



AeroVironment, Inc.

Beyond Mars, AeroVironment's earthly expansion fueled by U.S. Bank

Strategic acquisition of Arcturus UAV, financed by three of the largest banks in the nation, fuels dramatic market expansion for robotics company, most recently recognized for its involvement with the Mars Helicopter.

It's been quite a year for AeroVironment, a robotics company that is a global leader in intelligent, multi-domain robotic systems. AeroVironment literally rocketed into the headlines this Spring as one of the most prominent contractors involved in the development of the [Ingenuity Mars Helicopter](#) that NASA/JPL flew on Mars. The company was prominently featured in coverage of the historic flight by the [Wall Street Journal](#), [60 Minutes](#) and more.

Yet despite all the notoriety it received from that trip to another planet, its market expansion here on Earth may have an even larger impact on AeroVironment's future. A \$400+ million acquisition financed by U.S. Bank and two other large financial institutions will allow AeroVironment to expand into the mid- and large-size drone markets and better position itself for lucrative defense and commercial contracts for years to come.



Details of AeroVironment Expansion

- \$200 million term loan and \$100 million line of credit split among three large financial institutions.
- Acquisition of Arcturus UAV and other recent acquisitions fueled expansion into Group 2/3 unmanned aircraft market.
- Financing executed within 45 days to facilitate speed of acquisition.

How the deal came together

“We went from zero to 60 very quickly,” says Kevin McDonnell, AeroVironment senior vice president and chief financial officer. “In a matter of weeks, we got the banks together and the commitments from them to go ahead with the financing, which was absolutely necessary to enable this acquisition, which was very strategic for us.”

McDonnell says the deal came together in less than 45 days – remarkable speed for a financing plan of this size – and even more impressive because AeroVironment held onto most of its cash in the past. It didn’t have a track record of financing for lenders to lean on. Further complicating the deal, the company was already working on two other acquisitions that would utilize much of its remaining cash.

“We knew we had the other transactions in the pipeline that were going to take the cash down further,” he explains. “So, the working capital facility was important to demonstrate to the market that we have good liquidity levels and the flexibility to adjust to future acquisition opportunities.”

Understanding AeroVironment’s expansion opportunity

Headquartered in Virginia with several offices in Southern California, AeroVironment is a global leader in intelligent, multi-domain robotic systems and serves defense, government and commercial customers. The company provides technology solutions at the intersection of robotics, sensors, software analytics and connectivity that deliver more actionable intelligence so their customers can proceed with certainty. The company began working with NASA/JPL on the Ingenuity Mars Helicopter project in 2013.

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Arcturus' products include fixed wing configurations with various launch types in addition to complete ground control systems, support packages and end-to-end field services.

"This acquisition was strategic because it enabled us to get into a very large market in Group 2/3 aircraft," McDonnell explains. "That is a \$1 billion market and it's growing."

In fact, the Group 2/3 UAS market is expected to triple in the next five years to \$3 billion and the acquisition of Arcturus positions AeroVironment positively within the segment – now and in the future.

"It allows us to compete in that market today. There are large opportunities with the United States Army Future Tactical UAS (FTUAS) program," he explains. "But we clearly didn't just buy this company for that program. We really bought this company to be in the Group 2/3 market for the long haul. It's a very large market. This just happens to be a near-term opportunity."

Financing the Arcturus acquisition

The acquisition of Arcturus required \$405 million in capital, \$50 million in stock, and nimble work by the banks involved.

"The financing that we actually took on the deal was a \$200 million term loan facility. We also negotiated a \$100 million working capital facility along with that, to provide liquidity," McDonnell explains. "With our other two acquisitions quickly approaching, that speed and flexibility were crucial."

Only the largest banks have the balance sheets to support that kind of financing, so the deal was split evenly between three institutions. Each bank committed \$100 million inclusive of the revolver to support the growth projection of the merged companies. AeroVironment had long-term relationships with two of the banks, but U.S. Bank was a new partnership.

“I was super impressed with the fact that U.S. Bank had less connection with us and they stepped up right away,” McDonnell says. “With the speed necessary for this transaction, it was important to see they were so committed to this project.”

U.S. Bank and the Southern California connection

With 345 branches and almost 200,000 business customers in the Southern California area, U.S. Bank was well-positioned to turn that connection into a relationship. McDonnell already knew a U.S. Bank employee from Little League, where their sons played together. Yet he was still impressed by the personal touch he received throughout the process. McDonnell points out that Southern California market president Rudy Medina and team met with the AeroVironment team several times while learning about their business, culminating in a hosted dinner.

“They took time to get to know me and know the company. And that’s something special,” he says. “U.S. Bank kind of gave us a local feel, with the local market president coming out for a personal 1 on 1 meeting. To make that connection, especially during COVID, was really impressive.”

Our Southern California team combines the power of our hyper-local experience with our ethical reputation to build solutions that propel your business forward. To learn more about Corporate and Commercial Banking with U.S. Bank in Southern California, visit [our website](#) or [contact us](#) to request a call.

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