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Adacel Technologies Limited (ASX: ADA)

ASX & Media Release

3 May 2017

Earnings Guidance, Orders Update and Capital Management

Melbourne, May 3, 2017 – Adacel Technologies Limited (ASX: ADA) (**Adacel** or the **Company**) has experienced some delays in the award of certain contracts and, as a result, the Company believes it is prudent to provide the following updated outlook for the 2017 financial year (**FY2017**).

Based on current expectations, profit before tax for FY2017 is now anticipated to be in the range of approximately \$7.0-7.5 million.

The principal reason for the revised earnings outlook relates to longer than anticipated contract administration processes on a number of notified awards and delayed decisions on a series of anticipated programs, both competitive and sole source. Given the revised timing of the awards, it is unlikely the Company will be in a position to recognize substantial revenues from these programs in the current period. However, this strong orders activity is anticipated to be held in contracted backlog as at 30 June 2017.

A number of these delayed contracts will impact the revenue from the Systems segment which will be approximately 35-40% below FY2016. The revenue from these programs is expected to be recognized in FY2018.

However, the Company's Services segment is forecast to continue its steady growth trajectory in FY2017, and is expected to grow around 10% over FY2016.

In assessing the new orders activity over the FY2017 period, the Company maintains its optimism in relation to total orders for FY2017 being above FY2016 for both its Systems and Services segments. The new orders will further broaden the Company's customer base and provide confidence of continued expansion and diversification in its future earnings profile as well as improved earnings visibility. The Company expects its contracted backlog as at 30 June 2017 to be significantly above FY2016, with its composition weighted towards the Systems segment.

The Company is in receipt of a number of current award notifications in the amount of approximately A\$11.0 million, which remain subject to finalization of terms and documentation.

Further, the Company is well placed in relation to decisions on a series of proposals and bids for which the orders are anticipated prior to the end of the financial year, in the amount of approximately A\$19 million.

The Company is expecting to further improve its strong balance sheet position in FY2017. While the cash generated will be lower than that achieved in FY2016, the significant net cash reserves, combined with a confident future earnings outlook, support the Company's position of maintaining total dividends for FY2017 at the same level as those declared in FY2016.

The Company will also continue to investigate strategic growth acquisition opportunities.

Adacel's Chairman, Peter Landos said, "Whilst we are disappointed in the delays of key program awards and the deferred earnings effect relating thereto, we remain confident that the Company's business strategies and long term value creation objectives are intact".

Capital Management Initiatives

On-Market Share Buyback Program

Given the strength in the Company's balance sheet and anticipated positive future earnings generation, the Company advises that it intends to conduct an on-market share buyback during the period from 17 May 2017 to 16 May 2018. The Board has determined that the on-market share buyback is an appropriate capital management tool in the absence of strategic growth acquisitions or other investment opportunities.

The share buyback accords with the Company's approach to capital management. The objectives of the on-market share buyback are to utilize the Company's surplus capital, and increase both the earnings per share and the return on equity. The Company proposes to fund the share buyback from existing cash reserves.

Capital Structure

The maximum number of shares which the Company is permitted to acquire under the on-market share buyback is 7,926,817 shares, being 10% of the lowest number of ordinary shares on issue during the previous 12 months. Accordingly, the on-market share buyback will not require shareholder approval.

Commencement Date

Under the *Corporations Act 2001* (Cth), the earliest date that the Company will be permitted to buyback any shares on market is 17 May 2017, being 14 days from the date of this announcement.

Substantial Holders

Adacel has discussed the proposed on-market buyback with each of its substantial shareholders, namely Silvio Salom, David Smith and Thorney Investment Group (Australia) Pty Ltd (and associates). Each substantial shareholder has confirmed that it does not currently intend to participate in the on-market share buyback.

Assuming that the Company acquires all of the 7,926,817 shares and none of the substantial shareholders sell any shares through the buyback, the impact of the buyback on their percentage shareholdings in Adacel can be summarized as follows:

Name of substantial shareholder	At the date of this announcement	After the buyback
Thorney Investment Group (Australia) Pty Ltd (and associates)	32.26%	35.85%
Silvio Salom	9.92%	11.02%
David Wallace Smith	7.09%	7.88%

Adacel has appointed Blue Ocean Equities Pty Limited to act as its broker in relation to the on-market share buyback.

