2015 INVESTOR AND ANALYST DAY

Positioning for Long-Term Value Creation

Simi Valley, CA
July 9, 2015
Safe Harbor Statement

- This presentation contains "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995. 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, reliance on sales to the U.S. government; changes in the supply and/or demand and/or prices for our products; the activities of competitors; failure of the markets in which we operate to grow; failure to expand into new markets; changes in significant operating expenses, including components and raw materials; failure to develop new products; changes in the regulatory environment; product liability, infringement and other claims; and general economic and business conditions in the United States and elsewhere in the world.

- For a further list and description of such risks and uncertainties, see the reports we file with the Securities and Exchange Commission, including our most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. 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.
Objective

- Gain better understanding of AeroVironment and its prospects for long-term value creation by:
  - Meeting members of our senior management team
  - Meeting key program managers and employees
  - Viewing product demonstrations
  - Hearing from our customers
## Agenda

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<th>Presenter</th>
<th>Time</th>
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<td>Welcome</td>
<td>Steven Gitlin, <em>VP Investor Relations</em></td>
<td>7:30 – 7:45</td>
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<tr>
<td>Long-Term Value Creation Strategy</td>
<td>Tim Conver, <em>Chairman and Chief Executive Officer</em></td>
<td>7:45 – 8:15</td>
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<td>Efficient Energy Systems</td>
<td>Ken Karklin, <em>VP and General Manager, EES</em></td>
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<td><strong>Break</strong></td>
<td>8:45 – 9:00</td>
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<td>Unmanned Aircraft Systems</td>
<td>Kirk Flittle, <em>VP and General Manager, UAS</em></td>
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Tim Conver

Chairman and Chief Executive Officer
AeroVironment Investment Thesis

**Profitable Growth through Technology Based Innovation**
- Investing into growth portfolio for long-term stockholder value
- Prepared to invest to secure large, high ROIC growth opportunities

**Differentiated Solutions with Leading Market Positions**
- Pioneer & market leader in Small UAS and EV solutions
- Next-generation technology for electric UAS, autonomy and decision-support solutions

**Multiple High-Value Market Opportunities**
- Market leader in core business
- Large UAS: significant unmet needs
- Tactical Missile Systems: potentially high volume
- Commercial UAS: large emerging opportunity

**Strong Financial Performance**
- Growing, profitable core business
- Strong balance sheet
- Consistent gross profit margin
Business Model – Growth Portfolio Builds On Profitable Core Business

Core Business

- Market-leading positions
- Growth opportunities
- Expanding customer base
- Expanding geographic scope

Growth Portfolio

- Several multi-billion dollar addressable markets
- Leading positions in emerging opportunities
- Investing in fiscal 2015 and 2016 for long-term value creation
Fiscal 2015 R&D Investments Support Our Growth Strategy in Three Strategic Areas…

- **$46 million Internal R&D**
- **$26 million “Core” R&D**
- **$20 million “Incremental” R&D**
- **$25 million Customer R&D**

*Note: “core” refers to historical average R&D investment of 8%-10% of revenue; “incremental” refers to additional internal R&D investment*
1. Large UAS (LUAS)
More than $20 Billion Potential Annual Target Market

- Combined Global Observer
  High Altitude Long Endurance (HALE) and Tern Medium Altitude Long Endurance (MALE)
  - Global Observer: active customer discussions
  - Tern: committed to delivering most capable and effective solution for phase III contract decision later this year

See slides 41 and 42 for market estimates
2. Tactical Missile Systems (TMS)  
$1 Billion Potential Annual Target Market

- Demonstrated three Switchblade variants for Family of TMS
  - Expect at least one to produce product revenue in fiscal 2016
  - Expect other two likely will receive additional customer funding in fiscal 2016 – extend demonstrations into fiscal 2016
  - Potential fourth Switchblade variant may attract customer funding this year
- Preparing for LMAMS program of record requirements

See slide 39 for market estimates
3. Commercial UAS (CUAS)  
$Multi-Billion Potential Market

- Hardware and software development to optimize for applications and requirements for commercial versus military customers
- Pilot programs with lead adopters in large market opportunities, such as our multi-year information services agreement with BP
- Increasing customer engagement
Positioned for Multi-Opportunity Growth Across Varying Timeframes and Investment Levels

