



# A.I. Drones

*How to Pocket \$115,900 From  
the Next Frontier in Flight*





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## *How to Pocket \$115,900 From the Next Frontier in Flight*

I recently spent nine months investigating why a highly secretive group is building a ghost town in the middle of a **New Mexico** desert.

My team and I wanted to know what kind of technology could be so “big” that a full-scale city would be built from scratch just to test it.

And what I discovered was truly big.

Big as in \$127 billion in new wealth for early investors.

But really, it was right under our noses all along.

As you know, **unmanned aerial vehicles (UAVs)** – known popularly as “**drones**” – are all over the news.

Businesses ranging from **Amazon.com Inc. (Nasdaq: AMZN)** to your neighborhood burrito seller want to use drones in their deliveries – and some are starting to do so.

And we’ve been reading about military-related drone operations for years now.

But what most folks do not know (and what I’m going to tell you) is just how big the drone market is about to become.

Drones are going to be virtually everywhere.

And this is creating a massive opportunity for investors.

Because right now a number of major catalysts are converging at once. These catalysts are poised to give drones what I call their “**smartphone moment.**”

And they're going to create more than \$127 billion in new wealth for early investors.

In a moment we'll see exactly how that's going to happen.

More importantly, we'll also look at the best way I know of to capture a massive share of that \$127 billion pie.

It's a small company that's perfectly positioned to deliver returns totaling 10... 15... 25... even 50 times your money.

This company "crosses over" into both the military and commercial (civilian) drone segments. Their small drones can do everything from package delivery to police surveillance to tower inspections.

With a current market cap of just \$568 million, this crossover company is large enough to provide stability for investors...

Yet small enough to see its stock price ratchet up with each new order announcement.

As you're about to see, those orders are coming.

This firm already owns a 30% share of this commercial market – which makes it the dominant player and puts it light years ahead of potential newcomers. What's more, the company boasts a portfolio of more than 130 patents.

All of that gives them a wide "moat" around their operations.

More importantly they've just made a major announcement...

The company is ushering in a new era of what I call "**AI Drones**" – a brand-new breed of amazingly intelligent and super-capable drones unlike anything ever witnessed.

The artificial intelligence (AI) technology is so capable that these drones are being used in a thousand new ways. Even their detractors will be blown away by what these next-gen drones are capable of...

And how valuable they'll be...

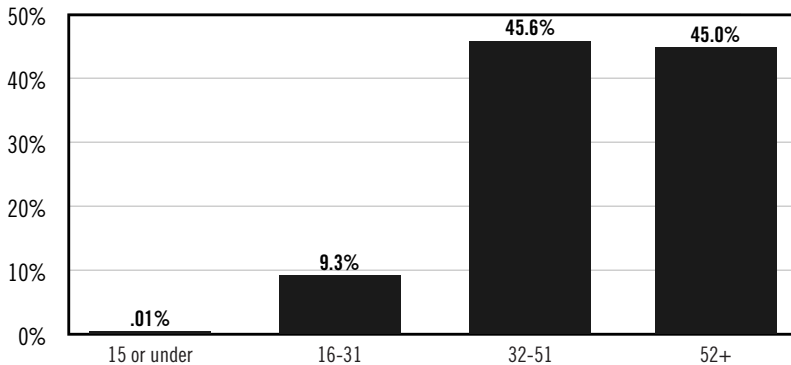
But before I introduce you to this revolutionary technology and the firm that's in the driver's seat, let me quickly run through the catalysts that are turning the modern drone into a sky-dwelling cash cow.

## The Next Frontier of Flight Is Directly Overhead

According to the NPD Group's Retail Tracking Service, the number of drones sold grew 224% from April 2015 to April 2016.

### Who's Buying Drones

Ninety-one percent of drone buyers are older than 31 years of age. That puts the lie to the perception that drones are just playthings for kids and techno-geeks.



Source: *Private Briefing* staff research, Skylogic

According to consultants at **PricewaterhouseCoopers**, by 2021 more than 67 million of these small, nimble flyers will be sold. That's a 960% increase since 2015.

