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AEROVIRONMENT

23rd Annual Needham Virtual Growth Conference

January 14, 2021
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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.

Table of Contents

—	AeroVironment Overview.... Slide 4
—	Fiscal 2021 Drivers.... Slide 14
—	Financial Summary.... Slide 15



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AEROVIRONMENT

Overview

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 <ul style="list-style-type: none"> • 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

Telerob Transaction Summary

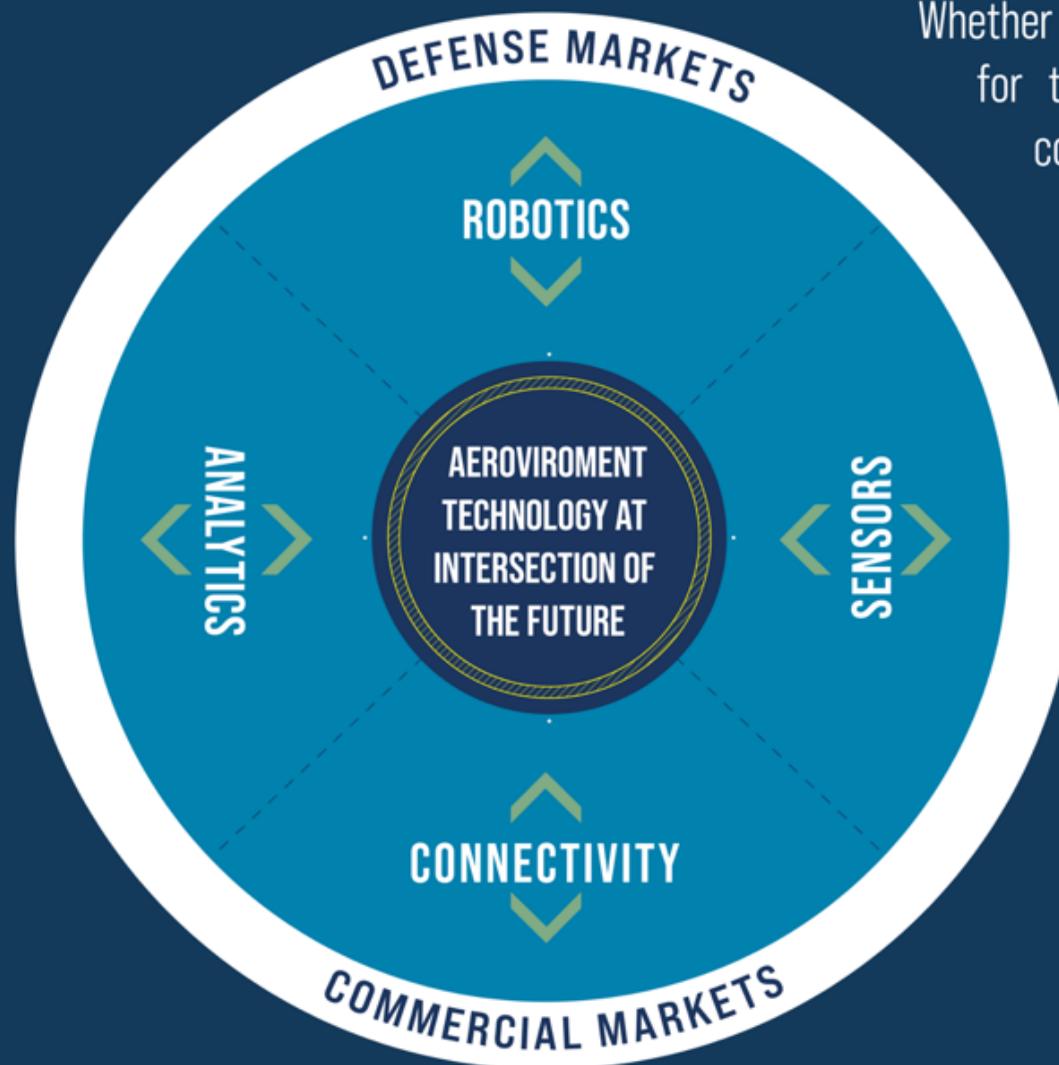
Transaction Structure	<ul style="list-style-type: none"> • AeroVironment to acquire Telerob Gesellschaft für Fernhantierungstechnik mbH for \$45.4 million¹ cash; Telerob to become wholly owned subsidiary of AeroVironment • Additional \$7.3 million¹ in three-year, milestone-based earnout • AeroVironment to pay off \$9.4 million¹ in Telerob debt at closing
Management/ HQ	<ul style="list-style-type: none"> • Retaining entire Telerob team • Maintaining existing operations near Stuttgart, Germany and Erie, PA
Benefits	<ul style="list-style-type: none"> • Broadens product offering with proven portfolio of UGVs to complement AeroVironment UAS and TMS • Expands global footprint; extensive customer base spanning 45 nations • Enables multi-domain, intelligent robotic solutions combining UAS, TMS and UGVs • Expected to be GAAP EPS accretive within two years, non-GAAP EPS accretive in fiscal year 2022 • Submitted joint proposal for multi-year U.S. Air Force EOD robot program; pursuing multiple additional U.S. and international opportunities • German market presence supports pending UAS opportunities • UGV market growing at 15% CAGR • Telerob provides more than 25 years of experience in ground robotics
Approvals/ Closing	<ul style="list-style-type: none"> • Transaction expected to close by Spring 2021, pending German government clearance and other customary conditions