- Adoption timing (beginning of arrows) can shift over time

<table>
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<tr>
<th>Potential Investment</th>
<th>$ millions</th>
<th>$10s of millions</th>
<th>$100s of millions</th>
<th>Q4 FY15v</th>
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<td>Tactical Missile Systems</td>
<td>Near-term (1 year)</td>
<td>Mid-term (1-3 years)</td>
<td>Long-term (3-5 years)</td>
<td>Large UAS</td>
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<td>International small UAS</td>
<td>Mission services</td>
<td>EV charging systems</td>
<td>Commercial small UAS</td>
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Notional Adoption Timing
Strategically Positioned for Multi-Billion Dollar Market Opportunities – Estimated Potential Market Sizes

Source: Frost & Sullivan, U.S. Department of Defense, company estimates
Fiscal 2016 Guidance

$260m–$280m
Revenue

36% to 37.5%
Gross Profit Margin

Anticipated Growth in:
- Tactical Missile Systems
- International Small UAS
- Advanced Programs
- Large UAS
How Our Investments are Furthering Our Strategy

✔ Developing next-generation technology
✔ Alignment with market needs
✔ Deepening customer engagement and investment
✔ Improved competitive positioning
✔ Growing customer activities consistent with market adoption
  • Development & demonstration funding – TMS
  • Requests for information & teaming MOUs – GO
  • Requests for demonstration & service agreements – CUAS

Strategic Investments Helped Expand Our Growth portfolio and Position AeroVironment for New Market Opportunities
Ken Karklin

Vice President and General Manager, EES
Energy Management Solutions for Electric Vehicle Development, Production & Operation

25,000
AeroVironment Level 2 EVSE deployed in North America

19,000
Industrial EVs charged every day by AeroVironment PosiCharge
Growing International EES Footprint

Australia, Brazil, Canada, Chile, China, Columbia, Ecuador, Egypt, El Salvador, Finland, France, Germany, Guam (US Territory), Hong Kong, Iceland, India, Indonesia, Ireland, Italy, Japan, Jordan, Macau, Malaysia, Mali, Mexico, Netherlands, New Zealand, Norway, Panama, Portugal, Puerto Rico (US Territory), Singapore, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, UAE, United Kingdom
EV Test Systems

- Serving in R&D labs for automakers, battery developers, government agencies, universities
- Introduced new digital system capable of more than one megawatt
- Growth strategy: focus on adjacent applications
Industrial EV Charging Systems

- Leading solutions for automated vehicles, electric forklifts, reach trucks and tugs
- Factories, airports, distribution centers
- Expanding into adjacent market segments
Passenger EV Charging Solutions

- Innovative and practical charging solutions for EV drivers
- Home, workplace, public and highway
- Now a Tier-1 automotive supplier
- Charge smarter, driver farther
EV Charging Solutions Estimated Annual Potential Market: $2.4 billion

Assumptions used to estimate potential market size:

- Annual light vehicle shipments per year
  - North America = 15 million
  - Rest of World = 65 million
- Potential future plug-in percentage of global light vehicle shipments = 5%
- Average charger price per vehicle = $600

Source: company estimates
Evolution of Our EV Charging Solutions Strategy
Passenger EV Charging Growth Strategy
Built on TurboCore
EES Summary

- Strong positions in markets for EV Test, Industrial EV charging and Passenger EV charging systems
- High value market opportunity for passenger EV charging solutions globally
- TurboCore drives growth
15 Minute Break
Kirk Flittie

Vice President and General Manager, UAS
AeroVironment – Leader in Unmanned Aircraft Systems

25,000

New and replacement small unmanned aircraft delivered

31

Allied nations have procured AeroVironment Small UAS
Delivering *Powerful Insight. On-Demand.* to a Range of Industries and Customers
Four Business Areas Focusing on Large Market Opportunities

Small UAS  Large UAS  Tactical Missile Systems  Commercial UAS
Family of Small Unmanned Aircraft Systems
Tactical ISR

Raven®

Puma™ AE

Wasp® AE

Shrike VTOL™

GCS (Common Ground Control System)

Hand Controller

Toughbook Laptop
Family of Systems Addressable Market

- Adopted by all U.S. ground forces
- New capabilities attracting U.S. Navy interest for maritime operations
- $671 million revenue forecast for global tactical small UAS market in 2016

