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AeroVironment, Inc. (AVAV)

Citizens Technology Conference

CORPORATE PARTICIPANTS

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

OTHER PARTICIPANTS

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

MANAGEMENT DISCUSSION SECTION

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

We'll go ahead and kick it off because I know standing between us or this, you guys and happy hour is probably not a good thing to keep going.

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

Thanks for the spot.

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Yeah. It's a good spot, though, because everyone is going to be in a good mood. Thanks all for joining us today. I hope you've had a good first day of the Citizens Technology Conference. I'm excited to kind of move this maybe from the digital to more of the physical realm with the Executive Vice President and Chief Financial Officer for AeroVironment, Kevin McDonnell. I'm Trevor Walsh, the senior equity research analyst for aerospace and defense, and we're going to run through a good little fireside chat here and then we'll kick it over to you all for questions from the audience.

So thanks, Kevin, for being here. Really appreciate it.

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

Well, appreciate it, Trevor. Thank you. Thanks to Citizens.

QUESTION AND ANSWER SECTION

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Q

Let's just maybe with the most recent news from last week, your retirement from the company.

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

A

That's right.

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Q

Congratulations first. But maybe just give us a sense of how you're thinking about – the company's thinking about when they think replacement. Obviously, you've been there for a while. What is the kind of next person taking the reins of CFO kind of experiences, qualities in that leader do you think that Wahid will be looking for?

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

A

Well, I mean it's definitely got to be somebody who's experienced in growth. I mean, we feel like this is only the beginning, like there's really strong growth prospects for the next five years and going from a couple of billion to $5 billion is a challenge. I feel pretty proud of where we got it so far and the next person has got to be able to take it from that $2 billion to $5 billion in a very dynamic defense market where things are changing and has to be adaptable to the situations and being able to take – I just look at the capabilities of the company and they're immense. I don't even think we've even really begun to fully tap into everything that we have, but that'll come. And so this person has to be adept at understanding that, identifying that, shaping a culture that continues to be innovative, but at scale.

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Q

Perfect. You took my kind of next question about kind of first order priorities, but maybe anything that you expect to kind of remain consistent or unchanged kind of that you've either already implemented, etcetera, that they can just – expected to sort of run with, I guess.

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

A

Well, it's still a work in progress. I mean, with this, the combination of BlueHalo. We went from under $1 billion company to $2 billion company. And the types of infrastructure and processes you need at $2 billion versus $1 billion are actually pretty different. So, I think there's still work to do there. I'm not going to sit here and say everything's hunky-dory. Just basic stuff. How you prepare for a conference call, well, now you have 15 business units versus 3? These types of things are things we're all still trying to work on, improve.

And then we just throw some new systems in the mix for this year. That's the one thing that I think that is going to be a positive for my successor is we've done it. We've had a lot of progress on the system front. We're on platforms that are world-class platforms of Workday, Oracle Fusion in the government cloud, Salesforce, and I think ServiceNow soon.

So we have a world-class infrastructure, which is great, but I think the big part of that is we're going to be able to take advantage of some of the AI tools and things that all those vendors now offer to automate things, better analysis and things like that.

So I would say that's the one thing I'm most proud of is that I was there to start the effort to lay that foundation for it to be a big, big company.

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Q

Great. Perfect. Yeah. I got to hear Mr. McDermott speak from ServiceNow earlier. So it sounds like you've picked a good kind of solid partner there, for sure. Exciting.

Great. I'll switch gears a little bit if I can. You mentioned BlueHalo. There's obviously a lot to talk about there and whether it's capabilities, kind of how the company and the models change, which you've alluded to. But could you maybe just walk us through the history of – from a margin perspective specifically, kind of just remind us kind of where you saw – well, where you saw Legacy AV before kind of acquisition and merger, and then kind of bringing in the BlueHalo piece, what that sort of – how that changed margins and then what should we kind of expect or kind of look for from that standpoint kind of on the go forward?

