

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): **January 11, 2021**

AEROVIRONMENT, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

001-33261

(Commission File Number)

95-2705790

(I.R.S. Employer Identification No.)

**900 Innovators Way
Simi Valley, California**

(Address of Principal Executive Offices)

93065

(Zip Code)

Registrant's telephone number, including area code: **(805) 581-2187**

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

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

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

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

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

Emerging growth company

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

Item 1.01. Entry into a Material Definitive Agreement.

Stock Purchase Agreement

On January 11, 2021, AeroVironment, Inc. (the “Company”) entered into a Stock Purchase Agreement (the “Purchase Agreement”) with Arcturus UAV, Inc., a California corporation (“Arcturus UAV”), and each of the shareholders and other equity interest holders of Arcturus UAV (collectively, the “Sellers”), to purchase 100% of the issued and outstanding equity of Arcturus UAV (the “Acquisition”). Arcturus UAV, headquartered in Petaluma, California, designs, engineers, tools, and manufactures unmanned Group 2 and 3 aerial and aircraft systems including airborne platforms, payloads and payload integration, ground control systems, and ground support equipment and tools and other items and services related generally to unmanned aircraft systems. Upon closing of the Acquisition and the other transactions contemplated by the Purchase Agreement (the “Closing”), Arcturus UAV will become a wholly-owned subsidiary of the Company.

Pursuant to the Purchase Agreement, the Company will pay approximately \$405,000,000, consisting of \$355,000,000 in cash and approximately \$50,000,000 in unregistered, restricted shares of the Company’s common stock, \$0.0001 par value (the “Stock Consideration,” as further described in Item 3.02 below, which is incorporated by reference herein) at the Closing to the Sellers (with the cash consideration being subject to certain customary adjustments, including for net working capital, cash, debt and unpaid transaction expenses (including change in control related payments triggered by the transaction) of Arcturus UAV at Closing), less \$6,500,000 to be held in escrow to address final purchase price adjustments post-Closing, if any (the “Adjustment Escrow”), and \$1,822,500 to be held in escrow to address Arcturus UAV’s and/or the Sellers’ indemnification obligations (the “Indemnification Escrow”). The Adjustment Escrow, less any negative post-Closing adjustment to the cash consideration paid at Closing, is to be released to the Sellers upon completion of the post-Closing purchase price adjustment process; the Indemnification Escrow, less any amounts paid or reserved, is to be released to the Sellers 12 months following the Closing.

The Purchase Agreement contains customary representations, warranties, and covenants made by each of the Company, Arcturus UAV and the Sellers. The Purchase Agreement also includes, without limitation: (i) covenants requiring Arcturus UAV to conduct its business in the ordinary course consistent with past practice prior to Closing, (ii) restrictive covenants binding the shareholders of Arcturus UAV to certain non-competition and non-solicitation obligations for a three-year period post-Closing, (iii) exclusivity obligations of Arcturus UAV and the Sellers, and (iv) investor representations, warranties and covenants by the Sellers relating to the receipt of the Stock Consideration, including agreement to a lock-up on trading of the Stock Consideration, with such lock-up restrictions to be released in 3 equal tranches 6 months, 12 months and 18 months following the Closing (the “Lock-Up”). Subject to certain limitations, the Purchase Agreement requires the Company to use reasonable best efforts, and Arcturus UAV to cooperate with the Company’s efforts, to obtain certain debt financing in support of the acquisition of Arcturus UAV, as described under “Loan Commitment” below, prior to the Closing, however it is not a Closing condition that the Company obtains the debt financing.

The Purchase Agreement also contains customary indemnification provisions, including the requirement for the Sellers to indemnify the Company for certain losses arising out of inaccuracies in or breaches of Arcturus UAV’s and the Sellers’ representations, warranties, covenants, and certain other matters, subject to specified caps and deductibles. To further address potential breaches of Arcturus UAV’s and the Sellers’ representations and warranties beyond the application of the Indemnification Escrow, the Company has obtained representation and warranty insurance policies providing \$40,000,000 in coverage, subject to customary terms, exclusions and retention amounts.

The Closing is expected to occur during the Company’s fourth fiscal quarter, subject to the satisfaction or waiver of Closing conditions that include, among others: (i) clearance of the Acquisition pursuant to the Hart-Scott-Rodino Act (“HSR”), (ii) the accuracy of each party’s representations and warranties (subject to customary materiality qualifiers), (iii) each party’s compliance with its covenants and agreements contained in the Purchase Agreement (subject to customary materiality qualifiers), and (iv) other customary Closing conditions. The Purchase Agreement may be terminated under certain customary circumstances, including (i) mutual consent of the parties, (ii) a governmental prohibition on consummation of the Acquisition, or (iii) a failure to timely satisfy, or be able to satisfy, certain Closing conditions, including the satisfaction of the HSR Closing condition within six months of execution of the Purchase Agreement, and material breach of representations, warranties or covenants, absent timely cure where possible.

