inc.
A

Yeah. I mean, I appreciate why you would ask the question, and I think...

David Strauss
Analyst, Wells Fargo Securities LLC
Q

I think it's still on investors' minds...

Robert F. Smith
Chief Operating Officer & Executive Vice President, AeroVironment, Inc.
A

It is. It is. And it makes sense and Denise's – to Denise's point, it was a termination for convenience. There were some requirements changes given new information for the government, which was not initially anticipated to be in the system, and it was driving a lot of additional cost. And the government made the decision to take a pause, to relook at the program, and then to come out with a new acquisition. We're continuing to invest in that technology on IRAD, and continuing to mature it, because we believe that it's an important product and we're interested to continue to work with the government and see what happens over the next 18 months. We're talking about the recompete in 18 months. And like Denise said, our intent today is to move forward and to bid on that. And we'll see where this goes over the next 18 months, 2 years.

David Strauss
Analyst, Wells Fargo Securities LLC
Q

Okay. The opportunity for margin improvement, I mean, BlueHalo kind of brought the margins, the margin for the entire company down a bit. But just how do you think about the opportunity for margin improvement?

Robert F. Smith
Chief Operating Officer & Executive Vice President, AeroVironment, Inc.
A

Yeah. Well, with the tailwinds that we have on the revenue side, we're in a good position to leverage our fixed costs and be able to drive margin expansion, which, is in our plan. So no, I don't know we can talk more specifically about things. The – also I just will also note that when you look at some of the counter-UAS, which is now in our segment one that did come with the BlueHalo acquisition. So, I would just encourage investors to recognize that when you're looking at our segment one and segment two, it's not equal to the old heritage AV and BlueHalo. Some very nice products. When the counter-UAS came over, which have a very nice margin profile moved over.

That said, we're looking at all – we're investing a lot in some of the new products over in the CMS, our Cyber Mission Systems business which we expect to expand, and right now, there are investments that should turn over the next couple of years. And we're looking at, I've already mentioned this, but, and Denise said it as well, looking at second shifts, looking at Utah, these are all ways to better leverage our fixed cost as our production goes up because right now we are investing. I mean I already mentioned 300% this year, 500% – I mean, 300% last year, 500% this year. We are building that infrastructure. We will sell and grow into that and get the revenue associated with that. And that will do a lot for the bottom line.

David Strauss
Analyst, Wells Fargo Securities LLC

Q

That capacity expansion that's on the UAS side.

Robert F. Smith
Chief Operating Officer & Executive Vice President, AeroVironment, Inc.

A

That is – well, the one in Salt Lake is for, yeah, it's for Switchblade.

David Strauss
Analyst, Wells Fargo Securities LLC

Q

Yeah. Yeah. But that's – that's, it's basically for that part of the business.

Robert F. Smith
Chief Operating Officer & Executive Vice President, AeroVironment, Inc.

A

That's correct.

David Strauss
Analyst, Wells Fargo Securities LLC

Q

Right. Okay.

Robert F. Smith
Chief Operating Officer & Executive Vice President, AeroVironment, Inc.

A

We can bring other products in there as well.

David Strauss
Analyst, Wells Fargo Securities LLC

Q

Yeah, yeah.

Robert F. Smith
Chief Operating Officer & Executive Vice President, AeroVironment, Inc.

A

But it's primarily done for Switchblade.

David Strauss
Analyst, Wells Fargo Securities LLC
Q

Okay. Denise, I guess what is the – maybe some of the misconceptions you think that are out there in terms of what's going on with the business or the financial profile of the business, that you would want to debunk?

Denise Pacioni
Head-Investor Relations, AeroVironment, Inc.
A

You know, I think right now there's a lot. There's very strong demand signals.

David Strauss
Analyst, Wells Fargo Securities LLC
Q

Yeah.

Denise Pacioni
Head-Investor Relations, AeroVironment, Inc.
A

And I think that sometimes, some of the newer investors to our story are a little frustrated over the pace at which some of these awards come in. We do feel very strongly that drone warfare is – it's changing the landscape right now. This is going to be the wave of the future. It will be drones. It will be counter drones. We don't need to win the lion share of what's out there to be successful. And I think that, over the course of the next couple of years, you're going to see a lot more come our way and to our peers' way. I don't think it's a zero sum game on winning these contracts. I think that there is enough money out there for us and for our peers. And I do think it's something that not a lot of people understand is we did have the first mover advantage. We are continuing to work on that. We do spend money on R&D, so that we are ahead of technology, that we are leading technology with our drones and our counter drones.

