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Adacel Technologies Limited (ASX: ADA)

ASX Announcement & Media Release

Melbourne, 24 August 2022

Adacel reports FY2022 financial results in line with expectations, declares final dividend and provides guidance for FY2023

FY2022 Highlights:

- Normalized EBITDA, normalized Profit before tax (“PBT”) and PBT of USD\$7.3 million, USD\$5.6 million and USD\$5.2 million, respectively, in line with Management expectations
- Final dividend (unfranked) of AUD3.25 cents per share
- Total dividend for FY2022 of AUD6.00 cents per share, consistent with FY2021
- For FY2023, the Company anticipates EBITDA of between USD\$6.7 million and USD\$7.2 million and PBT of between USD\$4.5 million and USD\$5.0 million

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Financial Overview – all figures in USD, unless otherwise noted

Key Financial Measures USD\$ '000, except dividends and percentages	Year Ended 30 June		
	2022	2021	Movement %
Revenue	27,560	30,010	(8.2)
Gross Margin	10,842	12,030	(9.9)
Gross Margin %	39.3	40.1	
Normalized EBITDA*	7,313	7,340	-
EBITDA*	6,885	7,340	(6.2)
EBITDA* %	25.0	24.5	
Normalized PBT*	5,607	5,742	(2.4)
PBT	5,179	5,742	(9.8)
PBT % of Revenues	18.8	19.1	
Profit After Tax	3,262	5,500	(40.7)
Earnings Per Share (cents)	4.27	7.20	(40.7)
Final dividend (unfranked) (cents)	AUD 3.25	AUD 3.25	-
Total Interim dividend (unfranked) (cents)	AUD 2.75	AUD 2.75	-
Total dividend (cents)	AUD 6.00	AUD 6.00	-

*EBITDA stands for Earnings before interest, taxes, depreciation, and amortization.

Normalized 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.

Normalized EBITDA and normalized PBT excludes acquisition and integration costs of \$428,000, noted in the Company's Consolidated Statement of Comprehensive Income.

Adacel's CEO Daniel Verret said, "We are satisfied with our financial performance for FY2022 in delivering normalized EBITDA of \$7.3 million and normalized PBT of \$5.6 million. Although revenues declined year-over-year, our pipeline with new and existing customers has increased significantly and we are confident in driving revenue growth from our new virtual ATC tower business."

The Company delivered revenues of \$27.6 million, compared to \$30.0 million the previous year. The decrease in revenues stemmed mainly from the Company's Systems segment.

In line with the decrease in revenues, Adacel recorded a lower gross margin of \$10.8 million in FY2022, compared to \$12.0 million in FY2021. The gross margin includes allocations of overhead and other fixed costs.

In FY2022, Adacel's normalized EBITDA stood at \$7.3 million, comparable to FY2021.

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The Company's net profit after tax in FY2022 stood at \$3.3 million, compared to \$5.5 million in FY2021. The decrease was mainly attributable to a non-cash increase in income tax expense of approximately \$1.7 million.

As of 30 June 2022, the Company's net cash balance was \$1.9 million, compared to \$8.7 million at FY2021 year-end. During FY2022, the company disbursed \$2.6 million pertaining to the acquisition of intellectual property and paid a total of \$3.3 million (FY2021: \$2.4 million) in dividends to its shareholders.

Business Segment Reporting

	Year Ended 30 June	
	2022	2021
Revenue USD \$'000		
Systems	6,912	9,196
Services	20,648	20,814
Total	27,560	30,010
Gross Margin USD \$'000		
Systems	758	1,122
Services	10,084	10,908
Total	10,842	12,030
Gross Margin %		
Systems	11.0	12.2
Services	48.8	52.4
Total	39.3	40.1

Systems

The Systems segment represents sales of integrated software systems and products covering operational air traffic management as well as simulation and training applications. This segment also includes hardware and software upgrade sales.

In FY2022, Adacel recorded a decrease in its Systems segment revenues, from \$9.2 million in FY2021 to \$6.9 million in FY2022. ATC Systems accounted for 11.2% of the Company's revenues, down from 18.2% in FY2021. The decrease was mainly as a result of the General Dynamics' order for additional Air Traffic Control Simulators (ACS) units to the US Army that we delivered in FY2021.