The foregoing description of the Purchase Agreement and the transactions contemplated thereby does not purport to be complete and is qualified in its entirety by reference to the complete text of such agreement. The Company will file the Purchase Agreement as an exhibit to its Quarterly Report on Form 10-Q for the quarter ending January 30, 2021.

Loan Commitment

In connection with entering into the Purchase Agreement, on January 11, 2021, the Company entered into a loan commitment letter with Bank of America, N.A., BofA Securities, Inc., JPMorgan Chase Bank, N.A., and U.S. Bank National Association, with Bank of America, N.A. as the Administrative Agent (the “Commitment Letter”), setting forth the terms and conditions for the Company to obtain (i) a \$100 million revolving credit facility, which will include a \$10 million sublimit for the issuance of standby and commercial letters of credit (“Revolving Facility”), and (ii) a \$200 million term A loan (the “Term Loan Facility”, and together with the Revolving Facility, the “Credit Facilities”). The Credit Facilities will require (i) guaranties from each of the Company’s domestic subsidiaries, including Arcturus UAV upon Closing, and (ii) a grant of security interests in designated collateral, including substantially all of the personal property of the Company and its subsidiaries and the proceeds thereof, with customary exclusions and exceptions. Proceeds from the Term Loan Facility will be used in part to finance a portion of the cash consideration for the Acquisition. The funding of the transactions contemplated by the Commitment Letter is contingent upon the satisfaction or waiver of certain conditions set forth in the Commitment Letter, including, without limitation, the execution and delivery of definitive documentation consistent with the Commitment Letter in conjunction with the Closing.

The foregoing description of the Commitment Letter and the transactions contemplated thereby does not purport to be complete and is qualified in its entirety by reference to the complete text of such agreement. The Company will file the Commitment Letter as an exhibit to its Quarterly Report on Form 10-Q for the quarter ending January 30, 2021.

Item 3.02 Unregistered Sales of Equity Securities.

Pursuant to the terms and subject to the conditions of the Purchase Agreement, as described in Item 1.01, at the Closing, the Sellers will receive 573,794 shares of the Company’s common stock as the Stock Consideration (calculated based on the 30-day volume weighted average price for the Company’s common stock as traded on the Nasdaq through the last business day prior to the date of execution of the Purchase Agreement) (the “Shares”). The Shares will not be registered under the Securities Act, in reliance on the private offering exemption from registration provided by Section 4(a)(2) of the Securities Act, and Regulation D as promulgated thereunder, and in reliance on the representations, warranties and covenants of the Sellers set forth in the Purchase Agreement in support thereof. The Shares will bear a legend restricting their further transfer or sale until they have been registered under the Securities Act or an exemption from registration thereunder is available, and further reflecting the additional restrictions of the Lock-Up referenced above.

The disclosure set forth above in Item 1.01 with respect to the Closing conditions for the issuance of and other aspects of the Stock Consideration pursuant to the Purchase Agreement is incorporated by reference herein.

Item 7.01. Regulation FD Disclosure.

On January 13, 2021, the Company issued a press release announcing its entry into the Purchase Agreement and the transactions contemplated thereby, including the Loan Commitment. A copy of the press release is attached as Exhibit 99.1 to this Current Report on Form 8-K and incorporated by reference herein.

Attached as Exhibit 99.2 hereto is a presentation containing additional information regarding the Company's entry into the Purchase Agreement and the transactions contemplated thereby. A copy of the presentation is attached as Exhibit 99.2 to this Current Report on Form 8-K and incorporated by reference herein. A copy of the presentation is also available on the investor relations section of the Company's website at <https://investor.avinc.com/events-and-presentations>. The information contained on the Company's website is not incorporated by reference into, and does not form a part of, this Current Report on Form 8-K.