And that number doesn't begin to capture the magnitude of this opportunity.

You see, right now the drone market is worth about \$2.3 billion dollars. That's a pretty hefty sum.

But by 2021 that figure is projected to reach \$127 billion – a 5,422% increase. That's an unheard of compound annual growth rate (CAGR) of more than 180%.

I don't personally know of any industry that has ever boasted this kind of growth out of the gates.

But the drone market does.

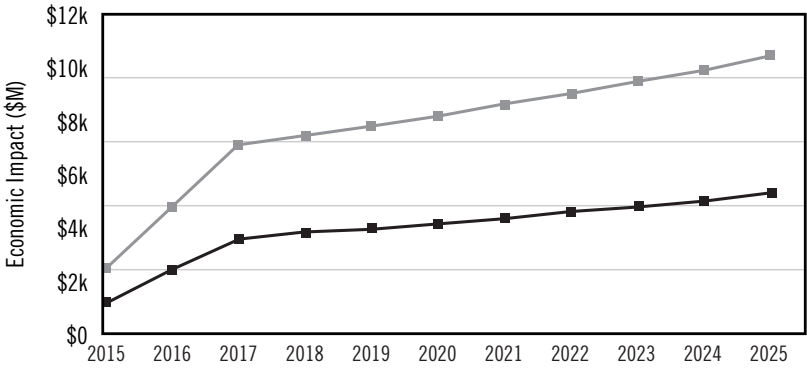
One reason is that right now every industry you can think of is on the cusp of using drones...

- **Wal-Mart Stores Inc. (NYSE: WMT)** plans to use drones to run its warehouses as part of a \$2.7 billion tech spend (to fend off Amazon).
- Sabotage attacks on the power grid are increasing, threatening huge areas with blackouts, and **PG&E Corp. (NYSE: PCG)** must now upgrade security with the aid of drones.
- **BP PLC (NYSE ADR: BP)** wants more drones for better pipe inspection.
- **Fox Sports** wants even more drones to cover events, bringing viewers closer to the action – increasing viewing time and sales of ads.
- **BNSF Railway** wants drones for track and bridge inspection and monitoring air quality.
- European airlines **EasyJet PLC** and **Deutsche Lufthansa AG (OTC ADR: DLAKY)** are placing orders for drones to do the inspections that drive down the risk of dangerous accidents.
- **Duke Energy Corp. (NYSE: DUK)** plans to operate a fleet of drones to inspect equipment and monitor vegetation and power lines.
- Mining giant **Rio Tinto PLC (NYSE ADR: RIO)** wants more drones for precision measuring its pits.

And on and on...

All of this activity is going to jump-start entire economies. Billions in taxes will be collected by governments at every level.

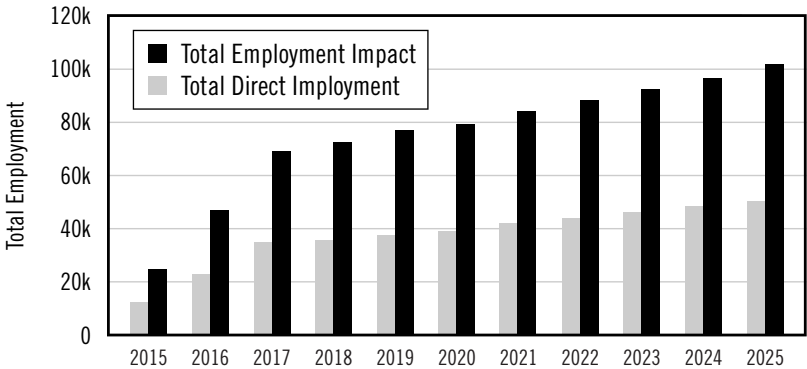
### Total U.S. Drone Spending and Economic Impact 2015-2025



Source: *Private Briefing* staff research, Association for Unmanned Vehicle Systems International

Millions of jobs are going to come online.

