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## Adacel Technologies Limited (ASX: ADA)

### ASX Announcement

28 August 2017

### 2017 FULL YEAR RESULTS

Adacel Technologies Limited today released its financial results for the year ended 30 June 2017 (FY2017).

#### Highlights

- Profit before tax of A\$7.9 million, above top end of guidance
- As per previous guidance, profit before tax below prior year due to lower Systems segment contribution, principally due to contract delays
- Continued growth in Services segment
- Increase in the final dividend to 2.25 cps, an increase of 29% over pcp
- Total ordinary dividends for FY2017 of 4.00 cps, an increase of 33% over pcp
- Special dividend of 7.75 cps, payable at same time as final dividend, bringing total dividends for FY2017 to 11.75 cps
- Strong foundation for earnings growth in FY2018, reflecting greater proportional contribution from Systems segment combined with continued growth in Services segment

#### Financial Overview

Key financial measures	Year ended 30 June		
	2017	2016	% Change
<b>A\$ million</b>			
<b>Profitability</b>			
Revenue	42.432	47.917	(11.4)%
Gross margin	17.885	21.635	(17.3)%
Gross margin %	42.1%	45.2%	
EBITDA	8.836	11.881	(25.6)%
EBITDA %	20.8%	24.8%	
Profit before tax	7.851	10.818	(27.4)%
Net profit after tax	9.279	9.217	0.7%
<b>Cash Flow and Capital Management</b>			
Net cash flow	0.585	8.146	(92.8)%
Net cash	16.358	15.773	3.7%
Earnings per share (cps)	11.71	11.63	0.7%
Final dividend (cps)	2.25	1.75	28.6%
Special dividend (cps)	7.75	-	N/A

Chairman, Peter Landos said: *“The Board is pleased to report another year of profitable financial results, although it is disappointed to have fallen short of internal profit targets due to delays with certain contract awards and commencements. Reflecting the Board’s confidence in the Company’s balance sheet and future financial performance, we are delighted to be able to declare a special dividend of 7.75 cents per share, in addition to a final dividend of 2.25 cents per share, bringing total dividends for the FY2017 period to 11.75 cents per share. The Board remains confident that the Group is well-positioned to take advantage of further growth opportunities in our key markets in both Systems and Services”.*

Chief Executive Officer, Gary Pearson, said: *“Over the past twelve months, Adacel has continued to strengthen its market leading position as the key supplier of systems and services to the air traffic control simulation and air traffic control management markets globally. We have taken a disciplined approach to drive sustainable and scalable improvements to the business, including the targeted development of our credentials which will lead to an expansion of the potential opportunity set. With previously delayed contracts now largely secured, the Company is confident in a strong earnings contribution from both business segments earnings in FY2018”.*

### Business Segment Reporting

Segment Contribution	Year ended 30 June	
	2017	2016
<b>A\$ million</b>		
Revenue		
Systems	9.670	17.806
Services	32.762	30.111
<b>Total</b>	<b>42.432</b>	<b>47.917</b>
Gross margin		
Systems	3.367	8.742
Services	14.518	12.893
<b>Total</b>	<b>17.885</b>	<b>21.635</b>
Gross margin %		
Systems	34.8%	49.1%
Services	44.3%	42.8%
<b>Total</b>	<b>42.1%</b>	<b>45.2%</b>

### Operational Overview

The financial performance of the Company for the twelve months ended 30 June 2017 was adversely affected by the delay in a number of contract opportunities, principally in the Systems segment. These contracts were either received, too late in the period to deliver an earnings contribution or early in FY2018. However, it is anticipated that many of these Systems segment opportunities will be delivered during the first half of FY2018. Further, the Company’s Services segment continued its consistent earnings growth trend in the period. Following a focused expansion of the Company’s capability in the Services segment, the Board is confident of this growth trend into FY2018.

Operationally, the Company’s total gross margin declined from 45% to 42% due to a shift in the revenue mix, towards Services segment revenue.

The Company maintained a disciplined approach to managing its fixed cost base during the period with flexibility to scale resources in FY2018 with anticipated increases in activity levels.

## **Tax**

Adacel has carry-forward tax losses and credits available in various jurisdictions to offset future taxable profits. Reflecting the Board's confidence in future profitability, at 30 June 2017, the Company recognised a net deferred tax asset of \$3.1 million, relating to available tax credits. The recognition of this amount has given rise to a net tax benefit in the income statement of \$1.4 million.

In addition to this amount, and not recorded on the balance sheet, the Company has available tax losses in Australia and tax credits in Canada, the estimated net benefit of which, at the applicable tax rates, are \$11.7 million and \$11.6 million, respectively.

## **Cash Flow and Net Cash**

Due to the delay in a small number of receivables, operating cash flow for the period was modest. However, receivables in excess of \$4.0 million have been collected during July 2017.

The Company ended the period with net cash of \$16.4 million.

## **Dividend**

The Board declared a final ordinary dividend for the year of 2.25 cents per share (unfranked) and a special dividend of 7.75 cents per share (unfranked), taking total dividends for the year to 11.75 cents per share.

Key dates for the final ordinary dividend and the special dividend are:

- **Record date:** 15 September 2017
- **Payment date:** 29 September 2017

## **Outlook**

The Board is focused on delivering further revenue and profit growth in FY2018 from the contribution of previously delayed contracts and anticipated organic growth opportunities. It is anticipated that the Systems segment will deliver a disproportionate level of growth in FY2018 weighted towards the first half of FY2018. Growth consistent with recent trends is also expected in the Services segment.

Further commentary around guidance in FY2018 will be made at the Company's Annual General Meeting in November 2017.

## **Results Conference Call**

Adacel Chief Executive Officer, Gary Pearson, and Chairman, Peter Landos, will host a conference call in connection with the FY2017 results at 9.00am on Tuesday 29 August 2017.

Details of the conference call are as follows:

Dial-in details:

<b>Australia:</b>	1800 685 494
<b>International:</b>	+61 3 8687 0650

The conference call will be recorded and archived on the Adacel website at [www.adacel.com](http://www.adacel.com).

**-ENDS**

#### **About Adacel**

Adacel is a leading developer of advanced simulation and training solutions, speech recognition applications and operational air traffic management systems. Adacel is particularly well known for innovations within the ATC simulation and speech recognition fields. The Company's products are widely used throughout North America, Europe, the Middle East and the Asia Pacific region. Adacel is listed on the ASX and further information on the Company can be found on its website at [www.adacel.com](http://www.adacel.com).

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