AeroVironment Family of Small Unmanned Aircraft Systems Target Markets Evolution

Global Defense & Commercial

Global Defense

DoD Ground & Marine

DoD Ground

Army Ground

Special Operations
Growing International Small UAS Footprint

Australia, Italy, Denmark, Czech Republic, Spain, Netherlands, Thailand, Lebanon, Saudi Arabia, Estonia, Norway, Uganda, Sweden, Romania, Singapore, UK, France, Malaysia, Hungary, Japan, Kenya, Yemen, Colombia, Canada, Tunisia, Macedonia, Bulgaria, Uzbekistan, Lithuania, Burundi, Egypt
## Small UAS Well Suited for Multiple International Opportunities

<table>
<thead>
<tr>
<th>Market</th>
<th>Description</th>
<th>Market Drivers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign Military</td>
<td>Urgent Operational Requirements due to threats (terrorism, border infiltration). Build up of CONOPS. Try before you buy products.</td>
<td>Limited budgets. Reluctance to commit to large capital investments.</td>
</tr>
<tr>
<td>Border Security</td>
<td>International border security. Key areas in Middle East (UAE, SA), South East Asia and South America.</td>
<td>Increasing threat. Large borders to cover. Increase coverage w/out significant increase in cost.</td>
</tr>
<tr>
<td>Critical Infrastructure Oil and Gas</td>
<td>Intelligence, Surveillance and Reconnaissance (ISR) Security Services to augment existing tech. Static over watch of infrastructure, pipeline surveil. Middle East, Africa, South America, South East Asia.</td>
<td>Increasing risk in Middle East. Cost reduction. Lower risk to operational personnel. Quick response.</td>
</tr>
<tr>
<td>Counter Narcotics and Illicit Trafficking</td>
<td>ISR services to augment current manned aircraft technologies.</td>
<td>Increased threat to US. Responsiveness</td>
</tr>
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© 2015 AeroVironment, Inc. – Proprietary Information
AeroVironment Family of Tactical Missile Systems
Target Markets Evolution

DoD & Allied
Ground, Maritime & Air

DoD Ground, Maritime & Air
DoD Ground
Army Ground
Special Operations
Tactical Missile Systems Estimated Annual Potential Addressable Market: $1 billion

Assumptions used to estimate potential market size:
• Comparable weapons systems currently procured: Grenades, Javelin, Hellfire missiles, TOW missiles, Hydra rockets, Mortars, MLRS, Shoulder launched munitions, Griffin, SOPGM, Laser Maverick
• Total Government Fiscal 2015 budget for comparable weapons systems listed above $876 million
• Est. 20% incremental allied demand of $175 million

Source: U.S. Department of Defense Undersecretary of Defense (Comptroller)
Key TMS opportunities

- Switchblade demand and urgent needs
- Developed three Switchblade variants (ground, air, sea) in fiscal 2015
  - Anticipate one of them to generate product revenue in fiscal 2016
  - Anticipate continued customer funding for two variants
  - Potential for development of fourth variant in fiscal 2016
- LMAMS Program of Record – likely delayed beyond government fiscal 2017 (Switchblade is the only deployed solution so far)
HALE Total Potential Addressable Market - $22 billion

Revenue Forecast in Millions (2016)

- $2,472 (HALE UAS)
- $7,928 (Communications Satellites)
- $1,520 (Earth Observation Satellites)
- $9,340 (Reconnaissance Satellites)

MALE Addressable Market - $1.3 Billion (2016) *Plus* $3.4 Billion Total Potential Additional Opportunity

Assumptions used to estimate potential additional market size:

- Grey Eagle price est.: $21.5 million
- 106 US Navy warships that could accommodate Tern-type UAS: DDG, LPD, LSD, LCS, JHSV, MLP, CVN
- $2.3 billion U.S. Navy shipboard opportunity (likely larger if more than one per some ships)
- Allied navies = 25% of US Navy demand, or $575 million
- Non-naval applications = 25% of US Navy demand, or $575 million
- Current fixed wing MALE market size = $1,354.2 billion for 2016 (Frost and Sullivan)

Commercial UAS Enterprise Information Services Addressable Market

- Energy
  - Reduce Oil and Gas maintenance expense
  - Reduce electric utility powerline inspection expense