BEST IN CLASS PRODUCT PORTFOLIO, EXTENSIVE CUSTOMER BASE AND STRONG MANAGEMENT TEAM ARE HIGHLY COMPLEMENTARY AND POSITION AEROVIRONMENT FOR SUCCESS

¹ Dollar values calculated based on exchange rate with Euro as of December 8, 2020

TECHNOLOGY SOLUTIONS PROVIDER

AT THE INTERSECTION OF FUTURE-DEFINING CAPABILITIES



Whether they are warfighters searching for the enemy or telecom providers connecting billions to the global digital economy, we deliver innovative technologies that help our customers achieve their goals and do so with unprecedented accuracy and precision.

WE PROVIDE THE ACTIONABLE INTELLIGENCE YOU NEED TO **PROCEED WITH CERTAINTY**

A Success Story Spanning Nearly 50 years of Innovation: 1971-2020



1977
Gossamer Condor
1st controlled human powered flight



1981
Solar Challenger
World Records: Longest, highest, farthest solar powered flights



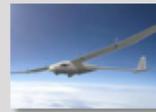
1986
Pointer
1st backpack portable small UAS



1995
Pathfinder/Pathfinder Plus
Solar platform for HALE flight



2001
Helios
World Record: Highest flying airplane in history



2005
Global Observer Prototype
1st liquid hydrogen powered UAS



2010
Global Observer®
Test flight program begins



2012
Switchblade®
1st operational deployment of back-packable tactical missile system



2016
Blackwing™
1st submarine-launched loitering ISR system for US Navy



2019
Solar HAPS
Next generation unmanned aircraft system for global connectivity and defense

1977

2007
IPO

2021



1979
Gossamer Albatross
1st human powered flight across English Channel



1985
Pterosaur
Featured in IMAX film, On The Wing



1987
Sunraycer
Winner 1st solar car race



2003
Dragon Eye
1st U.S. DoD Small UAS Program of Record



2005
Raven®
1st to deploy 1000s of backpack portable UAVs to U.S. Armed Forces in a single year



2008
Small UAS Digital Data Link (DDL™)
A wireless communications link that provides greater security, range and utility than analog links



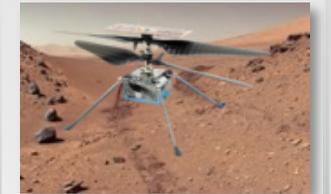
2011
Nano Air Vehicle
1st flapping wing nano UAV with tri-axis control



2013
Puma™
1st small UAS extended solar flight: nine hours



2014
Commercial UAS
1st FAA-approved commercial services over land



2020
Mars Helicopter
Developed rotor, propulsion system, structure, landing gear for 1st aircraft to fly on another world

AeroVironment Investment Thesis

- A profitable, pure-play unmanned robotics company
- The global leader in selected markets, at the forefront of multiple large, global growth opportunities
- Strong financial position and performance enabling our growth strategy
- Demonstrated track record of capitalizing on growth opportunities