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

A

Yeah. I mean, today, the Defense Department talks about companies having a commercial model where they would invest in products and bring them to the government and they would select them and not do these massive RDT&E projects to get.

The commercial products has been the AV model for a long time. I think we invented that model for defense somewhat. And so we had great EBITDA margins, 18%, always double-digit growth.

And BlueHalo, I would characterize as more of a traditional defense contractor, much of their business. The pieces that were more commercial like Titan or their underwater vehicle, these types of things were commercial and those end up being in the AxS segment. But the space segment, the cyber intel, our mission solutions business in Dayton are all more traditional time and material-type businesses. So those come with a traditional defense contractor type of margins.

I'll have to say that the BlueHalo team is extraordinary at government contracting and subcontracting, which is important even in a commercial model. So the real value creation here comes as we move some of their core products like the ground station known as Badger today to a commercial model, the LOCUST Laser counter UAS system to commercial model, A product called WASP, which is a derivative of badger for upgrading existing ground stations, and a product called [ph] Gunsight (00:06:12), which is a pointing-and-tracking technology on traditional ground-based weapon systems or vehicle-based weapon systems. All those are ripe for commercialization and taking more of the product margins. because if they fall out of favor or they don't get funding, then you're stuck there.

So a commercial model is a much better model to say we have this technology, here's the specifications and sell it to multiple customers than try to have one or two customers. And the US government probably has to look at that and say, we have to be better at allowing those companies to sell their technology globally because, again, that helps scale and helps improve the capital for these companies to even do better and sell more products to the US government. So I think that's the part of the model that needs to work from the US government standpoint.

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Q

Got it. And so over that kind of one- to two-year timeframe then, do you see kind of company margins returning to that legacy kind of where it was 80%?

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

A

Yeah. I think so.

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Q

Is that sort of a reasonable like target?

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

A

I think so. That's what I think. So...

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Q

Okay. Great. Another segue...

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

A

We're right on the cusp of these products becoming – moving from basically the experimental. We're trying to see if this works phase to the full adoption phase. And by that nature itself will help your margins, but even more accelerate those margins if you get them to a commercial model.

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Q

Perfect. Since we're kind of on that topic or at least touched on it, well, why don't we talk – move to SCAR and to Badger? Obviously some news came out today, so I just wanted to give you a chance to just generally – not that it was necessary new news per se, but any initial thoughts just broadly on kind of where that – what's happening around Badger and maybe all, just setting the record straight.

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

A

Yeah. I mean, from my perspective, we had the satellite ground station, the phased array ground station that was going to capture multiple signals at a time from multiple satellites out there and communicate back and forth. And just over time, the spec got such that when we quoted at one, two new systems back in the fall, the price tag was a lot higher than the government expected.

And so they asked us to look at ways we could reduce the cost, which we did and we came up with a version that's less expensive, because basically they looked at and go, we don't have enough money. It's a pretty simple thing. We didn't have enough money to get all the ground stations that we need with our mission set.

And so they said, can you make something less expensive, maybe not as exquisite and do as much capability? And we said, yeah, here's an idea. And we gave them that idea. We tested i and we proved that that worked and on a test situation. And that's when he said, well, that's the version they want to go to because we can get the units we need to cover the mission set. At the same time, they want to go to a more commercial model, which I'm – we're totally fine with. And we have a fixed price and a set delivery schedule and all the things that comes with that, and that's the process we're in now of negotiating that go-forward contract.

We didn't cancel the contract. We're still on the program. We still have a contract. They've indicated, I think there is our news article today, that maybe they'll have some other people take a bit at it. But I would say we're multiple years ahead of any particular competitors in the market. So it's a little bit of a game of them trying to make us go faster, I think.

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Q

Do you think they've already felt like they've gotten sort of the win or they've gotten what they needed from you from a price point perspective? So it's now more just the like...

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

A

Well, we're negotiating that.

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Q

Okay.

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

A

So we're still in the middle of it. So...

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Q

That's still going. Okay.

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

A

Well, if it's a good negotiation, they're unhappy and we're unhappy. So...