- Agriculture
  - Determine annual crop value
  - Optimize resource consumption
    - Fertilizer
    - Water
    - Pesticide
A Long Road to UAS Integration – Recent Progress

- **UAV National Industry Team (UNITE): High Altitude Long Endurance (HALE) UAS in the NAS for civil applications**

- **sUAS ARC provides recommendations to FAA UNITE and AUVSI help shape 2012 FMRA language**

- **2001 2008 2009 2015**

- **AV co-leads FAA chartered sUAS Aviation Rulemaking Committee (ARC)**

- **ARC recommendations used in developing the proposed sUAS “Small Rule”**

- **FAA Modernization and Reform Act (FMRA) of 2012**
  - Section 333 – more than 714 exemptions granted to date
  - Program to integrate UAS into the NAS at six FAA UAS test ranges: NV, AK, VA, NY, TX, and ND
  - Plan completed for permanent small UAS operating areas in Arctic and effort is underway
  - AeroVironment operating commercially in Alaska

- **Notice of Proposed Rulemaking (NPRM) for sUAS “Small Rule” published**
  - Public comments being adjudicated within the U.S. Government
  - Final rule for civil applications: 2016 or later

- **Operations over people and/or Beyond Visual Line of Sight**
  - Not addressed by the Small Rule
  - Special class certification under 21.17(b)
Commercial UAS Enablers

- Certification Standards
- Business Case Development
- Frequency Spectrum
- Legal Framework
New capabilities to drive new Commercial solutions

Platforms
- Manned
- UAV Fixed
- UAV Hovering
- Vehicle

Sensors
- Electro-Optical
- LiDAR
- Multispectral
- Photo-grammetry

Staff
- Coordinators
- Flight Operators
- Engineers
- Analysts

Data Management
- Web Portal
- Security Services
- Application
- Algorithms/Models
- Data Services

Solutions
- Pipeline Change Report
- Crop Yield Tonnage
- Monthly Mining Volumetrics
- Flood Plans
- Powerline Status Report
Integrated Commercial Information Services

Raw LiDAR Data

3D Models

EO Colorized 3D Models
Integrated Commercial Information Services

Agriculture Evaluation

- Near IR, Red and Green images combined
- NDVI Vegetation Index
  - Green = Healthy
  - Yellow = Stressed
  - Other = Non-vegetation
UAS Summary

- Multiple high-value market opportunities in our growth portfolio
- Continued leadership in our core business
- Solid progress in market and solution development
- Accomplishing key demonstration objectives for TMS, CUAS
Teresa Covington
Vice President, Finance
and former Interim Chief Financial Officer
AeroVironment Investment Thesis

Profitable Growth through Technology Based Innovation

Differentiated Solutions with Leading Market Positions

Multiple High-Value Market Opportunities

Strong Financial Performance
  - Growing, profitable core business
  - Strong balance sheet
  - Consistent gross profit margin
Continuing to Deliver on Objectives

2015 Financial Growth and Investment
- Revenue growth of 3% to $259 million
- Gross margin improvement of 3% to 40%
- Investments of $20 million in growth portfolio
- EPS of $0.13

Strong Balance Sheet and Cash Generation
- Cash and equivalents - $275 million
- Strong operating cash flow
- Lower working capital
- Nimble, able to adjust to market demands

Growth Opportunities
Core Business
- Small UAS
- Passenger EV charging

Growth Portfolio
- TMS – Switchblade variants
- LUAS – Tern phase II/III and GO
- Commercial UAS

Recognized Technology Leader
- Top Performing Company $250 million - $1 Billion – Aviation Week
- More than 85% market share of U.S. Department of Defense unmanned aircraft fleet
Near-Term Revenue Visibility
Variable and Largely Independent of DoD Budget

End of Qtr. Funded Backlog/
AeroVironment FY Revenue

AeroVironment Revenue vs.
GFY13-14 DOD Budgets
Revenue and EPS Reset after Sequestration

*Investing Core Business Profit into Long-Term Growth*

![Graph showing revenue and diluted EPS trends from FY05 to FY16.](image)
Fiscal 2015 Revenue Trends and Mix – a Balanced Portfolio Supports our Growth Objectives