The information in this Item 7.01 of this Current Report on Form 8-K, including Exhibit 99.1 and Exhibit 99.2 attached hereto, is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of such section. Such information shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits.

| Exhibit Number | Description |
|-----------------------|--|
| 99.1 | Press release issued by AeroVironment, Inc., dated January 13, 2021. |
| 99.2 | Presentation regarding Arcturus UAV acquisition, dated January 13, 2021. |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

Cautionary Note Regarding Forward-Looking Statements

This Current Report on Form 8-K contains certain forward-looking statements. Forward-looking statements typically are identified by the use of terms such as "may," "will," "should," "might," "expect," "anticipate," "estimate," "plan," "intend," "goal," "project," "strategy," "future," and similar words, although some forward-looking statements are expressed differently. These matters are subject to risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied. These risks and uncertainties include: the ability to successfully consummate the transactions contemplated by the Purchase Agreement and Commitment Letter on a timely basis, if at all, including the satisfaction of the Closing conditions of such transactions; the risk that disruptions will occur from the transactions that will harm the Company's business; any disruptions or threatened disruptions to the relationships of the Company with its distributors, suppliers, customers and employees; and the ability to timely and sufficiently integrate the acquired company and its personnel into our ongoing business and compliance programs. Forward-looking statements are based on management's expectations as well as estimates and assumptions prepared by management that, although they believe to be reasonable, are inherently uncertain. The Company is subject to additional risks and uncertainties described in the Company's Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q. You are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis and expectations only as of the date of this Current Report on Form 8-K. We undertake no obligation to publicly release the results of any revision or update of the forward-looking statements, except as required by law.

SIGNATURE

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

AEROVIRONMENT, INC.

Date: January 13, 2021

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



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Tel (805) 520.8350
www.avinc.com • NASDAQ: AVAV

PRESS RELEASE

AeroVironment to Acquire Arcturus UAV, Expanding Product Portfolio and Reach into Group 2 and 3 Unmanned Aircraft Systems Segments

- Total transaction value of \$405 million in cash and stock
- Arcturus UAV's complementary capabilities provide program diversification, increase key customer penetration and enhance shareholder value
- Arcturus UAV is well positioned for ongoing United States Special Operations Command (USSOCOM) Mid-Endurance UAS (MEUAS) task orders, United States Army Future Tactical UAS (FTUAS) program delivery orders and international contracts
- Expected to be immediately accretive to revenue growth, adjusted EBITDA margin and non-GAAP diluted EPS, excluding intangible assets, amortization expense and deal and integration costs, and accretive to GAAP diluted EPS by fiscal year 2022
- AeroVironment to host conference call and audio webcast at 2:00 pm Pacific Time today



AeroVironment, Inc. to Acquire Arcturus UAV, Expand Reach into Group 2 and 3 UAS Segments

SIMI VALLEY, Calif. Jan 13, 2021 – [AeroVironment, Inc.](#) (NASDAQ: AVAV), a global leader in unmanned aircraft systems, and Arcturus UAV, Inc., a privately-held leading provider of Group 2 and 3 unmanned aircraft systems (UAS) and services, today announced that they have entered into a definitive agreement under which AeroVironment will acquire Arcturus UAV for a total purchase price of \$405 million, including \$355 million in cash and \$50 million in AeroVironment stock. The transaction, which was unanimously approved by the AeroVironment and Arcturus UAV Boards of Directors, is expected to accelerate AeroVironment's strategy to drive profitable growth and value by expanding into attractive adjacent segments and by broadening its capabilities and customer footprint.

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Founded in 2004 and based in Petaluma, California, Arcturus UAV has approximately 270 employees, designs and manufactures Group 2 and Group 3 UAS and provides related services, including contractor-owned, contractor-operated (COCO) services. Arcturus UAV is a leading supplier to the USSOCOM, supporting its \$1.4 billion MEUAS III and IV programs, and one of four awardees selected for funded development and demonstrations supporting the U.S. Army's FTUAS program, a potential billion dollar, next-generation UAS program. Arcturus UAV has a demonstrated track record of solid performance, with topline growth exceeding 20 percent for each of its last two fiscal years.

“We are excited about the opportunities for value creation through our acquisition of Arcturus UAV, which will enable us to accelerate our growth strategy and expand our reach into the more valuable Group 2 and 3 UAS segments,” said Wahid Nawabi, AeroVironment president and chief executive officer. “Group 2 and 3 UAS and services, collectively, potentially represent more than one billion dollars in annual contract value, according to an independent forecast. Combining our highly complementary products and technologies will enhance our portfolio, deliver top and bottom-line growth, and enable us to provide customers with a complete set of Group 1 through 3 UAS, tactical missile systems, high-altitude pseudo-satellites and unmanned ground vehicle solutions. Through this expanded portfolio, we will be well positioned to serve a broader range of customer missions across multiple domains and significantly enhance value for shareholders over the near and long-term.”

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“The Arcturus UAV team has produced strong growth in recent years and has secured strategically important wins in the MEUAS and FTUAS programs, positioning Arcturus as a leader for next-generation program requirements. Together, we will offer an unmatched portfolio of multi-domain unmanned capabilities, supported by our ongoing investments in artificial intelligence and autonomy, to help our customers address a broad set of defense and commercial missions. We look forward to welcoming Arcturus UAV’s talented team, strong customer relationships in growing UAS segments and robust pipeline of innovations to AeroVironment,” Mr. Nawabi added.

