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# First Quarter Fiscal Year 2024 Earnings Presentation

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September 5, 2023

# Safe Harbor Statement

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

Factors that could cause actual results to differ materially from the forward-looking statements include, but are not limited to, the impact of our ability to successfully close and integrate acquisitions into our operations and avoid disruptions from acquisition transactions that will harm our business, including the pending acquisition of Tomahawk Robotics; the recording of goodwill and other intangible assets as part of acquisitions that are subject to potential impairments in the future and any realization of such impairments; any disruptions or threatened disruptions to our relationships with our distributors, suppliers, customers and employees, including shortages in components for our products; the ability to timely and sufficiently integrate international operations into our ongoing business and compliance programs; reliance on sales to the U.S. government, including uncertainties in classification, pricing or potentially burdensome imposed terms for certain types of government contracts; availability of U.S. government funding for defense procurement and R&D programs; changes in the timing and/or amount of government spending, including due to continuing resolutions; adverse impacts of a U.S. government shutdown; our reliance on limited relationships to fund our development of HAPS UAS; our ability to perform under existing contracts and obtain new contracts; risks related to our international business, including compliance with export control laws; potential need for changes in our long-term strategy in response to future developments; the extensive and increasing regulatory requirements governing our contracts with the U.S. government and international customers; the consequences to our financial position, business and reputation that could result from failing to comply with such regulatory requirements; unexpected technical and marketing difficulties inherent in major research and product development efforts; the impact of potential security and cyber threats or the risk of unauthorized access to and resulting misuse of our, our customers' and/or our suppliers' information and systems; changes in the supply and/or demand and/or prices for our products and services; increased competition; uncertainty in the customer adoption rate of commercial use unmanned aircraft systems; failure to remain a market innovator, to create new market opportunities or to expand into new markets; unexpected changes in significant operating expenses, including components and raw materials; failure to develop new products or integrate new technology into current products; any increase in litigation activity or unfavorable results in legal proceedings, including pending class actions; our ability to respond and adapt to unexpected legal, regulatory and government budgetary changes, including those resulting from the COVID-19 pandemic or future pandemics, such as supply chain disruptions and delays, potential governmentally-mandated shutdowns, travel restrictions and site access, diversion of government resources to non-defense priorities, and other business restrictions affecting our ability to manufacture and sell our products and provide our services; our ability to comply with the covenants in our loan documents; our ability to attract and retain skilled employees; the impact of inflation; and general economic and business conditions in the United States and elsewhere in the world; and the failure to establish and maintain effective internal control over financial reporting. For a further list and description of such risks and uncertainties, see the reports we file with the Securities and Exchange Commission. We do not intend, and undertake no obligation, to update any forward-looking statements, whether as a result of new information, future events or otherwise.

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# First Quarter Fiscal Year 2024 Key Messages



Achieved record 1<sup>st</sup> quarter revenue of **\$152 million**, a **40% increase** YoY, driven by strong demand for our market leading AI-enabled intelligent unmanned systems



Strong order momentum demonstrated by **\$268 million** in bookings during the quarter and achieved record funded backlog in AV's history of **\$540 million** as of July 29<sup>th</sup>



Due to strong order flow, increasing FY2024 revenue guidance to **\$645 to \$675 million**, representing 22% YoY top line growth



Announcement of acquisition of privately-held Tomahawk Robotics, adding advanced common control, communications and multi-domain integration capabilities to our portfolio.