Revenue Mix by Contract Type

- FY11: Fixed Price 69%, Cost Plus 31%
- FY12: Fixed Price 76%, Cost Plus 24%
- FY13: Fixed Price 75%, Cost Plus 25%
- FY14: Fixed Price 85%, Cost Plus 15%
- FY15: Fixed Price 85%, Cost Plus 15%

Revenue Mix by Function

- FY11: Products 47%, Services 36%, Customer R&D 17%
- FY12: Products 55%, Services 36%, Customer R&D 19%
- FY13: Products 58%, Services 26%, Customer R&D 16%
- FY14: Products 77%, Services 11%, Customer R&D 12%
- FY15: Products 79%, Services 14%, Customer R&D 14%

AV FY15 Revenue Decomposition

- SUAS: 63%
- LUAS: 15%
- TMS: 15%
- EES: 15%
- Other: 3%
Strong Balance Sheet and Focus on Cash Management

AeroVironment Fiscal 2015

- Assets: 15%
- Equity: 44%
- Cash: 35%
- Liab.: 6%

Inventory Balance ($M)

- Inventory
- DIO

Accounts Receivable Balance ($M)

- Accounts Receivable
- Days Sales Outstanding

DSO
Return on Net Operating Asset (RNOA) Benchmark

Returning to Asset Utilization Efficiency, Investing in Growth

AeroVironment Comparable Company RNOA

Operating Profit % vs. Asset Turn Over

-9% -4% 1% 6% 11% 16% 21% 26% 31%

10% 20% 30% 40% 50% 75%

AeroVironment
Peers
## Fiscal 2016 Guidance

<table>
<thead>
<tr>
<th></th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16 Guidance</th>
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<tbody>
<tr>
<td><strong>Revenue ($M)</strong></td>
<td>240.2</td>
<td>251.7</td>
<td>259.4</td>
<td>260–280</td>
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<tr>
<td>Growth</td>
<td>−26%</td>
<td>5%</td>
<td>3%</td>
<td>Flat–8% Growth</td>
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<tr>
<td><strong>Gross Profit ($M)</strong></td>
<td>92.5</td>
<td>93.6</td>
<td>104.3</td>
<td>94–105</td>
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<tr>
<td>Gross Profit % of Revenue</td>
<td>39%</td>
<td>37%</td>
<td>40%</td>
<td>36% – 37.5%</td>
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<tr>
<td><strong>SG&amp;A Expense ($M)</strong></td>
<td>51.5</td>
<td>55.7</td>
<td>55.8</td>
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<tr>
<td>SG&amp;A % of Revenue</td>
<td>21%</td>
<td>22%</td>
<td>21%</td>
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<tr>
<td><strong>R&amp;D Expense ($M)</strong></td>
<td>37.2</td>
<td>25.5</td>
<td>46.5</td>
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<tr>
<td>R&amp;D % of Revenue</td>
<td>15%</td>
<td>10%</td>
<td>18%</td>
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<td><strong>Operating Profit ($M)</strong></td>
<td>3.8</td>
<td>12.4</td>
<td>2.0</td>
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<tr>
<td>Op Profit % of Revenue</td>
<td>2%</td>
<td>5%</td>
<td>1%</td>
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- Anticipated share count: 23.4 million to 23.6 million

Core - 8%-10% R&D range, with incremental Commercial UAS investment. More steady quarterly expense.

As low a 0% with Commercial UAS investments.
Flight Demonstration
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Lunch & Customer Panel
Customer Panel

- Commander Chris Dunn, Ventura County Sheriff Department, manages the Bomb Squad and Small Unmanned Aviation Systems Unit

Solution Expo
Summary
Steven Gitlin

Vice President Investor Relations
Business Model – Growth Portfolio Builds On Profitable Core Business

Core Business

- Market-leading positions
- Growth opportunities
- Expanding customer base
- Expanding geographic scope

Growth Portfolio

- Several multi-billion dollar addressable markets
- Leading positions in emerging opportunities
- Investing in fiscal 2015 and 2016 for long-term value creation
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- Next-generation technology for electric UAS, autonomy and decision-support solutions

**Multiple High-Value Market Opportunities**
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- Large UAS: significant unmet needs
- Tactical Missile Systems: potentially high volume
- Commercial UAS: large emerging opportunity

**Strong Financial Performance**
- Growing, profitable core business
- Strong balance sheet
- Consistent gross profit margin
Thank You for Your Interest
Optional Factory Tour