“AeroVironment’s depth of experience in UAS and tactical missile systems, international presence, and impressive team is a natural fit for Arcturus UAV, and will create substantial opportunities to build on our strong momentum,” said D’Milo Hallerberg, Arcturus UAV president and chief executive officer. “With the support of AeroVironment, we will have greater scale, expanded resources, cutting-edge technology and superior capabilities to meet the growing global demand for our products and solutions. We are confident that with AeroVironment, we can accelerate our growth as part of a larger, more diverse company and look forward to working closely with the team to complete this exciting transaction.”

Arcturus UAV’s products include the JUMP-20, a multi-mission, medium endurance vertical takeoff and landing (VTOL) system requiring no launch equipment or runway and the T-20, a multi-mission, medium endurance catapult-launched system. Arcturus UAV sells its products directly to end users and delivers COCO services. All Arcturus UAV systems have the ability to carry a broad range of payloads, including standard EO/IR gimbals as well as 3-D mapping, SAR, LIDAR, communications relay, COMINT and SIGINT payloads.

AeroVironment expects the acquisition to be immediately accretive to adjusted EBITDA, excluding deal and integration costs, and non-GAAP diluted earnings per share, excluding intangible assets, amortization expense and deal and integration costs, and accretive to GAAP diluted EPS in fiscal year 2022, while increasing pro forma net leverage to 0.5 times adjusted EBITDA.

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Upon completion of the transaction, key members of the Arcturus UAV executive management team will remain in leadership positions. The transaction is expected to close during fourth quarter of AeroVironment's fiscal year 2021, subject to customary closing conditions and regulatory approvals. At close, Arcturus UAV will operate as a wholly-owned subsidiary of AeroVironment.

The purchase price represents a multiple of approximately 11x Arcturus UAV's LTM 9/30/20 adjusted EBITDA, net of anticipated tax benefits. In connection with the acquisition, AeroVironment has received commitments for a \$200 million Term Loan Facility and \$100 million revolver (undrawn at close) with Bank of America, N.A. acting as Administrative Agent, and with BofA Securities, Inc., JPMorgan Chase Bank, N.A. and U.S. Bank National Association acting as arrangers. AeroVironment will fund approximately \$155 million of the acquisition from cash on hand.

Conference Call and Presentation

In conjunction with this release, AeroVironment, Inc. will host a conference call today, Wednesday, January 13, 2021, at 2:00 pm Pacific Time that will be webcast live. Wahid Nawabi, president and chief executive officer, Kevin P. McDonnell, chief financial officer and Steven A. Gitlin, chief marketing officer and vice president of investor relations, will host the call.

Date: January 13, 2021

Time: 2:00 PM PT (3:00 PM MT, 4:00 PM CT, 5:00 PM ET)

Toll-free: (877) 561-2749

International: (678) 809-1029

Conference ID: 9291188

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

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A supplementary investor presentation can be accessed at <https://investor.avinc.com/events-and-presentations>.

An audio replay of the event will be archived on the Investor Relations page of the company's website, at <http://investor.avinc.com>. The audio replay will also be available via telephone from Wednesday, January 13, 2021, at approximately 4:30 p.m. Pacific Time through Wednesday, January 20, 2021, at 4:30 p.m. Pacific Time. Dial (855) 859-2056 (U.S.) or (404) 537-3406 (international) and provide the conference ID 9291188.

Advisors

Jefferies LLC served as exclusive financial advisor and K&L Gates served as legal advisor to AeroVironment in connection with the transaction.

Evercore served as exclusive financial advisor and Hogan Lovells served as legal advisor to Arcturus UAV in connection with the transaction.

About AeroVironment, Inc.

AeroVironment (NASDAQ: AVAV) provides technology solutions at the intersection of robotics, sensors, software analytics and connectivity that deliver more actionable intelligence so you can proceed with certainty. Celebrating 50 years of innovation, AeroVironment is a global leader in unmanned aircraft systems and tactical missile systems, and serves defense, government and commercial customers. For more information, visit www.avinc.com.

About Arcturus UAV, Inc.

Arcturus UAV designs, manufactures, and configures complete unmanned aircraft systems, including fixed-wing VTOL aircraft, ground control systems, and launch systems and provides comprehensive integration of non-standard as well as user-specified avionics and payloads. Arcturus UAV also provides full-service flight operations to U.S. Military customers. For more information, visit www.arcturusuav.com.