And I think that there's a fear right now, that there's too many new entrants, and that primarily is in the FPV space where we don't operate right now. We're group one through three. We're not in the nano drones. We're not in the $5,000 and under category. So, I think – I mean, if people could just be a little patient and hopefully some awards come through and I think it would sort of appease everyone's insecurities right now.

Robert F. Smith
Chief Operating Officer & Executive Vice President, AeroVironment, Inc.
A

Yeah. And once customers get products that work and which – and we have product, obviously, as you know, these products are all out in the market, including the laser weapon systems.

David Strauss
Analyst, Wells Fargo Securities LLC
Q

Yeah.

Robert F. Smith
Chief Operating Officer & Executive Vice President, AeroVironment, Inc.
A

They're out in the market working today, get trained on them, you know how to use them. They work well. And of course, there will be other folks that are selling stuff in. But we're in a great position to be able to leverage that and talk to the customers, understand what they need, make modifications to our product, solve challenges that they have. And I really like where we're sitting today and given, it's always nice when you have a strong tailwind in the markets that you're at and then you have great products.

David Strauss
Analyst, Wells Fargo Securities LLC

Q

Yeah. So, we touched on UAS, counter-UAS, what are you guys doing in space. What is your business in space? I think BlueHalo brought some capabilities on the space side.

Robert F. Smith
Chief Operating Officer & Executive Vice President, AeroVironment, Inc.

A

Yeah, we do some components, we do some mirrors, we do some pinpoint accuracy. The big one is the laser communication system I already talked about. We're kind of differentiated there. I was talking earlier to some investors and I was saying a lot of the technology that makes our space work so well with just, when you think about when you're kind of close the links over long distances in space, it's – the most important thing is to be able to have the beam go over very large distance. That even small errors in your transmit means you don't – you can't receive it. So, you have to be very, very precise. And that's where our sweet sauce is.

So, we're in GEO, we're in long links. We don't really play in the LEO or the MEO as much. And then actually, I said this earlier too to some folks that, that is also what makes our laser systems so special because a lot of people think about it's all about power. Well, power is important. But that's not the only important thing because it's beam size and its ability to able to hold that beam on the target at the exact same spot. And that's the same basic technology of what you have to do in space to be able – and so that's the reason why our laser weapon systems are so effective. We hope we can hold the beam. We've got a very tight beam and therefore we can – we're very, very effective, even at lower powers than other companies, at much higher power.

And when you have the lower power systems, you can put them on, Humvees, you can – you put them on other you can [indiscernible] (00:28:19) much easier to move them around. So it creates a market that's much better. Recently we announced we were on a DDG with the Navy. And that's a tough market. That's a tough place to put a laser weapons system because the boats moving and even then we were 100% successful with the targets that the Navy throughout their 18 target and we successfully defeated all 18. We're the only company that we know of that has done that. So that just again, it just goes to show where we are in the technology and how advanced we are and the laser weapon system and why there's a lot of interest in our product and we expect that'll be selling a lot of these in the near-term.

David Strauss
Analyst, Wells Fargo Securities LLC

Q

So this is optical communications that you're talking about in space lasers? But more on the GEOs because I know there are a number of players on kind of the LEO side.

Robert F. Smith
Chief Operating Officer & Executive Vice President, AeroVironment, Inc.

A

Yeah.

David Strauss
Analyst, Wells Fargo Securities LLC

Q

But you're talking about GEO.

Robert F. Smith
Chief Operating Officer & Executive Vice President, AeroVironment, Inc.

A

We're GEO.

David Strauss
Analyst, Wells Fargo Securities LLC

Q

Even longer, longer distances.

Robert F. Smith
Chief Operating Officer & Executive Vice President, AeroVironment, Inc.

A

150,000 kilometers plus. Yes. Yeah, that's really where our sweet spot is.

David Strauss
Analyst, Wells Fargo Securities LLC

Q

Okay.

Robert F. Smith
Chief Operating Officer & Executive Vice President, AeroVironment, Inc.

A

There's a lot of technologies for the shorter-links. And I mean, that's important. I'm not minimizing that. But that's not where we want to play. That's more competitive. There's more companies there. It's more, you can select a little bit more on price. We want to be at the high-end where you need the performance and that's where we focus.

David Strauss
Analyst, Wells Fargo Securities LLC

Yeah. Well with that we're approaching our time. Rob, Denise, thanks very much.

Denise Pacioni
Head-Investor Relations, AeroVironment, Inc.

Thank you.

Robert F. Smith
Chief Operating Officer & Executive Vice President, AeroVironment, Inc.

Appreciate it. Thank you.

David Strauss
Analyst, Wells Fargo Securities LLC

Thanks.