SUAS Small Unmanned Aircraft Systems



61%

of fiscal year 2020 company revenue



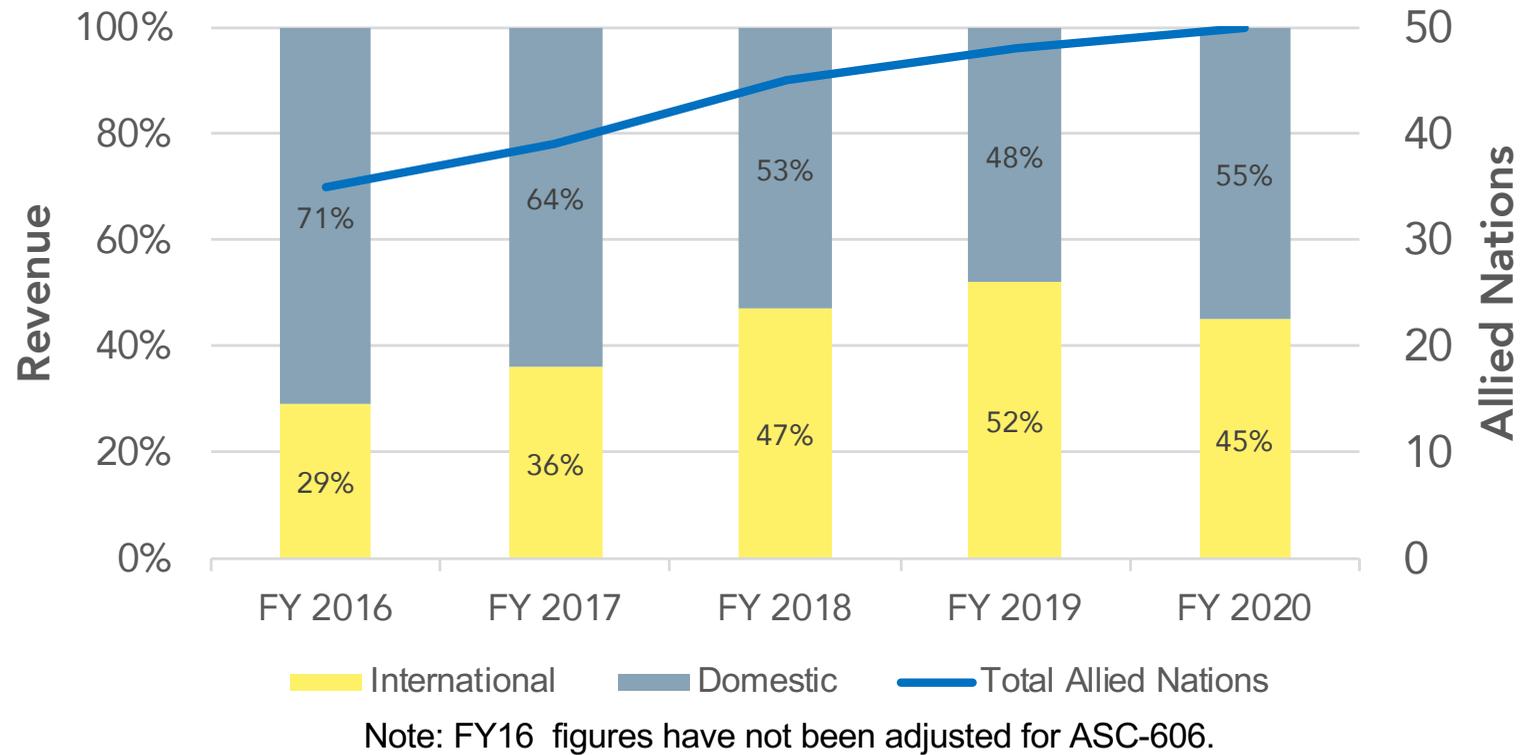
Majority Share

of all unmanned aircraft in U.S. Dept. of Defense inventory¹

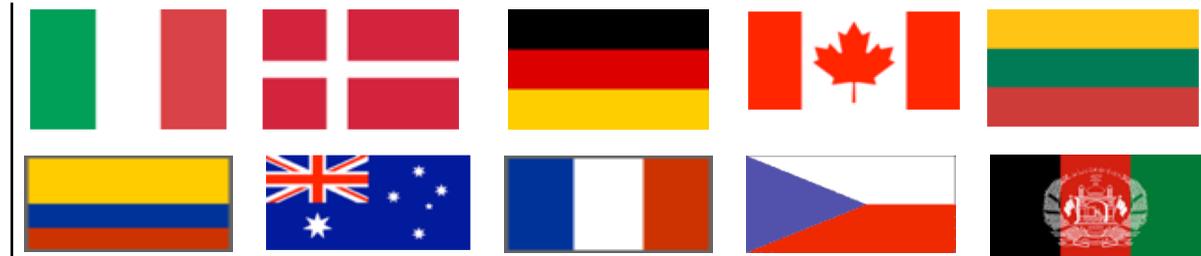
¹ Source: United States Department of Defense Unmanned Systems Roadmap 2013-2038, page 5