ATM Systems revenues accounted for 13.7% of total revenues in FY2022, compared to 12.1% in FY2021, and amounted to \$3.8 million in revenues, compared to \$3.6 million in FY2021, a 4.4% increase year-over-year.

Gross margin, as a percentage of revenues, was 11.0% for FY2022, compared to 12.2% in FY2021 due to the revenue mix.

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Services

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

Services segment revenues remained stable in FY2022, totalling \$20.6 million compared to \$20.8 million in FY2021. The Advanced Technologies and Oceanic Procedures contract (ATOP) continues to be a significant contributor to the services segment. The contract was renewed in early FY2022 for 12 years, and as we have for the past 21 years, we continue to work closely with Leidos and the FAA to ensure the successful sustainment and enhancement of ATOP. ATM services revenues accounted for 50.0% of consolidated revenues in FY2022, compared to 48.9% last year. The ATC services revenues accounted for 24.7% of FY2022 consolidated revenues, up from 20.5% in FY2021.

Gross margin, in dollars and percentage, for FY2022 were lower, compared to FY2021, mainly due to a less favourable revenue mix.

Overall, Systems revenues and Services revenues represented 25.1% and 74.9% of total revenues, respectively, in FY2022, compared to 30.6% and 69.4% in FY2021.

The revenues from international customers increased in FY2022 and represented 27.3% of total revenues, compared to 24.8% for the prior year. The revenues from the North American customers accounted for 72.7% of Adacel's total revenues, a decrease from 75.2% in FY2021. In FY2022, revenues from civil customers made up 77.8% of total revenues compared to 64.8% for the preceding year while revenues from military sources accounted for 22.2% compared to 35.2% last year.

Dividend

The Board has declared a final dividend of AUD3.25 cents per share, unfranked. The total dividend declared for the year amounted to AUD6.00 cents per share, the same as for FY2021. The dividend will have a Record Date of 1 September 2022 and will be paid on 10 October 2022.

Outlook

For FY2023, the Company anticipates EBITDA ranging between \$6.7 million and \$7.2 million and PBT ranging between \$4.5 million and \$5.0 million.

This includes plans to accelerate investments in our product functions and features as well as increased business development activities to target very specific opportunities that are expected to be awarded in the next 18-24 months. In addition, we see tremendous potential in the medium to long-term with our virtual ATC Tower solution.

Michael McConnell, the Chairman, stated; "Strategically, our focus in FY2022 was to explore inorganic growth opportunities. We are excited about the acquisition of the virtual ATC tower business in Estonia and potential growth of this market segment. In FY2023, our focus is to invest in our R&D and business development activities to pursue revenue opportunities given the current pipeline with both new and existing customers. These near-term opportunities exceed \$100 million of total contract value. Without question, these internal investments position us to achieve significant contract wins that would result in a step function change to our revenue and profit profile, driving significant operating leverage."

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Annual General Meeting

Adacel Technologies Limited advises that its Annual General Meeting will be held on or around Wednesday, 16 November 2022. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all shareholders and released to ASX immediately after dispatch. In accordance with the ASX Listing Rules, valid nominations for the position of director are required to be lodged at the registered office of the Company by 5:00 pm (AEST) on Wednesday, 14 September 2022.

-ENDS

This announcement was authorized for release by the Board of Directors.

About Adacel:

Established in 1987, Adacel is a publicly traded company listed on the ASX. The company plays a significant role in global air space safety. A world-leader in its industry, Adacel applies cutting-edge technologies to develop advanced air traffic control simulation and training systems and state-of-the-art air traffic management solutions. Adacel's customers include international air navigation service providers (**ANSPs**), military, defense & security organizations, universities, and airport authorities. More than 21% of the world's airspace is managed with Adacel's Aurora ATM software. MaxSim Tower Simulator and Training systems lead the industry with the highest number of installations worldwide. Adacel's latest flagship system, REVAL, a virtual Air Traffic Control (**ATC**) tower system delivers a wide spectrum of digital tower operational solutions, from consulting services to system design, development, deployment, and support.

For further information, visit www.adacel.com or contact:

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This media release includes references to non-AASB measures including Gross Margin, EBITDA, Normalized EBITDA and Normalized PBT. The directors believe the presentation of non-AASB financial measures are useful for the users of this media release as they provide additional and relevant information that reflect the underlying financial performance of the business. Non-AASB financial measures have not been subject to audit or review.