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Adacel Technologies Limited (ASX: ADA)

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Adacel reports strong FY2016 first half profit before tax of A\$6.3 million Confirms full year guidance of profit before tax 70% above 2015

Highlights for the Six Months Ended 31 December 2015

- **Revenue of A\$24.6 million**, an increase of 42% over the prior corresponding period (A\$17.3 million)
- **Consistent** revenue and earnings contributions from both key business segments: Systems and Services
- **Profit before tax of A\$6.3 million**, an increase of over 300% compared to the prior corresponding period (A\$1.4 million) and above guidance
- Strong operating **cash flow of A\$3.7 million**
- **Net cash of A\$11.3 million**

Key financial measures A\$'000	Six months ended 31 December		
	2015	2014	
Revenue	24,613	17,322	42.1%
Gross margin	13,692	9,339	46.6%
Gross margin %	55.6%	53.9%	
EBITDA	6,824	1,921	255.2%
EBITDA %	27.7%	11.1%	
Profit before tax	6,274	1,434	337.5%
Net profit after tax	5,707	805	608.9%
Earnings per share (cents)	7.20	1.01	612.9%
Operating cash flow	3,678	4,818	(23.7)%
Net cash	11,305	7,007	61.3%
Dividends per share (cents)	1.25	0.75	66.7%

APPENDIX 4D AND HALF YEAR REPORT

Adacel has today released its Appendix 4D and Half Year Report for the period ended 31 December 2015 (**Half Year**).

The Company has delivered a strong financial result for the Half Year with a profit before tax of A\$6.3 million, an increase of over 300% compared to the prior corresponding period (2014: A\$1.4 million).

This Half Year result has been driven principally by strong on-going business activity with key customers and the award and renewal of certain orders being received ahead of original expectations. Total revenue for the period was A\$24.6 million, 42% higher than the prior corresponding period (2014: A\$17.3 million).

Earnings before interest, tax and depreciation (EBITDA) increased to A\$6.8 million, over 250% greater than the prior corresponding period (2014: A\$1.9 million). The particularly strong EBITDA margin for the period is principally a reflection of the Company's efforts to maintain the appropriate operating cost structure for the business, the benefit of which is self-evident given the higher than forecast first half revenue.

The net cash balance as at 31 December 2015 was A\$11.3 million, reflecting cash inflows of A\$3.7 million for the Half Year. Cash flow in the second half of the 2016 financial year is anticipated to be higher reflecting the benefit of receivables generated in the first half.

Commenting on the results for the Half Year, Chairman Peter Landos said: "we are particularly pleased with this strong performance which is the result of the Company's on-going efforts to grow sales and deliver sustainable profitability. We are confident that the solid growth platform we have now established will continue to deliver improved results for the full 2016 year and beyond".

BUSINESS SEGMENT REPORTING

Commencing in this reporting period, the Company is reporting under the following business segments: **Systems** and **Services**.

Systems

The Systems segment represents all sales of integrated software systems and products covering operational control as well as simulation and training (and includes hardware and software upgrade sales).

Services

The Services segment includes all potential recurring revenue, including software maintenance and all aspects of system support, field services and on-site technical services.

The revenue contributions of the Company's key business segments can be summarised as follows:

Business segment revenue	Six months ended 31 December				
	2015		2014		
A\$'000					
Systems	9,895	40.2%	6,852	39.6%	44.4%
Services	14,718	59.8%	10,470	60.4%	40.6%
Total revenue	24,613	100.0%	17,322	100.0%	42.1%

The relative gross margin contribution of each business segment for the Half Year can be summarised as follows:

Business segment	months					
	A\$'000	2015			2014	
	Revenue	GM	GM %	Revenue	GM	GM %
Systems	9,895	5,128	51.8%	6,852	3,766	55.0%
Services	14,718	8,564	58.2%	10,470	5,573	53.2%
Total	24,613	13,692	55.6%	17,322	9,339	53.9%

The gross margin contributions for the Half Year illustrate the consistency in business activity towards more stable and annuity-style earnings, as represented by the Services segment. The Company anticipates that the relative contribution from these business segments will continue.

KEY CUSTOMERS AND PROGRAMS

During the Half Year, contributions from the Services and Support business segments were principally derived from:

- United States Air Force simulator support program;
- FAA under the ATOP program;
- Software field services for NavPortugal;
- United States Army;
- FAA under the Tower Simulation Systems Program;
- SAIC under the Controller Training Contract (CTC) with the Company now having 70+ on-site support personnel deployed at various FAA locations;
- Universities and Aviation Colleges;
- Air Services Australia; and
- Royal Australian Air Force.

DIVIDEND

The Board has declared an unfranked interim dividend of A\$0.0125 (A1.25 cents per share), an increase of 67% over the prior corresponding period interim dividend (2014: A\$0.0075). The interim dividend has a record date of 17 March 2016 and will be paid on 31 March 2016.

OUTLOOK

The Board is confident that the current momentum in the business will be maintained for the balance of FY2016. Whilst it is too early to provide specific guidance for the second half of FY2016, the combination of a strong order book to commence the calendar year, good visibility of opportunities for each of the business segments and disciplined operating systems provides confidence that the guidance for FY2016 of profit before tax being 70% higher than the previous period is achievable.

About Adacel

Adacel is listed on the ASX and further information on the Company can be found on its website at www.adacel.com.

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