### Total U.S. Drone Sector Employment Impact, 2015-2025



Source: *Private Briefing* staff research, Association for Unmanned Vehicle Systems International

Not surprisingly, technological innovation is at the heart of this revolution.

## New Drones Powered by AI

Until now, drones required a lot of legwork and technical chops.

You had to build the drone, mount a camera to it, stabilize it, set up software, and troubleshoot it.

But now, amazing new designs and cool engineering make the new drones easy to handle, quiet, easily charged, super-affordable, and operable around the clock.

But again, there's only one company behind the brand-new **AI Drones**.

This new generation of small drones come with a simple on/off switch, a little onboard software to learn – and you're off.

They are fundamentally different than previous drones – using cutting-edge AI and Big Data to deliver more benefits for people, businesses and human civilization than you could have ever imagined possible...

Drones used to require a lot of technical know-how. But these new AI Drones are smart “fly-out-of-the-box” units that are as easy to use as driving a car.

Some can even fit in your pocket.

And here's the real game-changer: These AI Drones are autonomous – which means they can do a number of things you want them to do without you telling them to.

You just set them up and let them go with your smartphone or tablet.

They can navigate, fly and return to home base on their own. That's why everyone from a proud mom taking overhead pictures at her daughter's wedding to an 18-year-old student making a video for class will be able to operate one.

So, the fact that they are so small and easy to operate is one big catalyst for why they'll soon be all over the skies.

And why this company is about to cash in.

But there's another reason why these new drones will soon be everywhere.

I'm talking about a big event that just happened...

An event that's blowing the lid off the drone market **not two years from now... not a year from now... not even six months from now...**

**Immediately.**

It's happening as we speak.

## The FAA Is Fully “On Board”

It took nearly four years, but the **Federal Aviation Administration (FAA)** recently issued a 624-page stack of regulations for small drones – defined as drones weighing less than 55 pounds.

In so doing, it laid out a legal framework that opens up the skies – *while appearing to do just the opposite.*

Officially, **FAA Administrator Michael Huerta** announced that anyone can fly any type of small drone as long as it is flown...

- below 400 feet – to avoid airplanes...
- at least five miles away from an airport...
- and within line of sight of the operator.

Well, unless you're the **Six Million Dollar Man**, your “line of sight” is a short and very limiting distance. But as I said, that's the *official* FAA position.

It's meant to tamp down on the excitement of all the hobbyists out there, while the real commercial activity is allowed to go forward through back channels.

And it's that commercial activity that's going to turn the drone industry into a \$127 billion business.

In fact, if the FAA had delayed much longer, it risked putting the **United States** at a deep competitive global disadvantage.

That's because the lack of a rules framework was keeping the U.S. market for drone services more or less grounded.



That's not the case in other countries, which have jumped to a lead in figuring out how to put drones to work.

And now the U.S. market for commercial-drones services can finally get moving.

As it will.

But how are commercial drone operators – the Amazons of the world – going to make full use of drones given those highly restrictive FAA regulations?

The answer comes down to a single word...

... **Waivers.**

Thousands of companies can now apply for a **Section 107.200 Certificate of Waiver** from the new FAA rules.

Companies that know this are flooding the FAA with “107s” that permit them to use drones for all kinds of commercial ventures.

And most importantly, they can do so far beyond “line of sight” and without having to obtain a pilot's license – they just have to pass a simple test showing they understand some basic information.

These waivers are the “back door” that the FAA is using to blow the drone market wide open, right now.

Indeed, one of my sources says that the FAA is budgeting \$150 million just to implement the new rules. The agency is even opening up a web portal to make getting a drone waiver as easy as getting a driver's license.

“Our focus is to make this as streamlined as possible,” the FAA administrator told us.

Clearly the FAA sees the writing on the wall and knows that soon drones will be everywhere. And as that happens, we can expect drone makers to begin sprouting like mushrooms.

Let them come. We've already spotted one small company that promises to be the best-in-class.

