

Drone maker AeroVironment seeks new customers to boost sales

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AeroVironment Inc. of Monrovia proves Southern California still has the right stuff.

AeroVironment was the brainchild of American aeronautical pioneer and engineer Paul B. MacCready, who founded the company in 1970.

It began by manufacturing windmills and anti-pollution devices, but it was making aviation history within seven years.

In 1977, MacCready and AeroVironment's human-powered Gossamer Condor won the first Kremer Prize for human-powered flight by completing a figure-eight course specified by the Royal Aeronautical Society, at Minter Field in Shafter, Calif.

In 1990, AeroVironment designed an unmanned stealth blimp for reconnaissance missions as it also developed lightweight and maneuverable drones for aerial surveillance.

AeroVironment's notable vehicles also include the 1981 Solar Challenger, a solar-powered airplane, and the 1987 GM Sunraycer, a solar-powered car.

In 2001, NASA's solar power [drone](#) aircraft Helios, developed by AeroVironment, flew to 96,500 feet, breaking the record set by the jet-powered SR-71 Blackbird spy plane 25 years earlier.

But AeroVironment is best known for smaller drones. It has become the Pentagon's top supplier of small robotic planes such as its Raven, Wasp and Puma aircraft.

The company went public in January 2007. MacCready died in August of the same year, at age 81, shortly after contracting an undisclosed illness.

The company's drones have been so successful in Afghanistan that AeroVironment was warned in 2011 that its executives were among 60 people targeted on an al-Qaida-connected website.

Timothy E. Conver, 70, who has been chief executive of the company since 1992, recently talked about seeking new opportunities.

Small unmanned aircraft systems, or UAS, "now have the potential to be deployed beyond their traditional mission of supporting ground troops," Conver said, adding, "We're optimistic about the Navy finding high value to the future adoption of our all-environment small UAS."

Conver added that the company "secured important new awards during the last quarter, including a \$22 million Marine Corps contract for their next-generation family of small UAS and a \$19 million contract for the Darpa Tern program to continue developing a large new unmanned aircraft system for the Navy."

In December the Danish Army flew its AeroVironment Puma AE [unmanned air vehicle](#) over civilian airspace for the first time during a multinational exercise with the U.S. and Britain.

Also that month, AeroVironment announced it had received a \$4.3 million award from the U.S. Army's Close Combat Weapons Systems office for Switchblade Tactical Missile System support services.

AeroVironment also announced fiscal third-quarter earnings ending Nov. 1. Sales fell to \$52.7 million from \$64.9 million a year earlier. The company swung to a net loss of \$4.1 million compared with a gain of \$3.9 million a year earlier.

AeroVironment has survived and often thrived in a highly competitive industry involving larger rivals.

In 1992, MacCready, then chief executive, was honored as engineer of the century by the American Society of Mechanical Engineers.

Seven of its innovative vehicles are on display at the Smithsonian Institution.

AeroVironment has struggled to find new customers as America's involvement in military conflict in the Middle East has winded down.

It's also subject to strange political winds. One example: Although California is home to some of the nation's biggest drone manufacturers, the state was passed over in 2013 when the federal government picked six sites across the nation for testing the use of robotic aircraft in U.S. airspace.

Of the nine analysts who regularly cover AeroVironment, one considers it a strong buy. Another rates it a buy and seven others recommend holding the stock.

Canacord Genuity analyst Bobby Burleson said, "We continue to like the long-term potential for commercial ([unmanned aerial vehicles](#)) and electric vehicle charging."

But Burleson reiterated his hold rating, saying, "Elevated spending on strategic initiatives keeps us on sidelines for now given limited

opportunity for (earnings per share) upside."

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