# First Quarter Results Fiscal Year 2024

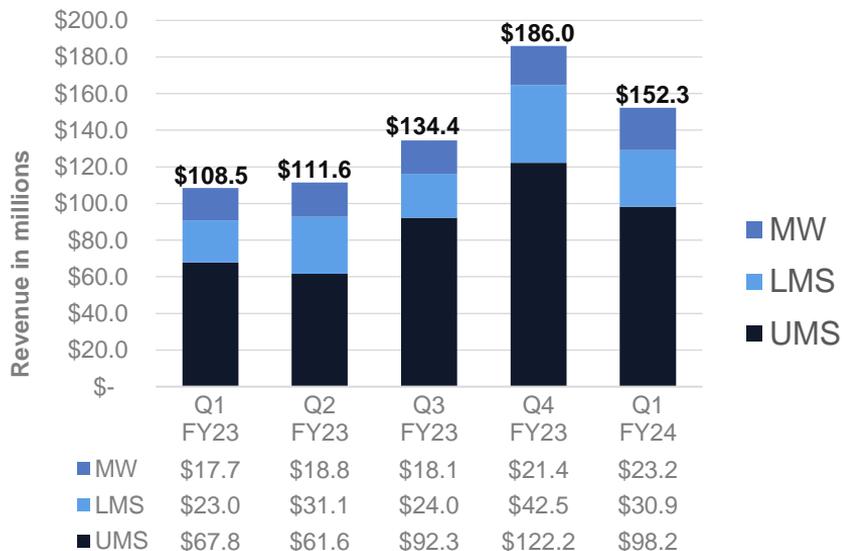
Metric	Q1 FY24	Year-Over-Year Change	Notes
Revenue	\$152.3 m	+40%	Overall increase driven by higher product sales. Increase in UMS, LMS and MW revenue, partially offset by lower service revenue.
GAAP Gross profit	\$65.7 m	+95%	Increase reflects higher product margins on higher product sales volume partially offset by lower service margins.
Adjusted EBITDA <sup>2</sup>	\$37.3 m	+\$24.3 m	YOY increase due to higher gross profit partially offset by higher operating expenses.
Non-GAAP EPS (diluted) <sup>1</sup>	\$1.00	+\$1.08	YOY increases due to higher gross profit partially offset by higher operating expenses.
Funded Backlog	\$539.7 m	+165%	Record backlog driven by increase in new bookings and international demand following the war in Ukraine.

<sup>1</sup> Refer to Reconciliation of Non-GAAP Earnings Per Diluted Share on Appendix A

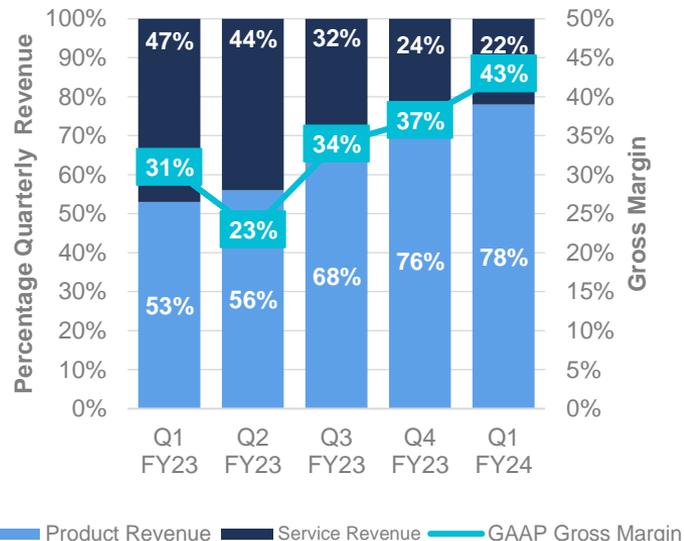
<sup>2</sup> Refer to Adjusted EBITDA reconciliation on Appendix D.