## Our Favorite “Pure Play” Drone Maker

The company is **AeroVironment Inc. (Nasdaq: AVAV)** out of **Monrovia, Calif.**

As one of the only publicly traded “pure play” drone-makers, AeroVironment is a bit of a bellwether for this nascent sector.

But more importantly, it continues to be a first mover in the drone space.

State-of-the-art innovation is the driving force behind everything this company creates and has created in the past.

AeroVironment has a full arsenal of remarkable products that provides its customers with actionable intelligence on a minute-to-minute basis. Its sophisticated eyes in the sky provide lifesaving intelligence, reconnaissance and surveillance for private, defense and commercial markets.

The company has become the acknowledged expert and largest supplier of small, unmanned aircraft systems to the **Pentagon** and to dozens of allied nations.

And it's the only drone maker with a family of integrated and interoperable drones that gives users the ability to see and assess the situation ahead.

Meanwhile, AeroVironment's information solutions will significantly change the way many businesses monitor and manage their assets.

Yet the company remains under the radar of most investors, including Wall Street.



**Ticker:** Nasdaq: AVAV

**Business:** Unmanned aircraft systems (UAS), efficient energy systems

**Headquarters:** Monrovia, Calif.

**Market Cap:** \$596 million

**2016 Revenue:** \$264.1 million

**2016 Net Income:** \$9 million

**52-Week Range:** \$22.16-\$32.44

The company, founded in 1971, has aviation roots that reach all the way back to the human-powered **Gossamer Condor** created by AeroVironment founder **Paul MacCready**.

Since then, AeroVironment has branched out, creating such well-known (in military drone circles) UAVs as...

The **Puma AE**... the **Raven**... the **Wasp AE**...



The **Qube**... and the **Shrike**...



AeroVironment has also developed a small drone – known as the **Switchblade** – that can be carried in a soldier's backpack or launched at sea from a submarine.



Up until now, AeroVironment's drone business has been primarily focused on military applications.

But now, given the exploding uses for drones, AeroVironment has come up with yet another innovation that is certain to take the commercial market by storm – its new **Quantix** drone packed with artificial intelligence.

## AeroVironment and the Flight of the Gossamer Albatross

On June 12, 1979, the **Gossamer Albatross** became the first fully human-powered aircraft to cross the **English Channel**.



Designed by **AeroVironment** founder **Paul MacCready**, the 34-foot, 70-pound Albatross was built out of a revolutionary material called carbon fiber-reinforced plastics.

The pilot on this history-making crossing was **Bryan Allen**.

Allen, a veteran long-distance cyclist, trained for months to build up the stamina needed to pedal the craft across the 22.2 miles separating **Folkestone, Kent, in England** and the beach at **Cap Gris-Nez, in France**.

The flight took 49 minute longer than planned, and there were many technical setbacks. Allen's radio transmitter broke, and his airspeed instruments and acoustic altimeter failed.

But at 8:49 a.m., Allen landed the Gossamer and made aviation history.

In this age of burgeoning technology, businesses are all chasing efficiency. And that's exactly what Quantix promises to deliver... in spades.

Scheduled to launch this spring, Quantix isn't just a new and improved drone.

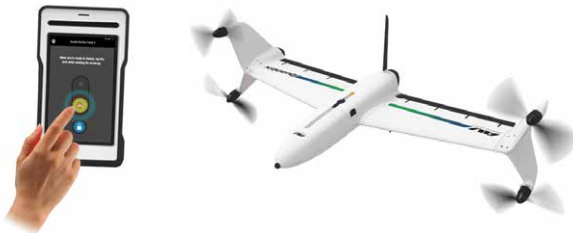
It's a combination of a drone and cloud-based analysis service. And supported by AI capabilities, Quantix can be used for all sorts of commercial applications.

Quantix will usher in a new era of remote sensing for aerial inspections, mapping and other applications.

Equipped with multispectral cameras, Quantix takes off and lands vertically, making it easy to operate, but transitions to horizontal flight in the air, which gives it a longer range.