Robust & Diversified International Revenue

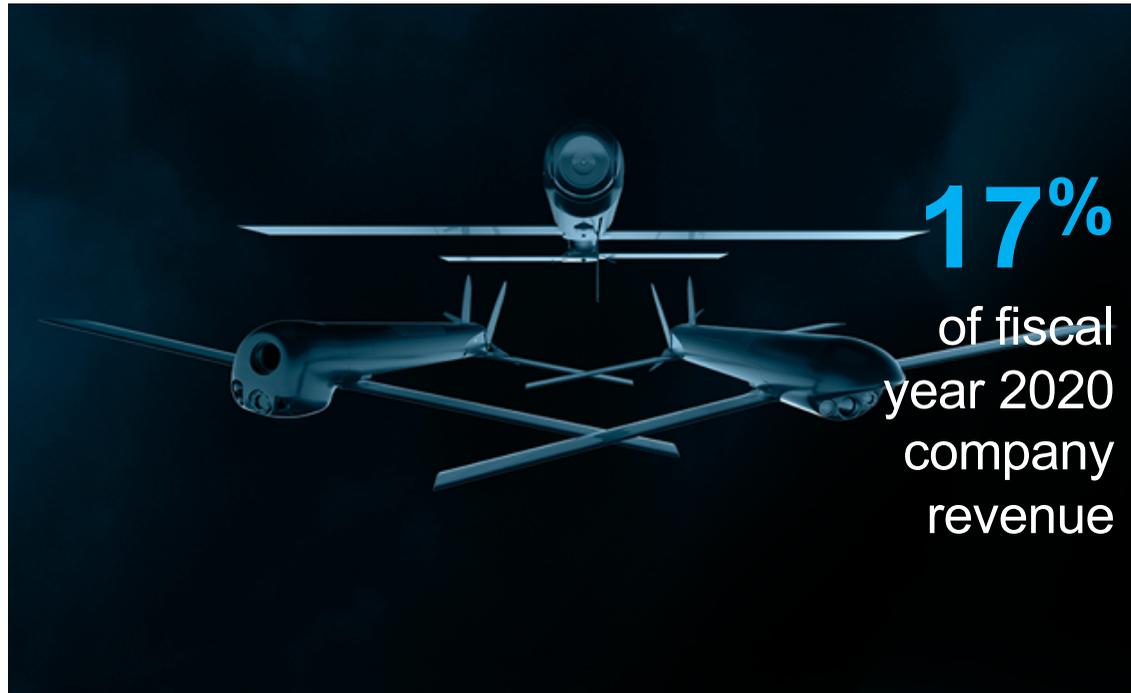
- Small UAS customers in 50 allied nations - most with additional procurement potential
- International revenue driven mainly by small UAS in Fiscal Years 2016-2017, and by small UAS and HAPS in Fiscal Years 2018-2020



Sample International Customers



TMS Tactical Missile Systems



Switchblade®

- Lethal, high-precision, rapidly deployed munition
- **Switchblade 300** deployed by United States armed forces
- **Switchblade 600** positioned for adoption

Ground and Air Vehicle Integration

- Working with General Dynamics Land Systems to integrate Switchblade into next generation armored vehicles
- Working with Kratos to integrate Switchblade into unmanned jet for long-distance, precision missions

HAPS Continued Progress Flight Test Phase

SoftBank Corp. owns approximately 93% of HAPSMobile Inc. & AeroVironment owns approximately 7%

Successfully demonstrated stratospheric broadband connectivity – September 2020 20+ hour flight to +60,000 feet; demonstrated LTE video connectivity

AeroVironment has the potential to manufacture and supply HAPS systems to HAPSMobile on exclusive basis