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Safe Harbor Statement

Certain statements in this press release may constitute “forward-looking statements” as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements are made on the basis of 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 those expressed or implied. Factors that could cause actual results to differ materially from the forward-looking statements include, but are not limited to, our ability to successfully consummate the transactions contemplated by the agreements to purchase Arcturus UAV and Telerob on a timely basis, if at all, including the satisfaction of the closing conditions of such transactions; the risk that disruptions will occur from the transactions that will harm our business or any acquired business(es); any disruptions or threatened disruptions to our relationships with our distributors, suppliers, customers and employees; the ability to timely and sufficiently integrate acquired operations into our ongoing business and compliance programs, including the expansion of international aspects; our ability to perform under existing contracts and obtain additional contracts; changes in the regulatory environment; the activities of competitors; failure of the markets in which we operate to grow; failure to expand into new markets; failure to develop new products or integrate new technology with current products; 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. 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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For additional media and information, please follow us at:

Facebook: <https://www.facebook.com/aerovironmentinc/>

Twitter: <https://twitter.com/aerovironment>

LinkedIn: <https://www.linkedin.com/company/aerovironment>

YouTube: <http://www.youtube.com/user/AeroVironmentInc>

Instagram: <https://www.instagram.com/aerovironmentinc/>

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AEROVIRONMENT TO ACQUIRE ARCTURUS UAV

Conference Call

January 13, 2020

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, our ability to successfully consummate the transactions contemplated by the agreement to purchase Arcturus UAV on a timely basis, if at all, including the satisfaction of the closing conditions of such transactions; the risk that disruptions will occur from the transactions that will harm our business or any acquired business(es); any disruptions or threatened disruptions to our relationships with our distributors, suppliers, customers and employees; the ability to timely and sufficiently integrate acquired operations into our ongoing business and compliance programs, including the expansion of international aspects; reliance on sales to the U.S. government; availability of U.S. government funding for defense procurement and R&D programs; changes in the timing and/or amount of government spending; 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 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; changes in the supply and/or demand and/or prices for our products and services; the activities of competitors and increased competition; failure of the markets in which we operate to grow; uncertainty in the customer adoption rate of commercial use unmanned aircraft systems; failure to remain a market innovator and create new market opportunities; changes in significant operating expenses, including components and raw materials; failure to develop new products; the extensive regulatory requirements governing our contracts with the U.S. government; risk of litigation, including but not limited to pending litigation arising from the sale of our EES business; product liability, infringement and other claims; changes in the regulatory environment; the impact of the outbreak related to the strain of coronavirus known as COVID-19 on our business operations; 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. 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.
- 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, which are available at www.sec.gov or on our website at www.investor.avinc.com/financial-information. 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.

Acquiring Arcturus UAV to Expand Portfolio and Accelerate Growth

| | |
|---|--|
| Transaction Structure | <ul style="list-style-type: none"> ○ AeroVironment to acquire Arcturus UAV for \$405 million in cash and stock; Arcturus UAV to become wholly-owned subsidiary of AeroVironment • Price represents approximately 11x Arcturus UAV's LTM 9/30/20 adjusted EBITDA, net of anticipated tax benefits • \$355 million in cash, \$50 million in AeroVironment stock • \$200 million Term Loan Facility and \$100 million revolver (undrawn at close) with Bank of America, N.A. acting as Administrative Agent and with BofA Securities, Inc., JPMorgan Chase Bank N.A. and U.S. Bank National Association acting as arrangers; approximately \$155 million from company cash • Pro forma net leverage expected to be approximately 0.5x adjusted EBITDA at close |
| Management / HQ | <ul style="list-style-type: none"> ○ Retaining key Arcturus UAV leadership and team ○ Maintaining existing Arcturus UAV operations in Petaluma and Rohnert Park, California |
| Strategic and Financial Benefits | <ul style="list-style-type: none"> ○ Expands AeroVironment's reach into more than \$1 billion annual Group 2 and 3 segments ¹ ○ Increases program diversification with key USSOCOM and US Army customers ○ Introduces attractive contractor-owned, contractor-operated ("COCO") business model ○ Expected to be immediately accretive to revenue growth, adjusted EBITDA margin and non-GAAP EPS ² and accretive to GAAP EPS by fiscal year 2022 |
| Clear Pathway to Close | <ul style="list-style-type: none"> ○ Transaction expected to close during the fourth quarter of fiscal 2021, subject to customary closing conditions, including regulatory approvals ○ Unanimously approved by the AeroVironment and Arcturus UAV Boards of Directors |

COMBINATION EXPANDS AEROVIRONMENT'S REACH INTO ADDITIONAL SEGMENTS, PROGRAM BASE AND GROWTH POTENTIAL THROUGH ARCTURUS UAV'S ATTRACTIVE BUSINESS MODEL AND COMPLEMENTARY SUITE OF OFFERINGS