And it's so simple to use that even a kindergartner could fly one.

The operator simply traces his or her finger over a map displayed on a tablet controller screen to identify the area of interest, and then presses the "fly" button. Quantix does the rest.



The drone is equipped with both a standard one-inch camera sensor, as well as a multispectral camera for analytic programs.

But here's what really makes it unique.

Quantix is paired with software that uses AI and Big Data algorithms to decipher the imagery from the drone's built-in cameras for the user. It can analyze the data to provide assessments of man-made structures like bridges, railways, pipelines, roads, power lines, cell towers and the like.

## AeroVironment's Tech Supports Its Drones

A drone, like any other piece of equipment, is only as good as the things you can do with it.

To that end, AeroVironment also provides state-of-the-art gear to support its drones.

One example is the Pocket RVT video receiver.

This compact unit gives ground troops a way to easily access the video images and other data being sent from a drone. Essentially, it turns any mobile device with a common USB port into a drone video monitor.

The Pocket RVT provides four types of views:



The unit weighs just 3.5 ounces, runs off of a five-volt battery and allows users to switch between any one of several “bands.” Just like radio.

It also has numerous applications for farmers, because the drone can cover 400 acres of land during a single hour-long flight, all the while collecting high-resolution images, according to **Steve Gitlin**, vice president of corporate strategy at AeroVironment.

With built-in dual high-resolution cameras, Quantix can capture twice the imagery within the same amount of time as other drones.

Upon landing, the data can be instantly analyzed on the tablet, which is also used to launch and land the drone with the click of a button.

For a deeper analysis, customers can log into AeroVironment's cloud service, called **Decision Support System**, which is compatible with many of the company's other unmanned systems.

Tons of data that are sliced and diced by supercomputers will turbocharge AeroVironment's revenue. In fact, the company may double its revenue in the next two years just from selling the data sets Quantix can capture.

In short, Quantix is set to raise the bar higher than ever for drone technology and become the next superstar in AeroVironment's product arsenal.

## These Drones Dominate the Defense and Commercial Markets

The word *drone* can be a bit spooky. The first thing most folks think of when they hear “drone” is their controversial use by the world's militaries.

The U.S. force that invaded Iraq in 2003 had a handful of unmanned planes – none of them armed – and no unmanned ground vehicles. Today more than 7,000 unmanned systems are in the air over **Iraq** and **Afghanistan**, ranging from **Predators** with 55-foot wingspans to micro-aerial vehicles like the **Puma** and **Raven** that soldiers launch by hand.

The increasingly dicey situation in **East Asia**, with the **South China Sea** and all of **North Korea's** antics – coupled with the perennial threats in the **Middle East** and worries about our own coastlines and terrorism – will rev up the demand for military drones.

Both **Russia** and **China** have made major investments in autonomous ships and “**unmanned undersea vehicles,**” or **UUVs**, of their own. The **U.S. Navy** has been developing specialized drones for more than a decade.

And just as its aerial drones have done with military aviation, AeroVironment's seagoing drones will revolutionize ocean warfare.

Altogether the Pentagon is scheduled to invest \$18 billion in new weapons technologies like AeroVironment's AI Drones.

But while military and consumer drone use is zooming higher, the commercial drone sector is set to absolutely explode.

As my nine-month investigation widened, I uncovered intense interest across hundreds of business sectors. Turns out just about every industry imaginable will benefit from acquiring and deploying fleets of new drones...

## Drones Invade the Briny Deep

In April 2016, the Pentagon's Defense Advanced Research Projects Agency (DARPA) unveiled a new self-driving ship christened the "Sea Hunter."

The 132-foot-long unarmed prototype is a test bed for a new kind of warship that will be able to hunt for enemy submarines – one of the biggest threats to both America's naval armada and its mainland.



The Sea Hunter is the naval equivalent of an AI Drone or a self-driving car, since it's designed to cruise the sea's surfaces – unmanned and autonomously controlled – for as long as three months at a time.