AeroVironment retains exclusive rights to market HAPS UAS to defense customers worldwide, except in Japan



Fiscal 2021 Drivers

- Continued focus on executing our growth strategy
- Strength in international end markets
- Tactical Missile System growth
- Continued evaluation of strategic investments

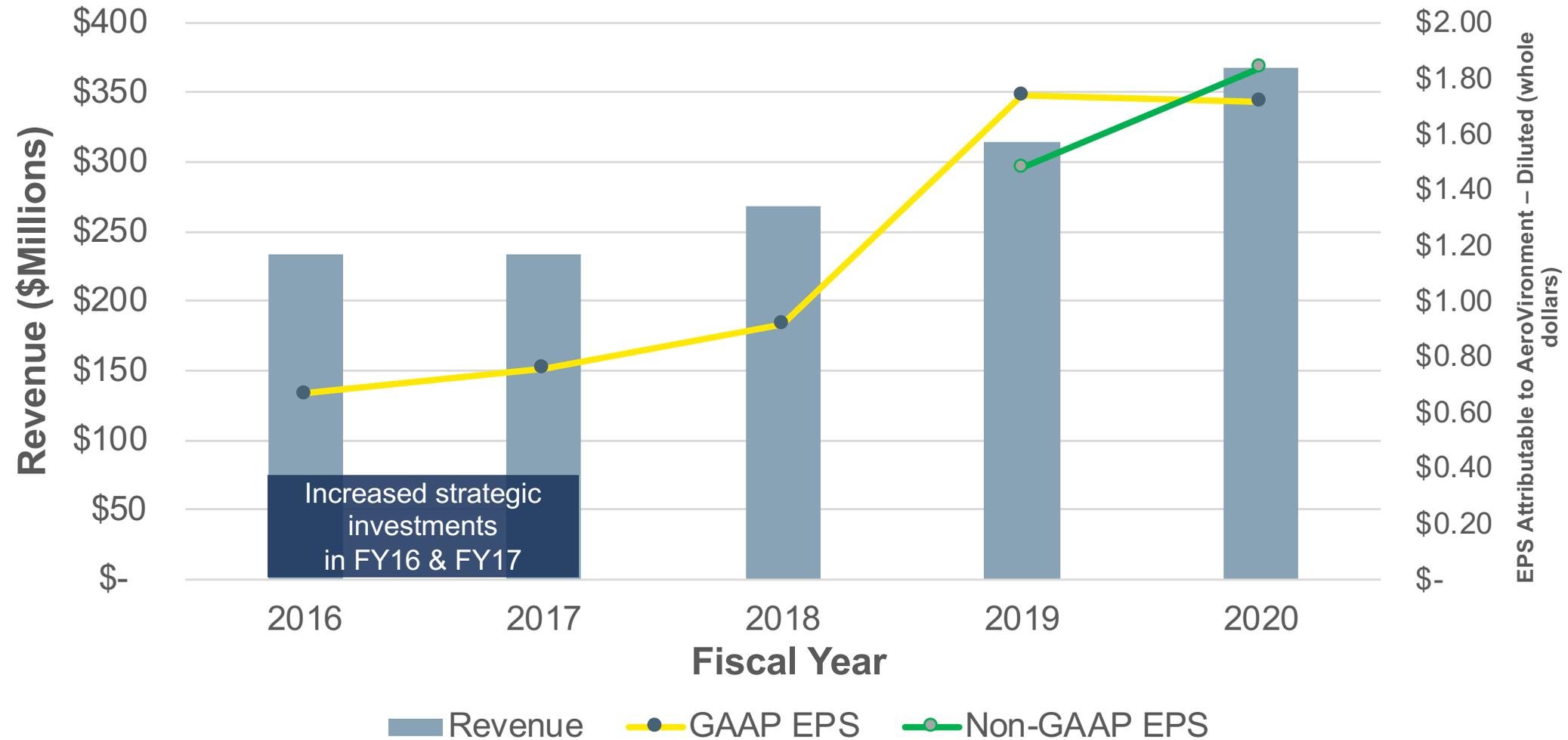


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FINANCIAL

SUMMARY

Profitable Growth Driven by Innovation & Strategic Investments



Adjusted Earnings Per Share Attributable to AeroVironment for fiscal year 2019 excludes a \$0.26 per share one-time gain from a litigation settlement, and for fiscal year 2020 excludes \$0.04 in acquisition-related expenses and \$0.08 in amortization of acquired intangible assets.