¹ Renaissance Strategic Advisors - Group 2, 3 UAS Forecast 2020-2030, January 2021
² Excludes intangible assets, amortization expense and deal and integration costs

Arcturus UAV is a Leading Provider of Group 2 and 3 UAS

 Leading global designer and manufacturer of **Group 2 and 3 high performance unmanned aircraft systems**

 Provider of end-to-end field services, including **FSR recruiting, training and deployed operations management**

 ~270 employees with facilities in **Petaluma and Rohnert Park, California**

Highlights

-  Demonstrated track record of success with **over 110k flight hours between the Jump 20 and T-20**
-  Success of multi-payload integration **supports dynamic multi-mission capabilities**
-  JUMP 20 offers true **Group 3 UAS runway and infrastructure independence**

Key Products

- JUMP 20**
 - 55 lb Payload Capacity
 - High-Performance VTOL
- T-20**
 - 85 lb Payload Capacity
 - 24 Hour Endurance
- T-15**
 - 15 lb Payload Capacity
 - New Airframe Efficiency

Key Customers



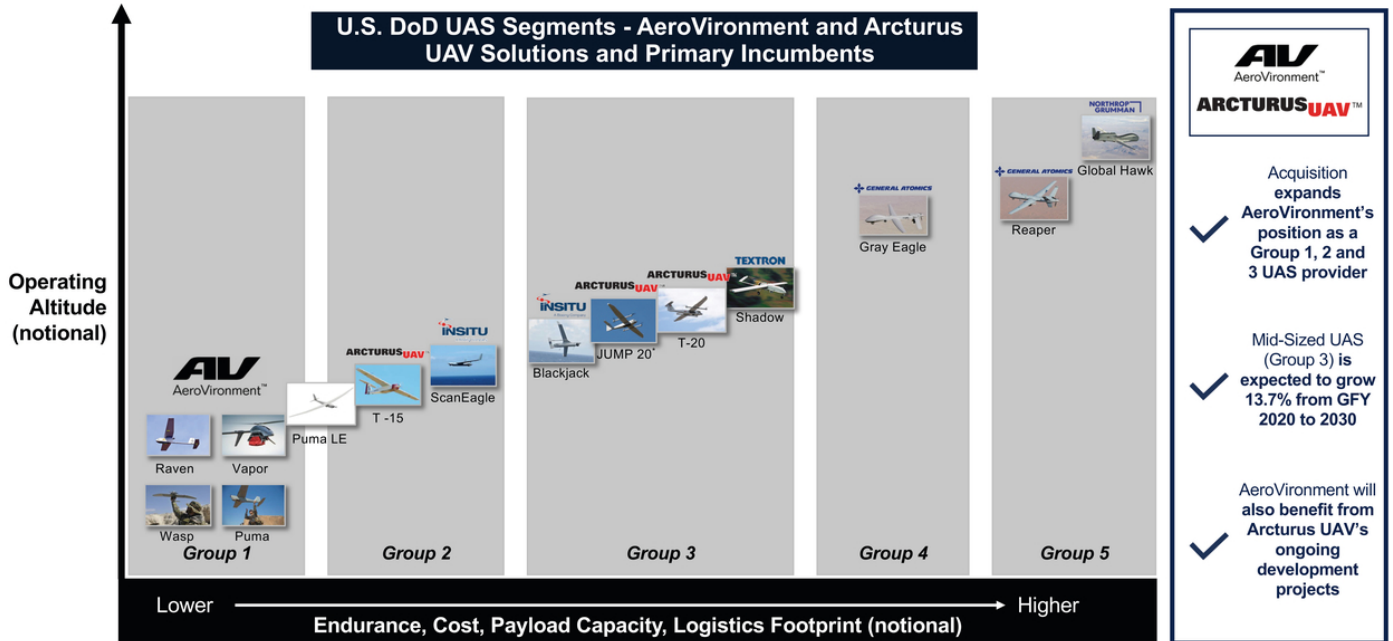
LTM 9/30/20 REVENUE ~\$84M
ADJ. EBITDA ~\$35M