It's powered by two diesel engines – reliable power plants that can push the ship to speeds as high as 27 knots. And it's relatively cheap as weapons systems go: It has an initial price tag of roughly \$20 million and a penny-pinching daily operating cost of \$15,000 to \$20,000.

"This is an inflection point," U.S. Deputy Defense Secretary Robert Work told Reuters in an interview. "This is the first time we've ever had a totally robotic, transoceanic-capable ship."

Around the world, drones equipped with cameras and sensors are providing companies with clearer, more comprehensive views of their businesses and the opportunities and threats that surround them.

Here are just a few commercial applications where drones, led by AeroVironment's new AI-equipped Quantix drones could make huge inroads in the \$127 billion market...

**Infrastructure** – Infrastructure is the industry with the best prospects for drone applications, with a whopping \$45 billion in potential revenue.

Real-time awareness and accuracy have always been challenges on construction sites, and drones can provide the data required at every



phase of the construction process from concept/design to final inspection and maintenance.

Energy, roads, railroads, and oil and gas are the infrastructure industries that will benefit from drone technology most quickly. For instance, railroads have 140,000 miles of aging track that need constant inspecting for the tiny cracks that cause derailments

Then think about the terrible condition of America's 600,000 bridges. More than 65,000 of them have been labeled "dangerous" and require 24/7 monitoring.

AeroVironment's drones can not only locate defects faster and more thoroughly than human inspectors, but also more cheaply and safely.

**Agriculture** – In agriculture, there are 2.1 million farms that can be better mapped and managed with smarter drones. Drones will allow farming to become a highly data-driven industry, which eventually will lead to an increase in productivity and yields.

Due to their ease of use and low cost, drones can be used to produce time-series animations showing the precise readings on the health of a crop. They can instantly fly in pesticides or herbicides or redirect irrigation pumps.

Analysis like that will lead to better crop management, transforming agriculture into a fully high-tech industry.

One study found that corn growers could save almost \$12 per acre every year just from deploying drones.

The industry will demand more sophisticated sensors and cameras from drones that will require a minimal level of training and are easy to use. AeroVironment's new drones are perfectly positioned to support real-time gathering and processing of data that will save farmers more than \$10 billion by 2021.

**Police Surveillance/Security** – Fixed-wing UAVs are already being used to perform highway, coastal and border surveillance. They can watch for cases of illegal border crossing, smuggling or wild animal traffic.

Drones can quickly cover large and difficult-to-reach areas, reducing staff numbers and costs.

Additionally, drones can track crowds in high-traffic areas and provide vast amounts of real-time data for security teams in the event of disturbances, making it ideal for the needs of police officers, firefighters and other first responders.

Soon, thousands of AeroVironment's AI drones will pack the trunks of police cruisers, able to track down a suspect or keep an officer out of harm's way. In addition to improving the safety of police officers, drones will protect innocent citizens as well.

In a traffic accident, a drone can map a crash scene in minutes with high accuracy and image resolution. So traffic is flowing again in minutes, instead of hours

In the future, UAVs with AI capabilities like Quantix will enable mass surveillance, where data will be instantly processed in the cloud, and potential threats will be identified and immediately transmitted to response teams.

Thanks to machine-learning software – such as motion sensing, biometrics-based behavior analysis and facial recognition – they will be able to precisely identify intruders.

And the list goes on...

**Mining** – Drones are being tested and used mostly in open-pit mining, where they are replacing labor-intensive tasks like inspection, mapping and surveying, as well as ensuring safety on the site.

**Communications** – Phone companies have 215,000 cell towers they need 100% operational. It could be done safer, faster and cheaper using these new drones.

Think about it... there are endless possible applications for drones.

And AeroVironment, with its long history of innovation and reliability, is perched at the top of the drone pecking order.

## AeroVironment's Business Is Flying High

And with AeroVironment's strong UAV business showing growth, I'm betting we'll start to see an analyst "upgrade cycle" on the shares, meaning you can watch for boosts in ratings and target prices.