Note: all figures are as previously reported in the historical Form 10-Ks

Fiscal Year 2021 Quarterly Results (Continuing Operations)

In \$ Millions (except EPS)	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	YTD
Revenue	\$87.5	\$92.7	-	-	\$180.1
Gross Margin	\$35.4	\$40.9	-	-	\$76.3
Gross Margin %	40%	44%	-	-	42%
Income from Operations	\$12.3	\$13.9	-	-	\$26.2
Operating Margin %	14%	15%	-	-	15%
Net Income Attributable to AeroVironment	\$10.1	\$2.1	-	-	\$12.2
Net Income Attributable to AeroVironment Margin %	12%	2%	-	-	7%
GAAP Diluted Earnings Per Share (EPS) Attributable to AeroVironment	\$0.42	\$0.09	-	-	\$0.50
Non-GAAP Diluted Earnings Per Share (EPS) Attributable to AeroVironment (see reconciliation in appendix)	\$0.44	\$0.48	-	-	\$0.91

A Strong Balance Sheet is Essential to our Growth Strategy

AeroVironment, Inc. Consolidated Balance Sheets (In thousands except share and per share data)		
	October 31, 2020 (Unaudited)	April 30, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 280,099	\$ 255,142
Short-term investments	67,137	47,507
Accounts receivable, net of allowance for doubtful accounts of \$561 at October 31, 2020 and \$1,190 at April 30, 2020	30,701	73,660
Unbilled receivables and retentions (inclusive of related party unbilled receivables of \$14,974 at October 31, 2020 and \$15,779 at April 30, 2020)	70,573	75,837
Inventories	51,779	45,535
Prepaid expenses and other current assets	7,310	6,246
Total current assets	507,599	503,927
Long-term investments	20,976	15,030
Property and equipment, net	22,868	21,694
Operating lease right-of-use assets	12,363	8,793
Deferred income taxes	5,546	4,928
Intangibles, net	12,213	13,637
Goodwill	6,340	6,340
Other assets	102	10,605
Total assets	\$ 588,007	\$ 584,954
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 14,225	\$ 19,859
Wages and related accruals	18,737	23,972
Customer advances	2,957	7,899
Current operating lease liabilities	4,030	3,380
Income taxes payable	3,018	1,065
Other current liabilities	10,511	10,778
Total current liabilities	53,478	66,953
Non-current operating lease liabilities	9,422	6,833
Other non-current liabilities	243	250
Liability for uncertain tax positions	1,017	1,017
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.0001 par value:		
Authorized shares—10,000,000; none issued or outstanding at October 31, 2020 and April 30, 2020		
Common stock, \$0.0001 par value:		
Authorized shares—100,000,000		
Issued and outstanding shares—24,103,980 shares at October 31, 2020 and 24,063,639 shares at April 30, 2020	2	2
Additional paid-in capital	183,298	181,481
Accumulated other comprehensive income	342	328
Retained earnings	340,254	328,090
Total AeroVironment, Inc. stockholders' equity	523,906	509,901
Noncontrolling interest	(59)	—
Total equity	523,847	509,901
Total liabilities and stockholders' equity	\$ 588,007	\$ 584,954

See accompanying notes to consolidated financial statements (unaudited).