# Revenue Mix by Segment and Type

## QUARTERLY REVENUE BY SEGMENT



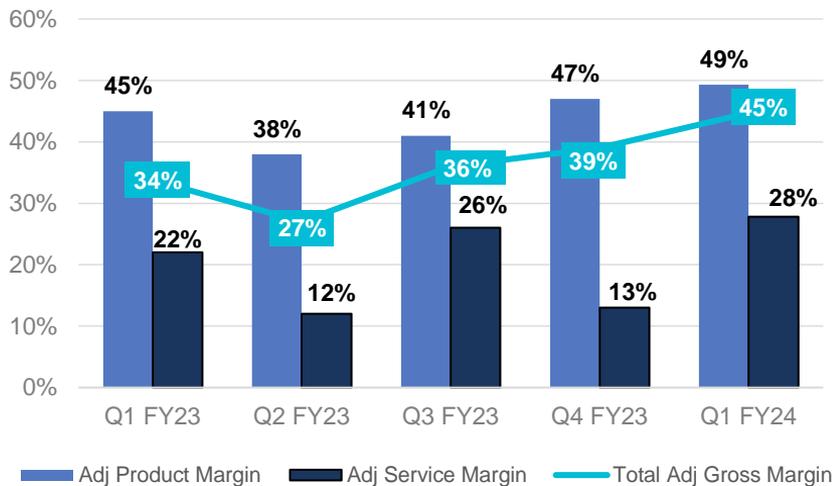
## QUARTERLY REVENUE BY TYPE



Prior quarter segments reclassified to conform to the current year segments | UMS: Unmanned Systems | LMS: Loitering munition systems | MW: MacCready Works

# Adjusted Profitability by Type and Non-GAAP EPS

PERCENTAGE ADJUSTED GROSS MARGIN<sup>1</sup>



NON-GAAP DILUTED EPS<sup>2</sup>



<sup>1</sup> Refer to GAAP to NON-GAAP reconciliation on Appendix C. | <sup>2</sup> Refer to Reconciliation of Non-GAAP Diluted Earnings Per Share on Appendix A.

# Updated Guidance: Fiscal 2024 Outlook

AS OF 9/5/2023	FY23 RESULTS	FY24 REVISED GUIDANCE	EXPECTED % CHANGE (TO MIDPOINT)
Revenue	\$541 million	\$645 million - \$675 million	22%
Net (Loss)/Income <sup>5</sup>	(\$176 million)	\$51 million – \$59 million	---
Adjusted EBITDA <sup>2</sup>	\$90 million	\$117 million–\$127 million <sup>4</sup>	35%
Earnings/(Loss) <sup>5</sup> Per Share (diluted)	(\$7.04)	\$1.91 – \$2.21	---
Non-GAAP Earnings Per Share (diluted)	\$1.26 <sup>3</sup>	\$2.30 – \$2.60 <sup>1</sup>	94%

Increase in FY24 midpoint Revenue and Adjusted EBITDA Guidance Due to Strong Order Flow.

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

<sup>2</sup> Refer to Adjusted EBITDA reconciliation on Appendix D.