And don't be surprised if there's a buyout: **Alphabet Inc. (Nasdaq: GOOGL)** has already snapped up several drone makers. And big defense players are always looking for ways to add revenue or market share.

The stock is currently trading at around \$26, giving it a market cap of \$595.3 million.

So it's big enough to weather volatility, and small enough to have room for tremendous growth.

Analysts currently have a high-water price target of \$35, which is about 35% from where the stock trades today.

## This Tech Leader Has Another String to Its Bow

So far we've only looked at AeroVironment's domination of a single industry.

But in addition to drones, the company has diversified into the next generation in energy systems.

It has an **Efficient Energy Division** that sells the most popular "charging stations" for electric vehicles – the EV cars that are fast growing in number.

They make EV charging stations for the workplace, for the roadside, for pharmacies and convenience stores, for everywhere they're going in.

And they are going in like gangbusters.

Analysts at **MarketsandMarkets** say the EV charging market will hit \$12.6 billion by 2022 – that's a growth rate of almost 30% a year.

This growth isn't as huge as drones, but it's still 15 times better than the **Dow Jones Industrial Average** has done.

And it means that the EV market grows from about 1 million charging stations operating in 2014 to nearly 13 million in 2020.

That's because, around the globe, EV charging stations are taking off.

**Japan** already has more EV charging stations than gas stations.

So we add these sales into the bigger picture, and this crossover stock wins three ways...

It's diversified across two industries – EV charging and small drones.

And in the much larger drone business, it's diversified across the military and commercial sectors.

And it sells complete solutions – hardware and software combining to solve real business problems, which people will pay for.

Being triply diversified like this keeps a solid floor under the stock price. We are better protected from downturns in one sector, or new market entrants, or changing demand.

At the same time, we don't see a ceiling on upside growth.

And that upside growth looks even better when you consider this next point.

## Why AeroVironment's Time Is Right Now

I truly believe this is a once-in-a-lifetime opportunity to take a position in a company that is about to skyrocket because of all the catalysts hitting at once.

It's riding a wave of factors that have only converged recently.

The FAA 107 waivers opens the floodgates for an explosion of demand for commercial drones. Industry watchers expect more than 67 million drones to take flight in the next four years, enough to fill the skies with unfettered data-gathering machines.

Combine that momentum with AeroVironment's new Quantix AI drone, and we've got a company poised to dominate a market that set to

blow up into a \$127 billion bonanza. That translates to massive revenue gains for a company that continues to get little attention from investors.

Which makes now the perfect time to jump on board.

The FAA's ruling only just came down on Aug. 1, a few short months ago.

And on Aug. 30 AeroVironment's shares fell about 22%. I for one was extremely happy to see that happen. You should be, too.

Here's why...

Because drones are a new, exciting industry, they naturally attract their share of opportunistic investors and even speculators.

The selloff we saw at the end of August was nothing more than the "uncommitted" investors running for the hills. These are the folks who got jazzed about drones, bought AeroVironment and then bolted at the first sign of weakness.

In this case, that weakness was a quarterly report that failed to fulfill expectations.

AeroVironment's sales fell to \$36.2 million, about 5% below what investors wanted to see.

The company also saw net losses of about 51 cents per share. Investors were expecting losses of about 17 cents per share.

Again, that's fine. Expectations are all "part of the game," and when a company misses, it more often than not gets "punished" by investors.

That said, I believe that the folks who stampeded out of AeroVironment cut off their nose to spite their face. They overreacted.

Their mistake gives us an opportunity to grab shares at a big discount.

I'll take a deal like that any day of the week. Especially with an industry that's ready to go vertical.

So smart investors should stay patient.

**CEO Wahid Nawabi** told investors, “International demand for our small [drones] remains strong, and we are confident in our ability to build on significant opportunities with existing and new customers, particularly in Europe and the Middle East.”

And here’s another reason AeroVironment is such a compelling investment.

## Follow the Patents

Investors too often fail to notice a company’s patent position. This is a mistake.

