Adacel Technologies Limited (**Adacel** or the **Company**) today released its financial results for the year ended 30 June 2019.

Summary

- Loss before tax of A$1.95 million, principally relating to cost overruns on new software development and customisation projects for several ATM System projects and overall lower level of orders
- Increase in ATOP program partly offsetting the loss of the FAA Support contract
- Services gross margin percentage improved to 48% compared to 46% last year

Financial Overview

Key Financial Measures	Year ended 30 June		
A$'000	**2019**	**2018 (restated)**	**% change**
Revenue	41,357	50,779	(18.6)
Gross margin	11,043	19,570	(43.6)
Gross margin %	26.7%	38.5%	
EBITDA	(604)	8,428	(107.2)
EBITDA %	(1.5%)	16.6%	
(Loss) / profit before tax	(1,954)	9,512	(120.6)
Net loss / profit after tax	(2,697)	7,717	(135.0)
(Loss) / earnings per share (cents)	(3.50)	9.78	(135.8)
Net cash	2,511	12,525	
Total dividends (cents)	1.0	9.5	

Acting Chief Executive Officer and Chief Financial Officer, Daniel Verret, said: *"Whilst we are disappointed with the results for FY2019, we are encouraged by the results of our Services segment relating to the increase in ATOP activities which partly offsets the loss of the FAA support contract and the improvement in gross margin for the segment. In the Systems segment, we are confident that we will successfully complete the Guadeloupe and Fiji projects in FY2020 providing Adacel with an ATM Approach and Tower control system which expands our market opportunities."*

Business Segment Reporting

Segment performance	Year ended 30 June					
A$'000	2019			2018 (Restated)		
	Revenue	GM	GM %	Revenue	GM	GM %
Systems	13,041	(2,386)	(18.3%)	19,631	5,435	27.7&
Services	27,956	13,429	48.0%	31,148	14,135	46.0%
Total	41,357	11,043	26.7%	50,779	19,570	38.5%

Operational Overview

Total revenues for FY2019 decreased by 18.6% compared to the previous corresponding period. In our Systems Segment, revenues decreased by $6.6 million or 33.6%. In FY2019, the new simulator systems in Sri Lanka and Austria delivered less revenue than the FY2018 projects in Mexico, Saudi Arabia and Algeria. In our Services Segment, revenues decreased by $3.2 million or 10.2% driven mainly by lower revenues from our FAA support contract offset partially by increased revenues from our ATOP program.

Services revenues in FY2019 account for 68% of total revenues compared to 59% for the preceding year.

Total gross margin for FY2019 decreased by $8.5 million mainly due to the performance of our Systems Segment which decreased by $7.8 million. In addition to lower revenues for FY2019 when compared to the previous period, new system installations in Guadeloupe, Fiji and NavPortugal experienced significant cost overruns relating to the software development and customisation required for these projects. The Guadeloupe and Fiji projects represent the development and first implementations of Approach and Tower control systems, both of which required a level of complexity not previously experienced. Gross margin for our Services Segment was lower by $0.7 million mainly due to the loss of the FAA support contract partially offset by increased gross margin from other contracts.

Earnings before interest, tax and depreciation (EBITDA) decreased from $8.4 million to a loss of $0.6 million. The reduction is directly attributable to lower gross margin described above.

The net loss after tax in FY2019 of $2.7 million (FY2018 profit: $7.7 million) was impacted by a tax expense of $0.7 million (FY2018: 1.8 million). A tax expense has been recognised in FY2019 despite reporting a consolidated loss as one jurisdiction was profitable.

Cash Flow and Net Cash

As at 30 June 2019, the Company's net cash balance was $2.5 million. During FY2019, a total of $6.6 million (FY2018: $9.5 million) was paid as dividends to shareholders, and $1.9 million (FY2018: $2.0 million) was used to purchase shares through on-market share buybacks.

Dividend

The Board declared an interim dividend of 1 cent per share (unfranked) which was paid on 28 March 2019. The Board has determined not to pay a final dividend.

Outlook

As communicated on 1 July 2019, the Board and management are focused on executing our FY2020 plan and, based on current forecasts, anticipate delivering profit before tax of between $4.1 million and $4.6 million. The overriding approach we have taken is to focus on the Company's core products and services. The guidance reflects the following:

- A more rigorous forecasting methodology and focused product set;
- A cost structure right-sized to deliver on key, known and high-probability contracts which approximates 77% of forecast revenue for the year;
- Completion, among others, of the Guadeloupe, Fiji and NavPortugal projects;
- Elimination of unprofitable products and services; and,
- Ongoing belt-tightening in aspects of our operations.

Chairman, Michael McConnell said: *"Over the past several months, management has identified key areas requiring improvement and a series of actions to drive more discipline with the aim of achieving predictability in our results. Focusing on our core products and services should result in improved efficiency, stimulate sales and provide Adacel a path towards profitable growth."*

Results Conference Call

Adacel Acting Chief Executive Officer and Chief Financial Officer, Daniel Verret, Vice-President of Operations, Kevin Pickett and Chairman, Michael McConnell, will host a conference call in connection with the FY2019 results at 8.30am on Thursday 15 August 2019.

Details of the conference call are as follows:

Dial-in details:

Australia Dial-in Number	1300 264 803
International Dial-in Number	+61 3 8687 0650

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

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