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Q

Sure. On that note of competition and you being ahead, do you think that you're ahead in with respect to Badger and SCAR specifically technologically or...

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

A

Yeah.

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Q

...capacity in manufacturing, both of those things?

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

A

Both of those things. I mean, one of the competitors is a startup that's getting a lot of news. They have their software model, recurring subscription model, but from what I've been told, they don't have the hardware yet and they haven't been able to prove upward communication. So those are big hurdles to overcome.

But nonetheless, I think that the new product will have wider, more ubiquitous use cases. So I think that it can become more of a commercial product. And so, because if it is too exquisite and too overpriced, then the commercial market shrinks. So for us, we look at as a long-term good thing to have a product that is more useful to many customers versus one. So...

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Q

Great. Can we maybe – let's dig in there maybe a little bit more because I think you've talked about it in the past and recently with us. As far as more commercial kind of non-defense or non-space, non-primary type customers, international, etcetera, can you just give us a sense or maybe not of actual specific customers, but just a flavor of what those customers might look like and what the use cases might be for them?

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

A

I could just say generically, anybody who's communicating with multiple satellites would want the capability of it isn't going to be called Badger, so we call it something else for that new product over time, whether they're defense or non-defense.

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Q

Got it. And so that could be anyone from someone just operating a constellation of...

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

A

Correct.

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Q

...communication satellites. It could be electro-optical and could be more imagery. It could any of those things, really.

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc. A

Right.

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC Q

Okay. Got it. Great. Any changes to give – I mean, does the facility that you have in New Mexico to kind of to churn the Badgers out, does that need to have any kind of major overhaul or changes to it given the new specs on the thing or is that essentially kind of business as usual?

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc. A

No, we see that as a positive that we don't really have to make any major capital investments, potentially some more R&D investments given the nature of the contract. But at this point, we don't believe that that's significant. But we're very proud of those who've been in our Albuquerque facility. Very proud of the facility, the testing bed we have, the state-of-the-art equipment, and the capabilities we have there. So like I said, that all gives us kind of a – I mean, the government needs these systems. They want them as fast as they can. So somebody that can provide them sooner is going to be – have a tremendous advantage over a newer company.

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC Q

Got it. Great. I'll switch gears a little bit. Can we talk about Red Dragon?

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc. A

Love to.

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC Q

Okay. Cool. What do you think is just the art of the possible in terms of pricing and quantity for a high – again, not specifics, but just a hypothetical customer that would want to have Red Dragon, what does that look like from just kind of a deal perspective?

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc. A

Well, I mean, how these technologies go, in the beginning, it's all very mission-focused. They want this capability for this mission, this type of stuff. We're kind of in – and we need to try it here and there, that type of thing. We're kind of in – we're still in that phase a little bit, but, you know, as I look forward I just kind of put it this way and make it simple for myself that if I was a country, I was Korea, South Korea. And I wanted to buy 500,000 something, that's what they've said. I'd buy hundreds of thousands of Red Dragons, and tens of thousands of Switchblades because you have the en masse swarming-type capability, fairly low cost, but could do some massive damage as a group of, say, 50 or 100 shot at target. So we're very bullish on the future of Red Dragon.

nd the one way we attack got a lot of publicity with the Iran invasion. We're familiar with that one-way attack drone. Our view is it's not as capable at hitting the target as a Red Dragon would be.

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Q

Got it. And I think correct me if I'm wrong, but the Red Dragon price point as of now that you're thinking is actually less than I think all the Switchblade models, right.

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

A

Right. Correct. Correct.

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Q

Okay. All right.

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

A

I remember the beginning two or three years ago, this is how long things take. Two or three years ago, there was this notion like Taiwan, they need something that's low cost, easy to assemble, that people can make in their garage and they could they could make hundreds of them and shoot them up.

That was kind of the notion and then eventually, this idea of Red Dragon. Something that's easy to assemble, easy to store, it has a zipper pouch for the kinetic effect so you don't have to store it with kinetic effects, was born out of that idea. And here we are, three more plus years later at least, but we feel like we're right on the cusp of full-scale adoption.