That’s because, in the world of technology, money follows patents.

The more patents you have, the more companies that have to come to you – money and hat in hand – looking to license your technology.

**ASML Holding NV (Nasdaq ADR: ASML)** controlled 221 patents, which made it the fifth-most-powerful semiconductor firm in the world. The company was able to leverage that (relatively modest) pipeline into a 2,531% gain in its share price.

**Thermo Fisher Scientific Inc. (NYSE: TMO)** controlled 123 patents. That made it the fourth-most-powerful scientific instruments company a couple of years back. That allowed Thermo Fisher to deliver a 1,196% gain to shareholders.

And **NetApp Inc. (Nasdaq: NTAP)** controlled 234 patents. Because of this, it became the second-most-powerful digital storage company – and returned 2,075% to investors.

My recent search of the U.S patent collection database uncovered 133 patents for AeroVironment.

These patents cover some of the most fundamental technologies related to drones as well as some pretty forward-looking technologies.

Things like...

**Aircraft control systems** (Patent No. 7,198,225)... **invertible aircraft** (Patent No. 9,199,733)... **energy storage systems** (Patent No. 7,588,846)... **sun-powered aircraft** (Patent No. D476,289)... **passively stable hovering systems** (Patent Nos. 5,082,079 and 5,070,955)...

And on and on...

Now let's look at how AeroVironment could translate its technology, its enviable market position, and the mushrooming market for drones into stratospheric profits.

## AeroVironment's "Roadmap" to 4,636% Profits

To estimate AeroVironment's stock-price growth, let's first estimate the company's "organic" growth, its market share and the organic growth of the drone industry.

In 2010, AeroVironment had revenue of \$249.52 million. This year the company's top line came in at around \$264.1 million.

Drones are currently a \$2 billion market, and AVAV currently has 11.7% of it.

Now, over the past six years the company has seen a CAGR of around 0.95%. The drone industry as a whole, on the other hand, is expected to see a CAGR of 182.29%.

We'll assume AeroVironment continues to capture 11.7% of a growing drone market.

And we'll assume the company continues growing at a CAGR of 0.95%.

(Both assumptions are probably conservative. That's OK. It's never a bad idea to build a little leeway into our forecasts.)

Given the above, here is my forecast for AeroVironment's revenue, accounting for organic growth plus share of industry revenue.

- 2017: \$926.42 million...
- 2019: \$5.5 billion...
- 2020: \$15.1 billion.

Now let's see how this revenue growth translates to share-price growth.

Right now firms across the drone industry have an average price-to-sales multiple of 1.70.

If AeroVironment continues to follow that that average...

Then in 2017 the stock should trade for around \$68.

In 2019 it should trade for around \$410.

And in 2020 it should trade for \$1,118.

That's a gain of about 4,636% from current levels.

Your \$2,500 investment would be worth \$115,900.

Talk about "sky high" profits...

## Some Concluding Thoughts

In the next five years, drones are going to be everywhere.

That said, AeroVironment is still a small-cap company. I recommend that you use a trailing stop with this investment.

Even better, consider staggering your entries.

Buy a small block now – and then look to add to your stake on pullbacks, an approach that will work to your advantage when the market rebounds.

With this strategy, you don't overload up front. So if the market does stumble or work its way into a glut, your hard-won wealth won't suffer. Instead, you'll reap the maximum gains.

Rest assured, this is story we're following very closely.

As facts on the ground change, you'll be the first to know.





**Please Note:** From time to time, Money Map Press will recommend stocks or other investments that will not be included in our regular portfolios. There are certain situations where we feel a company may be an extraordinary value but may not necessarily fit within the selection guidelines of these existing portfolios. In these cases, the recommendations are speculative and should not be considered as part of Money Map Press philosophy.

Also, by the time you receive this report, there is a chance that we may have exited a recommendation previously included in our portfolio. Occasionally, this happens because we use a disciplined selling strategy with our investments, meaning that if a company's share price falls below a certain price level, we immediately notify our subscribers to sell the stock.

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