An Appendix 3C in respect of the on-market share buyback is **attached**.

Investor Conference Call

Investors are invited to join a conference call hosted by Adacel's Chairman, Peter Landos and Chief Executive Officer, Gary Pearson, on **4 May 2017 at 9.00am (Melbourne time)**.

Details of the conference call are as follows:

Date and time	4 May 2017 at 9.00am (Melbourne time)
Dial-in details	Australia: 1800 685 494
	International: +61 3 8687 0650

-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.

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Appendix 3C

Announcement of buy-back (except minimum holding buy-back)

Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/9/99. Origin: Appendix 7B. Amended 13/3/2000, 30/9/2001, 11/01/10

Name of entity

ABN/ARSN

ADACEL TECHNOLOGIES LIMITED

15 079 672 281

We (the entity) give ASX the following information.

Information about buy-back

- | | | |
|---|--|---|
| 1 | Type of buy-back | On-market buy-back (within 10/12 limit) |
| 2 | +Class of shares/units which is the subject of the buy-back (eg, ordinary/preference) | Ordinary shares |
| 3 | Voting rights (eg, one for one) | One for one |
| 4 | Fully paid/partly paid (and if partly paid, details of how much has been paid and how much is outstanding) | Fully paid |
| 5 | Number of shares/units in the +class on issue | 79,268,178 |
| 6 | Whether shareholder/unitholder approval is required for buy-back | No (within 10/12 limit) |
| 7 | Reason for buy-back | The share buyback accords with the Company's approach to capital management. The objectives of the on-market share buyback are to utilise the Company's surplus capital, and increase both the earnings per share and the return on equity. |

+ See chapter 19 for defined terms.

Appendix 3C Announcement of buy-back

- | | | |
|---|--|--|
| 8 | Any other information material to a shareholder's/unitholder's decision whether to accept the offer (eg, details of any proposed takeover bid) | None other than as set out in the Company's announcement to shareholders dated 3 May 2017. |
|---|--|--|

On-market buy-back

- | | | |
|----|---|---|
| 9 | Name of broker who will act on the company's behalf | Blue Ocean Equities Pty Limited |
| 10 | Deleted 30/9/2001. | N/A |
| 11 | If the company/trust intends to buy back a maximum number of shares - that number

Note: This requires a figure to be included, not a percentage. | Up to 7,926,817, being 10% of the lowest number of ordinary shares on issue during the previous 12 months |
| 12 | If the company/trust intends to buy back shares/units within a period of time - that period of time; if the company/trust intends that the buy-back be of unlimited duration - that intention | During the period from 17 May 2017 to 16 May 2018. |
| 13 | If the company/trust intends to buy back shares/units if conditions are met - those conditions | No conditions apply |

Employee share scheme buy-back

- | | | |
|----|---|-----|
| 14 | Number of shares proposed to be bought back | N/A |
| 15 | Price to be offered for shares | N/A |

⁺ See chapter 19 for defined terms.

Selective buy-back

- | | | |
|----|--|-----|
| 16 | Name of person or description of class of person whose shares are proposed to be bought back | N/A |
| 17 | Number of shares proposed to be bought back | N/A |
| 18 | Price to be offered for shares | N/A |

Equal access scheme

- | | | |
|----|---|-----|
| 19 | Percentage of shares proposed to be bought back | N/A |
| 20 | Total number of shares proposed to be bought back if all offers are accepted | N/A |
| 21 | Price to be offered for shares | N/A |
| 22 | +Record date for participation in offer
<small>Cross reference: Appendix 7A, clause 9.</small> | N/A |

Compliance statement

1. The company is in compliance with all Corporations Act requirements relevant to this buy-back.
2. There is no information that the listing rules require to be disclosed that has not already been disclosed, or is not contained in, or attached to, this form.



Sophie Karzis
Company Secretary
3 May 2017

⁺ See chapter 19 for defined terms.