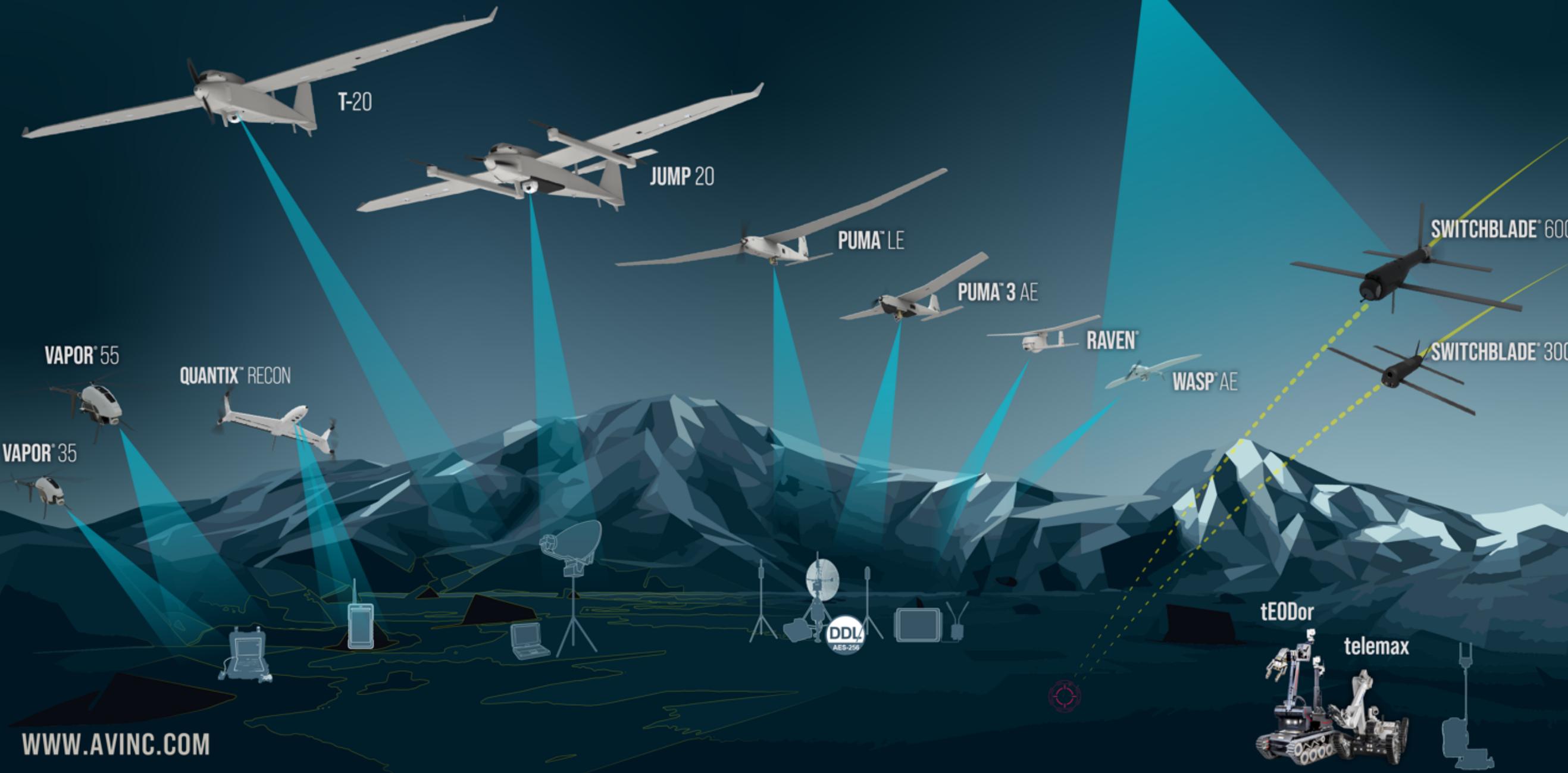
\$368 million

in cash, equivalents,
restricted cash and investments

No debt

	October 31, 2020 <u>unaudited</u>	April 30, 2020
Current Assets		
Cash and cash equivalents	\$280,099	\$255,142
Short-term investments	\$67,137	\$47,507
Long-term investments	<u>\$20,976</u>	<u>\$15,030</u>
Total	\$368,212	\$317,679

AEROVIRONMENT PORTFOLIO OF UNMANNED SYSTEMS



Appendix – Reconciliation of Non-GAAP Diluted Earnings Per Share (Unaudited)

	Three Months Ended October 31, 2020	Three Months Ended October 26, 2019	Six Months Ended October 31, 2020	Six Months Ended October 26, 2019
Earnings per diluted share	\$ 0.09	\$ 0.31	\$ 0.50	\$ 1.02
Acquisition related expenses	0.02	0.01	0.02	0.02
Amortization of acquired intangible assets	0.02	0.02	0.04	0.04
HAPSMobile Inc. JV impairment of investment in Loon LLC	<u>0.35</u>	-	<u>0.35</u>	-
Earnings per diluted share as adjusted (Non-GAAP)	\$ <u>0.48</u>	\$ <u>0.34</u>	\$ <u>0.91</u>	\$ <u>1.08</u>