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Adacel Technologies Limited **(ASX: ADA)**

ASX Announcement & Media Release

17 August 2020

Full Year 2020 Financial Results

Melbourne, 17 August 2020 – Adacel Technologies Limited (**Adacel** or the **Company**) reports FY2020 with a significant improvement in financial results in-line with guidance, confirms final dividend, and provides guidance for FY2021.

Summary

- Adacel achieves significant financial improvement in FY2020 despite the impact of COVID-19;
- Normalised Profit Before Tax (PBT) of A\$4.8 million, excluding non-recurring litigation and related costs and the impact of the adoption of AASB 16 Leases;
- Normalised Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) of A\$7.1 million excluding one-off items;
- Improvement in cash conversion associated with progress on major ATM programs resulting in a A\$5.2 million cash balance at 30 June 2020;
- Final dividend (unfranked) of 1.5 cent per share;
- For FY2021, the Company anticipates a profit before tax of between A\$6.3 million and A\$6.8 million.

Financial Overview

Key Financial Measures	Year ended 30 June		
	A\$'000	2020	2019
Revenue		39,714	41,357
Gross margin		13,980	11,043
Gross margin %		35.2%	26.7%
EBITDA		4,502	(1,121)
EBITDA %		11.3%	(2.7%)
Profit (loss) before tax		2,198	(1,954)
Net profit (loss) after tax		3,634	(2,697)
Non-recurring items*		2,597	239
Normalised EBITDA*		7,099	(882)
Normalised EBITDA % revenues		17.9%	(2.1%)
Normalised PBT *		4,795	(1,715)
Normalised PBT* % revenues		12.1%	(4.1%)
Earnings (loss) per share (cents)		4.71	(3.50)
Net cash		5,177	2,511
Final dividend (unfranked) (cents)		1.50	-
Total interim dividends (unfranked) (cents)		1.00	1.00
Total dividends (cents)		2.50	1.00

* Earnings before interest, taxes, depreciation and amortization (EBITDA), Normalised EBITDA and Normalized profit-before-tax (PBT) are non-IFRS measures and are presented to provide users with additional insight into the Company's business and to facilitate incremental understanding of the Company's underlying financial performance. Non-IFRS information is not audited. Non-recurring items include litigation and related costs and the impact of the adoption of AASB 16 Leases.

Adacel's Chief Executive Officer, Daniel Verret, said: "Adacel's significant financial improvement demonstrates our company's steadfast dedication to meet its financial commitments while delivering value to customers and shareholders. We are pleased to report that, despite travel restrictions caused by COVID-19, the Fiji project was delivered in FY2020. The Guadeloupe project is over 93% complete, and we expect to deploy it at our customer's facilities in FY2021."

Operational overview

For the year-ended 30 June 2020, excluding A\$2.6 million related to non-recurring litigation and related costs and the impact of the adoption of AASB 16 Leases (Non-recurring Costs), the Company delivered a normalised profit before tax (Normalised PBT) of A\$4.8 million compared to a loss of A\$1.7 million for the previous year. Focus on our core products and services combined with improved execution drove a significant increase in profitability. Reported PBT for the year amounted to A\$2.2 million compared to a loss before tax of A\$2.0 million for the year-ended 30 June 2019.

The Company delivered revenues of A\$39.7 million compared to A\$41.4 million for the previous year. Gross margin, which includes an allocation of overhead and other fixed costs, improved by 26.6% to A\$14.0 million or 35.2% of revenues. The improvement in gross margin is primarily attributable to higher revenues in our Services segment.

Normalised Earnings Before Interest, Tax, and Depreciation (Normalised EBITDA), excluding A\$2.6 million related to Non-recurring Costs, increased to A\$7.1 million from a loss of A\$0.9 million in FY2019. Reported EBITDA for the year amounted to A\$4.5 million compared to a loss of A\$1.1 million for the year ended 30 June 2019.

The company recorded a tax recovery of A\$1.4 million during the year due to new loss carryback provisions enacted to address the economic impact of the COVID-19 pandemic in the United States.

Adacel generated net cash flows from operating activities of A\$6.1 million for the year compared to a cash outflow of A\$0.5 million in the prior comparative period.

Business Segment Reporting

Segment performance	Year ended 30 June					
	A\$, 000	2020			2019	
	Revenue	GM	GM %	Revenue	GM	GM %
Systems	9,743	(1,169)	(12.0%)	13,401	(2,386)	(17.8%)
Services	29,971	15,149	50.5%	27,956	13,429	48.0%
Total	39,714	13,980	35.2%	41,357	11,043	26.7%

Operating Performance

Systems

Revenues in our Systems segment decreased by A\$3.7 million or 27.3%. In FY2019, we completed large simulator programs in Sri Lanka and Morocco. As a result, ATC Systems revenues accounted for 13% of total revenues compared to 22.5% last year. We completed the Fiji installation in June 2020, despite COVID-19 travel restrictions, and have now moved to the maintenance and service portion of the contract. As at 30 June 2020, the expanded Guadeloupe project is over 93% complete. ATM Systems revenues accounted for 10.8% of total revenues compared to 8.7% for the prior year.

Gross margin improved from a loss of A\$2.4 million in FY2019 to a loss of A\$1.2 million in FY2020. With respect to our large Aurora projects, we expect to generate positive contribution margins for Fiji and Portugal and, as previously reported, the Guadeloupe project had a provision for onerous contract recorded in FY2019. Because gross margin includes an allocation of fixed costs incurred to support both segments, we reported a loss for the segment.

Services

In our Services segment, revenues increased by A\$2.0 million or 7.2%, driven mainly by increased revenues from our FAA ATOP program. ATM Services revenues accounted for 54.7% of consolidated revenues compared to 48.3% last year while ATC Services revenues accounted for 20.5% of FY2020 consolidated revenues compared to 19.3% last year.

Dividends

The Board is pleased to declare a final dividend of 1.50 cents per share, unfranked. The dividend will have a record date of Tuesday, 1 September 2020 to be paid on Tuesday, 15 September 2020.

Outlook

The Company updates its FY2021 full-year guidance of profit before tax of between A\$6.3 million and A\$6.8 million. Assuming no further delays caused by COVID-19, almost 80% of FY2021 revenues are in backlog. Excluding payment of future undeclared dividends, the Company is forecasting cash of approximately A\$10.0 million at 30 June 2021.

Chairman, Michael McConnell shared: "A little over a year ago, we completed a comprehensive review of all aspects of the business including but not limited to, our Approach and Tower control systems product, our forecasting methodology, our products and services and our fundamental business disciplines and operating efficiency. Today, I am very proud of the results the team delivered in FY2020. We remain focused on continued improvement in FY2021."

Results Conference Call

Adacel Chief Executive Officer, Daniel Verret, Vice-President of Operations, Kevin Pickett and Chairman, Michael McConnell will host a conference call in connection with the FY2020 results at 9:00am (AEST) on Monday, 17 August 2019.

Details of the conference call are as follows:

<https://s1.c-conf.com/diamondpass/10009304-invite.html>

Alternatively, at the time of the call investors can dial **1800 455 963** (within Australia) and provide the conference ID **10009304** to the operator.

The conference call will be recorded and archived on the Adacel website at adacel.com.

-ENDS

This announcement was authorised by the Board of Directors of Adacel Technologies Limited.

About Adacel

Adacel is listed on the ASX and is a leading developer of operational air traffic management systems and advanced air traffic control simulation and training solutions. Further information on the Company can be found on its website at www.adacel.com.

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