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Q

Yeah. Great. Maybe just – so great. Thank you for the level setting around like kind of an initial purchase and what that might like for a country.

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

A

Yeah.

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Q

How much – and I think we've seen this a little bit with LMS and Switchblade, where there's almost like a recurring type of spend because they either get used, you know, or even training or otherwise. These are not necessarily meant to be as exquisite system that just comes back, right? They're like munition – they're effectively munitions.

How does that look for Red Dragon? Does this have a similar type of feel, where they're not just – customer doesn't just buy the 100,000, but there's kind of more orders kind of as they come because they're just going to get depleted over time?

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

A

Yeah. Any time you have a weapon like this, you're going to have a recurring business because they're going to be firing them off for training. There's probably a notion that these things improve over time, that maybe you just want to deplete 20% a year or something like that for that reason. But in, you know, Switchblade type products, Red Dragon – we're just so early on this. These countries have not gotten to a point where they're going to buy thousands. Yeah, but that'll happen in the next two or three years. So we're early days.

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Q

Okay. Now as one of my last questions is so two or three – so should we think FY 2027 as a possible contributor, do you think, or more beyond...

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

A

Red Dragon?

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Q

...for Red Dragon?

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

A

Oh, absolutely. Absolutely.

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Q

Okay, okay. And then final question, too, then on Red Dragon and we can switch to any topic. And you mentioned what's kind of happening in Iran now as in real time around these one-way attack-type munitions. Do you think in terms of just broadly that as a category, what factors do you think customers are evaluating kind of most between the cost, autonomy capabilities, manufacturing at a scale, that they can get it done something else? Like how do you think they're balancing all those things as far as making a decision around a final...

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

A

Hit the target.

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Q

Hit the target.

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

A

I mean, they got to work. They got to hit the target. They got to find the target. This is where we have strong capabilities. And completing the mission, getting the mission done. Cost is – everybody always says they want – I mean, I haven't met somebody buying a product that want it cheaper.

So the cost is always element and this was designed to be a high-value weapon system. But everything has its day. There's a myriad of weapons that US have that have different ranges, different payloads, different use cases. There's no end all, be all. There'll be many different products in the kind of the lethal drone category. We think between this and Switchblade, we've covered a nice part of the market.

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Q

Great. Perfect. Okay. Well, let's go from the stuff that goes boom to maybe the stuff that prevents the boom from happening and talk a little bit about counter UAS, if we can.

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

A

Yeah.

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Q

When we had you out for investor meetings a few weeks back, you talked about two different counter UAS site implementations by FY 2027. Can you maybe just give us a sense of like what that – I mean are those essentially the type of installation that that's most likely going to be...

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

A

What we said, we're pitching kind of part of the Golden Dome initiative, which is to protect the critical infrastructure, that we actually have the capabilities that you need to protect critical sites.

So, it's just like any type of sales process. We're trying to make that pitch. We have our LOCUST Laser Weapon Systems. We have our RF, the feed systems. We've got the software. We've got the tech systems and the Titan-SV product. We can put that together on the site. So the goal is in the next 12 months or so, to get the government to agree to have us put on a couple of sites.

I think no matter, what laser counter UAS, we're definitely the most important player. You would think that an analyst would pick up on that as more important than a little contract issue with SCAR, that we basically – I mean, look at all the – just the little publicity we've gotten lately in the border. Not that it's massive, but I mean that's – people don't understand, that's like amazing. The US government is using counter UAS lasers on US soil that are made by us. They wouldn't use it if they didn't really fully believe this is capable.

So we believe this has big opportunity in the short run for us. Again, this is just – there's multiple products that came over from the BlueHalo portfolio that are in this kind of coming out of the let's test it, let's see if this works phase. After many years, starting way back here at – this will be the awesomest thing to reality to now to full adoption.