Transaction to Deliver Strategic & Financial Benefits to Stakeholders

| | |
|---|---|
| <p>Expands Addressable Segments</p> | <ul style="list-style-type: none"> Provides AeroVironment access to \$1 Billion+¹ annual Group 2 and 3 UAS segments Expands AeroVironment's unmanned aircraft systems portfolio into the mid-sized and large-UAS categories, which represent attractive growth opportunities |
| <p>Provides Program Diversification and Increases Key Customer Penetration</p> | <ul style="list-style-type: none"> Arcturus UAV plays significant role on SOCOM's Mid-Endurance Unmanned Aircraft System ("MEUAS") III and IV programs, which represent a total ceiling value of \$1.4 billion and are expected to run through 2022 and 2025, respectively One of four awardees selected for funded development and demonstrations supporting the U.S. Army's Future Tactical Unmanned Aircraft System ("FTUAS") program, a potential billion-dollar, next-generation UAS program |
| <p>Introduces Attractive COCO Business Model</p> | <ul style="list-style-type: none"> Significant customer demand for "ISR-as-a-Service" offering, which enables rapid deployment of innovative technology solutions Provides greater contracting flexibility and access to customer O&M funding Multiple, long-term ISR contracts with attractive economics provide greater visibility and recurring revenue streams |
| <p>Immediately Accretive</p> | <ul style="list-style-type: none"> Business model will improve AeroVironment's forecast visibility by introducing multiple long-term ISR contracts anchored around key DoD programs Transaction expected to be immediately accretive to revenue growth, adjusted EBITDA margin and non-GAAP EPS, and accretive to GAAP EPS by fiscal year 2022 |

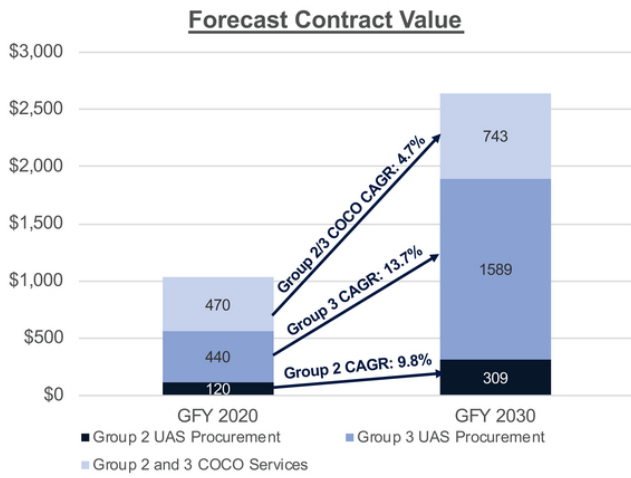
¹ Renaissance Strategic Advisors - Group 2, 3 UAS Forecast 2020-2030, January 2021

Arcturus UAV Expands AeroVironment's Reach to Groups 2 and 3



Groups 2, 3 and COCO Services Offer Significant Revenue Potential

(\$ in Millions)



ARCTURUS UAV'S KEY DoD PROGRAMS GRANT AEROVIRONMENT ACCESS TO LARGE AND GROWING SEGMENTS ¹

U.S. Army – FTUAS

- The U.S. Army is seeking to replace the Shadow UAS while introducing new capabilities
- Arcturus UAV is one of four companies to have won a development award for FTUAS in 2019; full competition planned to select Shadow replacement
- \$300 million in projected Army Future UAS Family ("FUAS") funding for government fiscal years 2022-2025 ², including FTUAS, Air Launched Effects ("ALE") and Scalable Control Interface ("SCI")

U.S. SOCOM – MEUAS III / IV

- MEUAS provides continuous, 24/7 COCO ISR services globally in support of SOCOM
- Arcturus UAV has flown more than 60,000 hours and achieved a greater than 50% task order win rate on MEUAS III, a \$475 million program
- Arcturus UAV was announced as an awardee on the MEUAS IV follow-on IDIQ, which has a total ceiling value of \$975 million

ARCTURUS UAV HAS A STRONG TRACK RECORD ON MAJOR GROUP 3 DEPARTMENT OF DEFENSE CONTRACTS

¹ Renaissance Strategic Advisors Group 2, 3 UAS Forecast 2020-2030, January 2021

² U.S. Army Justification Book, 2031A: Aircraft Procurement, Army / BA 01; Aircraft / BSA 10: Fixed Wing, 9672A00510 / Future UAS Family, February 2020

Transaction Creates Significant Value for All Stakeholders



Shareholders

- Immediately accretive to revenue growth, margin profile and non-GAAP EPS
- Expands reach to the higher growth Group 2 and 3 UAS segments
- Further diversifies revenue, product and program mix with recurring revenue model that improves forecast visibility and margins
- Strategically deploys capital for growth and near and long-term shareholder value creation



Customers

- Customers benefit from a one-stop shop for Group 1-3 UAS and loitering missile systems needs while leveraging the best technology across both organizations
- Integration of multi-domain unmanned aircraft systems and unmanned ground vehicles offer robust capability sets
- COCO services model provides greater contracting flexibility



Employees

- Shared culture of innovation, teamwork and supporting the warfighter
- Commitment to investing in human capital across both organizations
- Experienced leadership team and talented work force
- Offers increased resources and opportunities across employee base

