



## ASX ANNOUNCEMENT

25 February 2022

# 2022 HALF-YEAR FINANCIAL RESULTS

- Consolidated revenue and other income of \$11.2M
- Cash, term deposits and receivables of \$7.6M
- Two engine models in production for key customer Boeing-Insitu
- Four engine development programs underway for Textron Systems (x2), Singapore and Skyways
- Targeting FY22 full-year revenue and other income of ~\$30M

PERTH, AUSTRALIA: Orbital Corporation Ltd ('Orbital UAV', 'the Company') presents the Company's audited half-year financial results for the six months ended 31 December 2021.

### Overview

Orbital UAV's audited half-year financial results are consistent with the update provided in January 2022 (see ASX Announcement dated 31 January 2022: "FY22 H1 Preliminary Results").

Revenue in the six-month period was impacted by reduced military demand for tactical unmanned aircraft systems following the US military withdrawal from Afghanistan and related reduction in required engine volumes and engine development programs by key customer Insitu Inc., a wholly owned subsidiary of The Boeing Company.

Orbital UAV remains on track to deliver full year revenue and other income of circa \$30 million and is targeting a second half net profit.

### Financial review

Orbital UAV's consolidated revenue for the half-year period was \$8,889,000 (2020: \$19,046,000) with a loss before income tax from continuing operations of \$1,010,000 (2020: loss of \$2,603,000). This includes an unrealised foreign exchange gain of \$490,000 (2020: unrealised foreign exchange loss of \$2,366,000). The loss excluding income tax and unrealised foreign exchange from continuing operations for the period was \$1,500,000 (2020: loss of \$237,000).

At 31 December 2021, cash, term deposits and receivables were \$7,570,000 (2020: \$7,705,000). Deferred tax asset was nil (2020: \$4,070,000). Net cash used in operating activities during the period was \$3,228,000 (cash used in the prior period 2020: \$4,988,000).

During the period, the Company received other income of \$2,271,000. This was predominantly comprised of repayment offsets from the Company's restructured WA Government loan, having met the



first operational milestones set out in the Deed of Variation (see ASX Announcement dated 27 August 2021).

### Operational review

Revenue for the period was comprised of sales income of established engine models under the Company's Long Term Agreement ('LTA') with Boeing-Insitu and engineering services income from development programs across Orbital UAV's growing customer portfolio.

During the period, the Company completed the transition of new engine build production activities from its Hood River, Oregon facility to Balcatta, Western Australia. This move consolidates all new engine build production in Australia, providing opportunities to drive operational efficiencies across its established and future engine production lines.

Orbital UAV's Hood River facility remains strategically critical to the business and is the key interface with the Company's growing US customer base and broader US Defense network. Operationally, Hood River continues to provide maintenance, repair and overhaul capability with the capacity for expansion as production requirements demand.

### Existing & new engine development programs

During the six months to 31 December 2021, Orbital UAV progressed existing engine development programs for Lycoming/Textron Systems and a major Singapore defence customer. In addition to these programs, and consistent with the Company's customer diversification strategy, Orbital UAV secured two new programs of work during the period.

The first, an additional program with Textron Systems, is for the development of Orbital UAV upgrades to Textron Systems' current UAV engines for the Aerosonde® program (see ASX Announcement dated 18 October 2021). The upgrades are targeting increased take-off power and improved real-time engine health monitoring and diagnostics capability.

The second new program was outlined in a Memorandum of Understanding ('MoU') with Texas-based Skyways, an emerging leader in unmanned cargo transport (see ASX Announcement dated 28 October 2021). Under the terms of the MoU, Orbital UAV has delivered a pre-production, heavy fuel engine to Skyways for integration into the company's next generation unmanned air system. Delivery of the development engine was made in February, six weeks ahead of its contracted delivery date.

### Boeing-Insitu third engine development program

The third engine development program for Boeing-Insitu encountered delays during the first half of financial year 2022 due to customer-driven design changes. In the second half, Boeing-Insitu undertook an economic review of the program and subsequently issued a Termination of Convenience in February (See ASX Announcement dated 14 February 2022).

Under the contracted terms, a Termination of Convenience entitles Orbital UAV to a full reimbursement of all costs incurred on the program to date.

Scheduled production volumes of the two existing engine models Orbital UAV has in production for Boeing-Insitu are not impacted by the termination of the third engine development program.

### Deferred Tax Assets

At 30 June 2021, Orbital UAV recognised net deferred tax assets of \$4.1M largely relating to tax losses available for use against future Australian taxable income. Boeing-Insitu's decision to terminate the third engine development program has resulted in uncertainty on the timing and quantum of anticipated future revenues in the Company's forecasts. Due to the current uncertainty, Orbital UAV has taken a conservative decision to write down the full value of the Australian deferred tax asset in the Company's accounts.



The tax losses remain available for utilisation but are not recognised as an asset on the balance sheet. At 31 December 2021, including the write down of the deferred tax asset, the Company had total net assets of \$8.2M (30 June 2021: \$7.3M).

## Outlook

The restructure of the Company's WA Government loan and the successful completion of a \$6.4M Renounceable Entitlement Offer in November 2022 has strengthened Orbital UAV's balance sheet and provided funds to progress the Company's growth aspirations. Orbital UAV remains focused on the near-term expansion of its engine production lines in Balcatta, Australia.

Orbital UAV is accelerating new engine development programs while remaining committed to supporting Boeing-Insitu. Current year revenues are based on the delivery to Boeing-Insitu of confirmed volumes for the two existing engine production models. These revenues will be further supported by other income including the impact of offsetting the WA Government loan and cost re-imburements from Boeing-Insitu.

Orbital UAV expects to deliver a second half net profit. Full year revenue and other income remains forecasted at ~\$30M. Including the \$4.1M Australian deferred tax asset write-down, in the first half, the Company will report a net loss for the full year.

The Company remains committed to growing revenues through the expansion of existing engine production lines and the development of new engine revenues in the expanding unmanned aircraft systems market. Orbital UAV continues to enhance its reputation as a world leader in the design and delivery of UAV engines. The expectation of significant revenue growth and future profitability is supported by the growing pipeline of opportunities Orbital UAV is pursuing within the defence, civil and commercial sectors.

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## CONTACTS

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Announcement authorised by:

**Todd Alder**

**CEO & Managing Director**

**Tel:** +61 8 9441 2311

**Email:** [contact@orbitalcorp.com.au](mailto:contact@orbitalcorp.com.au)

For further information, contact:

**Ian Donabie**

**Communications Manager**

**Tel:** +61 8 9441 2165

**Email:** [idonabie@orbitalcorp.com.au](mailto:idonabie@orbitalcorp.com.au)

### About Orbital UAV

Orbital UAV provides integrated propulsion systems and flight critical components for tactical unmanned aerial vehicles (UAVs). Our design thinking and patented technology enable us to meet the long endurance and high reliability requirements of the UAV market. We have offices in Australia and the United States to serve our prestigious client base.

### Forward-looking statements

*This release includes forward-looking statements that involve risks and uncertainties. These forward-looking statements are based upon management's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of the Company that could cause actual results to differ materially from such statements. Actual results and events may differ significantly from those projected in the forward-looking statements as a result of a number of factors including, but not limited to, those detailed from time to time in the Company's Annual Reports. The Company makes no undertaking to subsequently update or revise the forward-looking statements made in this release to reflect events or circumstances after the date of this release.*

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