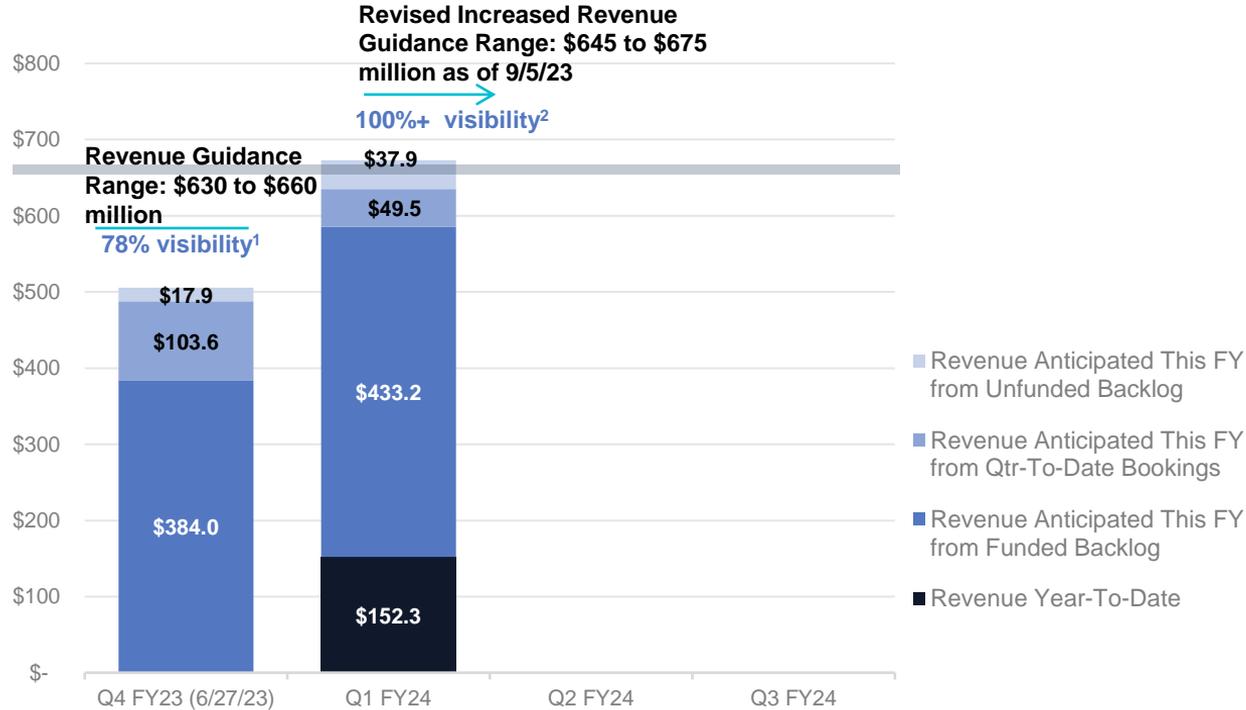
<sup>3</sup> Refer to Reconciliation of Fiscal Year 2023 Non-GAAP Diluted Earnings Per Share on Appendix F

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

<sup>5</sup> FY23 net loss and GAAP EPS impacted by the following non-cash charges related to the MUAS segment: \$156m goodwill impairment charge, \$34m accelerated intangible amortization, and \$12m accelerated depreciation