Combination Accelerates Growth Strategy and Enhances Industry Presence

Brand and Global Footprint

AeroVironment can grow Arcturus UAV's Group 2 and 3 UAS international sales through its brand and roster of international customers



Rich Technology Portfolio

Combine internally developed technologies in Avionics, Autonomy, Target Recognition, Gimbals, VTOL and GCS to expand capabilities



Multi-Mission Solution Integration

Integration of AeroVironment's tactical missile systems with Arcturus UAV's offerings to deliver unique and robust mission solutions



Improve Scale and Process

Harmonize technical, manufacturing and business resources to symbiotically grow the respective businesses



Increase Customer Penetration

Leverage Arcturus UAV's program of record wins and find new opportunities to expand footprint with key strategic DoD customers



Incorporate COCO Service Business Model

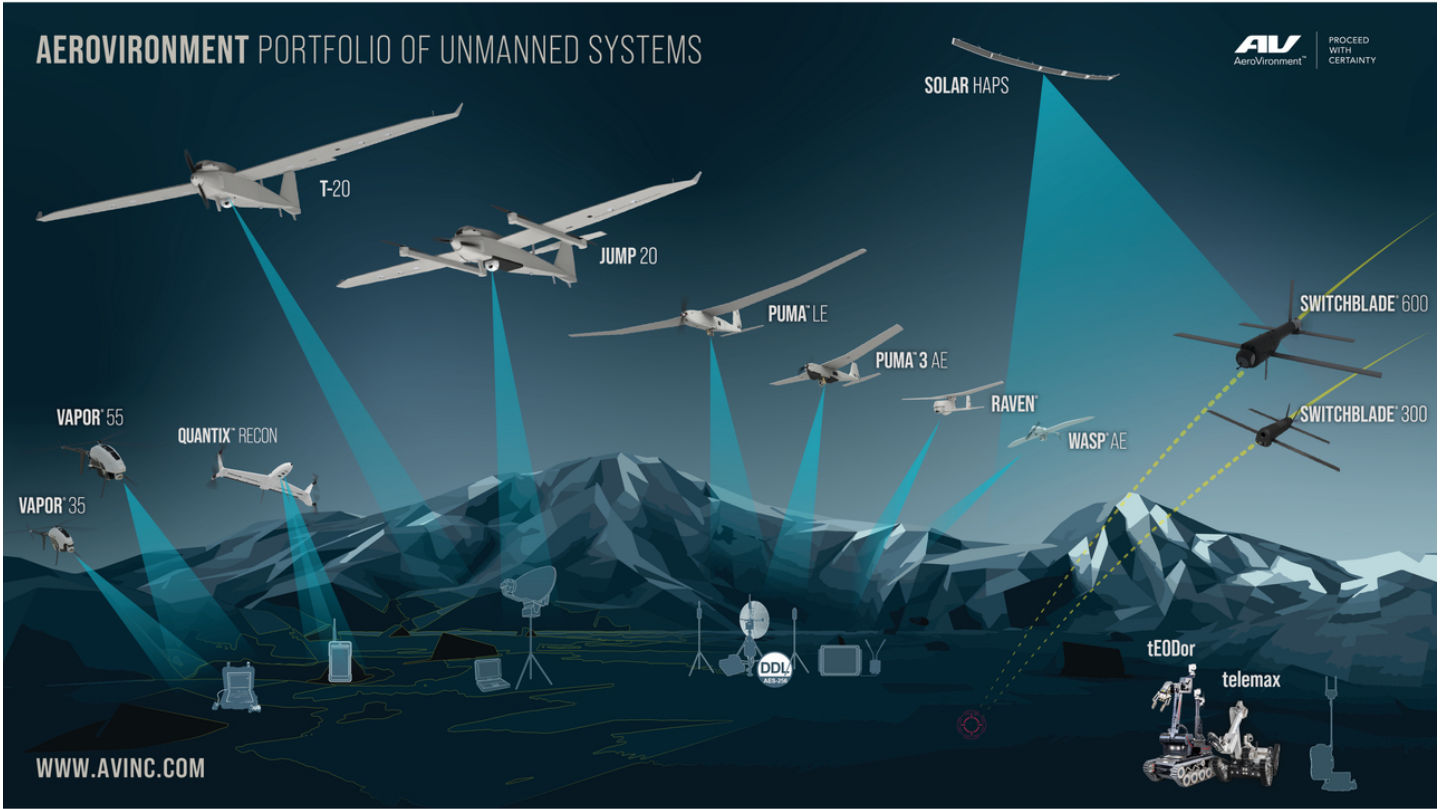
Apply Arcturus UAV's COCO services model to generate incremental sales for current AeroVironment products



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