And there's multiple setting at this. Counter UAS RF for public safety purposes. Counter-drone laser technologies on the AV side. It's one-way attack drones. Long-haul laser communications from the AV side. Again, we just got a $500 million contract for – I mean, nobody else. If you believe that laser communications is important for military purposes and long haul, then you got to believe in what we're doing.

So we have multiple products, are kind of just hitting this adoption phase. That's what's super excited about the story.

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Q

Yeah. Do you think that the – whether it's the one to two sites that you think you'll have online kind of in the near term versus just broadly what the opportunity, is selling the full package of kind of layer defenses that you guys have just internally on – within your portfolio is a key differentiator or are you okay to just sell LOCUSTs to that laser weapons and then someone else can do the RF or how do you – from a BD kind of go-to-market, how are you thinking about that type of – those pursuits?

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

A

We traditionally have not taken on the system integrator model and we are doing this here. I personally but love to see it successful from this purpose, because I do think we do have a variety of capabilities that as – proposing solutions might be the best way for us to grow those products.

It has not been our traditional route. I mean, we've done some stuff here and there. But more and more, we're seeing that improving our capabilities and expand our capabilities in that kind of system integrator model with mostly our product and some other people's products.

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Q

As you have success on more, what you probably call, kind of classic critical infrastructure military bases, DOD-type installations, and that's probably going to be, I think, probably the most likely first candidates just given Golden Dome. That naturally leads you to more public critical infrastructure – like utilities and other things. Is that something that you guys will also pursue eventually and will that create like a new kind of BD-type motion for you guys you haven't necessarily exercised before or how does that work?

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

A

Well, it definitely would be new. And so we got – those are things that are under consideration. How do we go to market if every power plant in the United States needs some type of protection? That type of thing.

The Titan product we do mostly today sell through resellers and, you know, that would be a question how – should we do more of the – be more the reseller ourselves than other people?

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Q

Got it. Great. Oh, man, time flies. And I've been chatting the whole time.

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

A

Wow.

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Q

I'll make sure there's not questions from the audience before I can continue on.

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

A

Are there any questions from the audience?

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Q

No? I can keep going. I have a list. Okay. [ph] Ethan (00:23:21), go ahead.

Q

So with the Titan, you just mentioned like you're going through resellers. Like how much of the margin enhancement would that be if you're selling directly to the customer?

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

A

Well, it's already the best margin product of the company. So, I don't know. I mean, in some way, it could be close to the same or maybe a little bit better, but you're probably going to be taking on a little bit lower kind of integration work as part of that. So maybe overall, if you said that business was – goes from $100 to $200 million, the margin might be the same or a little down because now, you're incorporating more services in it. So I don't know what that looks like. But it's a great margin product as it is.

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Q

I'll do one more. International business, you guys had a great kind of, I think, motion around that even before BlueHalo and put a lot of work in there. Now with BlueHalo, you've got, like we've talked about, a whole host of new products that you can now take to those international kind of strongholds you've already established. What do you think you could be doing better, though, as well as you've done there? Especially with all the – just the new dynamics, let's say, around just other countries really taking more of their own destiny into their own hands, what do you guys think you should be doing and just better on the international front? What might we see in FY 2027 kind of the story as well?

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

A

Yeah. We're definitely adopting the strategy that gets us more in-country resources, either BD or business development or technical resources. Some of these countries want some type of, I would say manufacturing, assembly type of operation in country. So we're exploring all of those alternatives.

It wasn't as imperative for us before because we really had one main product we're selling, and that's the Puma. Then over the last couple of years, we've been able to sell Switchblades. But now we have a host of products we can sell into these countries, and so it makes sense for us to have a more localized at least sales and support operation versus a reseller network in country. So you'll see more of that in the next 12 months.

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Q

Great. All right. And we're in the kind of the red zone time. So again, if there's any other questions. Otherwise, we'll let everybody head out.

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

Thank you, Trevor.

Trevor J. Walsh
Analyst, Citizens JMP Securities LLC

Thank you so much, sir. Appreciate it.

Kevin P. McDonnell
Executive Vice President & Chief Financial Officer, AeroVironment, Inc.

Thanks.