# Visibility for FY24

## REVENUE (MILLIONS)



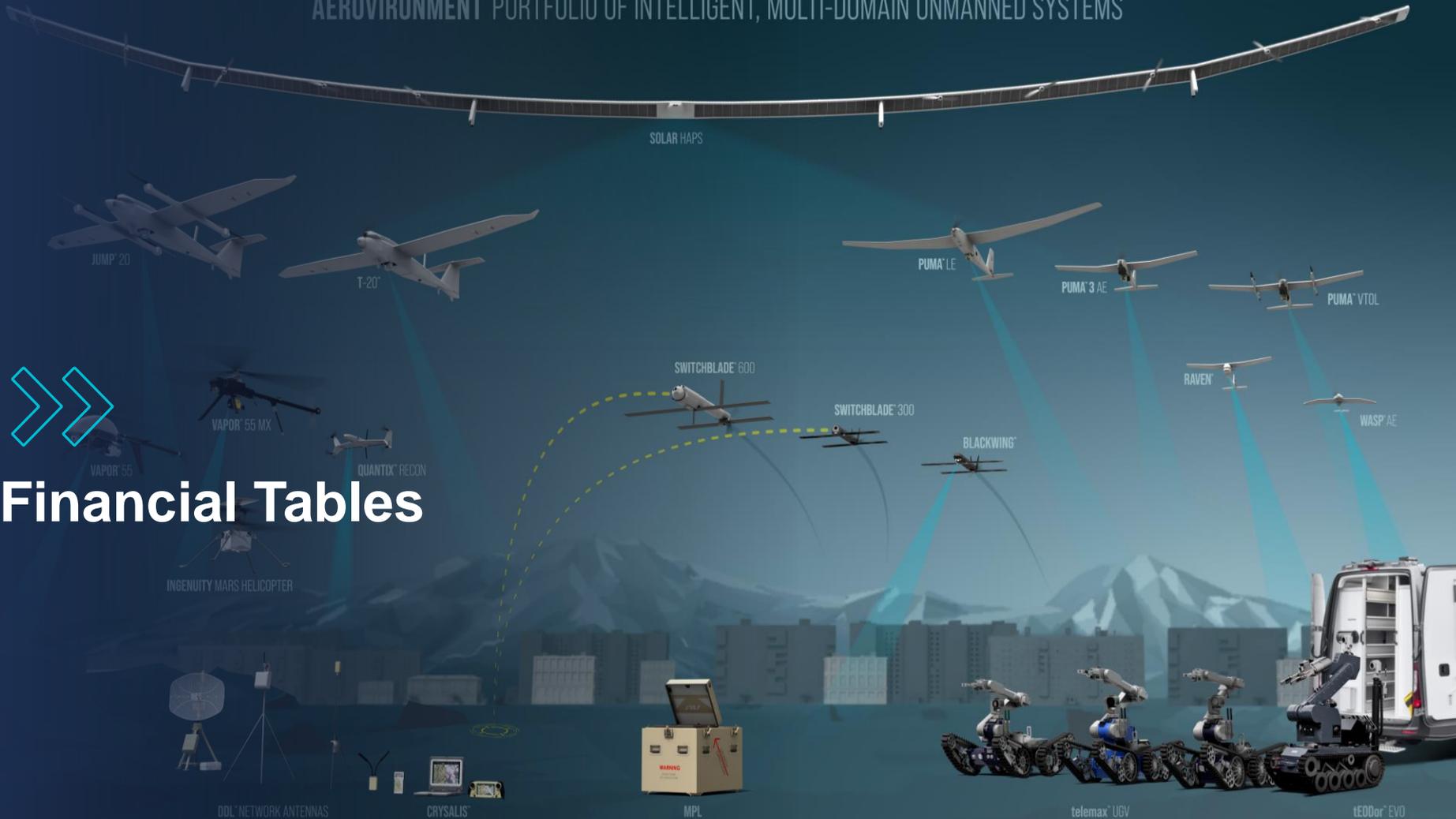
Company visibility supports revised revenue guidance range

<sup>1</sup> Based on prior midpoint of guidance range of \$630-\$660 million | <sup>2</sup> Based on midpoint of revised guidance range of \$645-\$675 million

# AEROENVIRONMENT PORTFOLIO OF INTELLIGENT, MULTI-DOMAIN UNMANNED SYSTEMS



## Financial Tables



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

	<u>Three Months Ended July 29, 2023</u>	<u>Three Months Ended July 30, 2022</u>
Earnings (loss) per diluted share	\$ 0.84	\$ (0.34)
Acquisition-related expenses	0.02	0.02
Amortization of acquired intangible assets and other purchase accounting adjustments	0.10	0.22
Equity method and equity securities investments activity, net	0.04	0.02
Earnings (loss) per diluted share as adjusted (Non-GAAP)	<u>\$ 1.00</u>	<u>(0.08)</u>

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

	<u>Fiscal Year</u> <u>Ending</u> <u>April 30, 2024</u>
Forecast earnings per diluted share	\$ 1.91 - 2.21
Acquisition-related expenses	0.02
Amortization of acquired intangible and FV assets	0.35
Equity method and equity securities investments activity, net	0.02
Forecast earnings per diluted share as adjusted (Non-GAAP)	<u>\$ 2.30 - 2.60</u>

