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Adacel Technologies Limited
ABN 15 079 672 281
Unit 29, 3 Westside Avenue
Port Melbourne, VIC 3207
Australia
T. +61 3 8530 7777
F. +61 3 9555 0068
W: adacel.com

Adacel Technologies Limited
(ASX: ADA)

ASX & Media Release

Melbourne, 12 August 2021

Adacel triples Profit Before Tax (PBT), declares final dividend and provides guidance for FY2022

FY2021 highlights as compared to FY2020:

- Profit before tax more than triples from $2.2 million to $7.7 million;
- Cash more than doubles to $11.5 million on strong operational cash conversion;
- Final dividend (unfranked) of 3.25 cents per share;
- Total dividends for FY2021 of 6.00 cents per share, an increase of 140% over FY2020;
- The Company has elected to change its presentation currency from Australian dollars to United States dollars for FY2022; and
- For FY2022, the Company anticipates a profit before tax of between US$5.7 million and US$6.0 million.

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Financial Overview

Key Financial Measures AUD$ '000	Year ended 30 June		
	2021	2020	Movement %
Revenue	40,162	39,714	1.1%
Gross Margin	16,110	13,980	15.2%
Gross Margin %	40.1%	35.2%	
EBITDA	9,797	4,502	117.6%
EBITDA %	24.4%	11.3%	
Profit Before Tax (PBT)	7,658	2,198	248.4%
Net Profit After Tax	7,331	3,634	101.7%
Non-recurring items	-	2,597	-100%
PBT % of Revenues	19.1%	5.5%	
Normalised EBITDA*	-	7,099	-100%
Normalised PBT*	-	4,795	-100%
Earnings per share (cents)	9.59	4.71	103.6%
Net cash	11,597	5,177	124.0%
Final dividend (unfranked) (cents)	3.25	1.50	116.6%
Total interim dividends (unfranked) (cents)	2.75	1.00	175.0%
Total dividends (cents)	6.00	2.50	140.0%

** 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 CEO Daniel Verret said, "This was a remarkable year in many regards. Unprecedented unknowns due to COVID-19, major business adjustments to sustain productivity while working remotely, quick development of creative solutions to support our commitments, successful delivery of significant projects, and a remarkably strong business output by the company. We are pleased to report on our strong financial performance for FY2021 and delivered improved financial performance across all major financial indicators."

For the year ended 30 June 2021, the Company delivered a profit before tax (PBT) of $7.7 million compared to $2.2 million in FY2020 an increase of over 248%.

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Adacel delivered revenues of $40.2 million, which represents a 1.1 % increase from the prior fiscal year. In US$, revenues increased by 12.7%. Gross margin, which includes the allocation of overhead and other fixed costs, increased from $14.0 million to $16.1 million, representing an increase of 15%.

Earnings before interest, tax, and depreciation (EBITDA) increased to $9.8 million compared to $4.5 million in FY2020. In FY2020, the company incurred $2.6 million related to non-recurring litigation costs and the impact of the adoption of AASB 16 Leases and reported Normalized EBITDA of $7.1 million.

The Company's earnings performance was driven by a more profitable revenue mix, and improved project execution. During the FY2021, Adacel also recorded net Covid-19 related government grants of $1.7 million. For the year ended 30 June 2020, the company incurred $2.6 million related to non-recurring litigation costs and the impact of the adoption of AASB 16 Leases and reported Normalized PBT of $4.8 million. The Company's net cash flows from operating activities totalled $11.7 million during FY2021, an increase of 92% over FY2020 when Adacel reported $6.1 million in net cash flows from its operating activities. The Company's cash balance was $11.6 million on 30 June 2021.

Business Segment Reporting

Year Ended June 30						
A$, 000	2021			2020		
	Revenue	GM	GM %	Revenue	GM	GM %
Systems	12,266	1,508	12.3%	9,743	(1,169)	(12.0%)
Services	27,896	14,602	52.3%	29,971	15,149	50.5%
Total	40,162	16,110	40.1%	39,714	13,980	35.2%

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.

During FY2021, revenues in our Systems segment increased by 25.9% from $9.7 million to $12.3 million. The increase is a result of a higher number of systems implemented, including the delivery of additional Air Traffic Control Common Simulators (ACS) units to the US Army via General Dynamics, which was completed during FY2021.The Company received new orders for ATM systems from its French DSNA/DTI customer for a complete technical refresh of the Cayenne ATM system infrastructure that Adacel completed towards the end of FY2021. As a result, we generated a gross margin of 12.3% for the year compared to a loss of 12.0% last fiscal year.

Services

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

For FY2021, Services revenues made up 70% of total revenues. Revenues in our Services segment decreased from $30 million to $28 million, due to the impact of foreign currency. In US dollars, Services revenues increased by 3.7%. Although we experienced slightly lower revenues and negative currency headwind, the Company delivered an improved gross margin of 52.3% in FY2021

compared to 50.5% during FY2020, due to revenue mix, increased productivity, and lower overall costs.

Vale Julian Beale

The Board and management wish to solemnly acknowledge the passing last week of Julian Beale who served as both Chairman and Director of the Company during the years 2003-2017. Julian's contribution to the continued success and international growth of Adacel was profound. Our thoughts and sympathies go out to his family in their time of grief.

Dividend

The Board has declared a final dividend of 3.25 cents per share, unfranked. The total dividends declared for the year of 6.00 cents per share amount to approximately 60% of PBT for FY2021. The dividend will have a Record Date of 1 September 2021 and will be paid on 15 September 2021.

Outlook

The Company has elected to change its presentation currency from Australian dollars ("AUD") to United States dollars ("USD") effective 1 July 2021. Management believes that financial reporting in USD provides a more relevant representation of the Company's financial position in comparison to its peers. The change in presentation currency is a voluntary change which will be accounted for retrospectively.

Adacel has invested in the restructuring of its business development team to position the company for long-term strategic growth. We also expect increased costs related to the gradual return of business-as-usual operations, such as travel for face-to-face customer interactions and industry tradeshows. The Company provides its FY2022 full-year guidance of profit before tax of between US$5.7 million and $6.0 million compared to profit before tax of approximately US$5.7M in FY2021.

Chairman, Michael McConnell, said, "In late FY 2019, we outlined our strategy to focus on the Company's core businesses and customers supported by the implementation of a set of management disciplines and metrics to drive operational efficiency and accountability. Today, we reported continued execution against those basic principles and improvement in financial performance. I'd like to thank Daniel and the team for their commitment and effort over the last several years. Looking ahead, we are excited to welcome a seasoned and experienced industry business development leader, Michael Saunders. Having solidified Adacel's operational, product, and financial foundation, this year we will invest in our sales capabilities to drive future growth. Moreover, we will continue to drive shareholder returns through our balanced capital management strategy, including dividends, share buybacks, and potential M&A activity."

Annual General Meeting

Adacel Technologies Limited advised that its Annual General Meeting will be held on or around Wednesday, 17 November 2021. 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, 29 September 2021.

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This media release includes references to non-AASB measures including Gross Margin and EBITDA. 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.

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