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

<i>(in thousands)</i>	Fiscal 4th Quarter FY2022	Fiscal 1st Quarter FY2023	Fiscal 2nd Quarter FY2023	Fiscal 3rd Quarter FY2023	Fiscal 4th Quarter FY2023	Fiscal 1st Quarter FY2024
<b>Products</b>						
Gross Margin	\$34,195	\$25,075	\$22,898	\$36,350	\$65,320	\$57,863
Gross Margin % of Revenue	46.2%	43.3%	36.7%	39.9%	46.2%	48.4%
Intangible Amortization	\$1,999	\$644	\$1,009	\$1,026	\$1,034	\$1,041
Adjusted Gross Margin	\$36,194	\$25,718	\$23,907	\$37,376	\$66,354	\$58,904
Adjusted Gross Margin % of Revenue	48.9%	44.4%	38.3%	41.0%	46.9%	49.3%
<b>Services</b>						
Gross Margin	\$14,427	\$8,639	\$2,992	9,160	3,080	7,797
Gross Margin % of Revenue	24.6%	17.1%	6.1%	21.2%	6.9%	23.7%
Intangible Amortization	\$1,760	\$2,338	\$2,974	\$2,282	\$2,584	\$1,356
Adjusted Gross Margin	\$16,187	\$10,977	\$5,966	\$11,442	\$5,664	\$9,153
Adjusted Gross Margin % of Revenue	27.6%	21.7%	12.1%	26.5%	12.7%	27.8%

# APPENDIX D – HISTORICAL ADJUSTED EBITDA RECONCILIATION

<i>(in thousands)</i>	Fiscal 1st Quarter FY2023	Fiscal 2nd Quarter FY2023	Fiscal 3rd Quarter FY2023	Fiscal 4th Quarter FY2023	Full Fiscal Year FY2023	Fiscal 1st Quarter FY2024
Net income from continued operations	\$ (8,395)	\$ (6,668)	\$ (676)	\$ (160,473)	\$ (176,212)	\$ 21,895
Interest Expense (Income)/net	1,603	2,309	2,810	2,646	9,368	2,008
Tax provision / (benefit)	2,605	(10,457)	(531)	(6,282)	(14,665)	1,314
Depreciation and amortization (1)	14,000	18,275	15,834	51,890	99,999	6,951
EBITDA (Non-GAAP)	\$ 9,813	\$ 3,459	\$ 17,437	\$ (112,218)	\$ (81,510)	\$ 32,167
FV Step-up amortization incl. in loss of disposal of PP&E	115	53	24	—	192	—
Cloud amortization	126	137	139	158	561	203
Stock-based compensation	2,217	2,185	2,706	3,657	10,765	3,204
Acquisition-related expenses	335	569	286	196	1,386	673
Arcturus Goodwill Impairment	—	—	—	156,017	156,017	—
Equity method and equity security investments activity, net	500	345	3,142	(1,404)	2,583	1,034
Non-controlling interest one-time legal settlement	6	39	—	—	45	—
Adjusted EBITDA (Non-GAAP)	\$ 13,112	\$ 6,788	\$ 23,734	\$ 46,406	\$ 90,039	\$ 37,282

(1) as reported

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

<i>(in millions)</i>	<b>Fiscal Year Ending April 30, 2024</b>
Net income	\$ 51 - 59
Interest expense, net	8
Benefit from income taxes	3 - 5
Depreciation and amortization	35
EBITDA (Non-GAAP)	97 - 107
Cloud amortization	1
FV step-up amortization included in loss on disposal of PP&E	0
Equity method and equity security investments activity, net	1
Deal and integration costs	1
Stock-based compensation	17
Adjusted EBITDA (Non-GAAP)	\$ 117 - 127

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

	<u>Fiscal Year</u>
	<u>Ended</u>
	<u>April 30, 2023</u>
(Loss) Earnings per diluted share	\$ (7.04)
Acquisition-related expenses	0.05
Amortization of acquired intangible assets and other purchase accounting adjustments	0.92
Equity method and equity securities investments activity, net	0.10
Goodwill impairment	6.19
Accelerated intangible amortization	1.04
Sale of ownership in HAPSMobile Inc. Joint Venture	—
Legal accrual related to our former EES business	—
Earnings per diluted share as adjusted (Non-GAAP)	<u>\$ 1.26</u>