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Adacel Technologies Limited (ASX: ADA)

ASX Announcement & Media Release

Melbourne, 14 August 2024

Adacel reports FY2024 financial results, provides earnings guidance for FY2025

Summary (in USD):

- Consolidated revenues of \$31.0 million for FY2024, compared to \$27.3 million for FY2023.
- Normalized earnings before interest, taxes, depreciation and amortization (“Normalized EBITDA”) of \$ 1.1 million in line with market guidance, excluding non-cash impairment charge of \$1.9 million and restructuring costs of \$0.6 million, compared to EBITDA of \$2.9 million in FY2023.
- Loss before interest, taxes, depreciation and amortization (“EBITDA”) of \$1.4 million compared to EBITDA of \$2.9 million in FY2023.
- Loss before tax (“PBT”) of \$4.1 million, compared to a profit before tax of \$0.9 million in FY2023.
- For FY2025, the Company forecasts EBITDA between \$4.0 million and \$5.0 million.

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Financial Overview, FY2024

All figures are in USD, unless otherwise noted.

KEY FINANCIAL MEASURES

USD\$ '000

YEAR ENDED 30 JUNE

EXCEPT DIVIDENDS AND PERCENTAGES

	2024	2023	Movement %
Revenue	30,971	27,250	13.7%
Gross Margin	7,221	8,792	(17.7%)
Gross Margin %	23.3	32.3	
Normalized EBITDA	1,136	2,919	(146.9%)
Normalized EBITDA %	3.7%	10.7%	
EBITDA	(1,368)	2,919	
Profit (Loss) Before Tax (PBT)	(4,077)	904	(551%)
PBT % of Revenues	(13.2%)	3.3%	
Profit (Loss) After Tax	(4,405)	(0.08)	
Earnings per share	(5.78)	(0.10)	
Final dividend (unfranked) (cents)	-	AUD 1.50	
Interim dividend (unfranked) (cents)	-	AUD 1.50	
Total dividend (cents)	-	AUD 3.00	

Adacel's CEO Daniel Verret said, "As we close a disappointing FY2024, it's important to note that during the year, we secured orders of approximately \$37.8 million which builds out our contracted pipeline and positions us very well for FY2025. In addition, the restructuring plan initiated in June 2024 will allow the Company to be more productive moving forward, especially in our combined ATM and Remote Tower business units. The Company remains optimistic about the future of the Remote Tower business, notwithstanding the non-cash impairment charge. The Company is encouraged by its expanding opportunity pipeline for REVAL, as well as MaxSim and Aurora."

For FY2024, the Company delivered revenues of \$31.0 million compared to \$27.3 million the previous year.

System segment revenues increased to \$9.6 million in FY2024 compared to \$8.2 million in FY2023, while Services and Support segment increased from \$19.1 million in FY2023 to \$21.4 million in FY2024. Despite higher revenues, the mix of revenues generated from new contracts in FY2024 impacted the Company's overall gross margin. In FY2024, Adacel recorded a gross margin of \$7.2 million compared to \$8.8 million in FY2023. The gross margin includes allocations of overhead and other fixed cost.

In FY2024, the Company reported Normalized EBITDA of \$1.1 million compared to \$2.9 million in FY2023. This decrease is due to the revenue mix associated with new contract wins in FY2024, as well as delays in finalizing a new contract in Portugal and the delay in signing the 5-year contract renewal with the United States Air Force (USAF).

The Company generated EBITDA of \$(1.4) million compared to \$2.9 million in FY2023. The decrease is attributable to the Remote Towers impairment charge, the restructuring costs as well the revenue mix and other contract delays.

As of 30 June 2024, the company had a net overdraft position of \$1.9 million compared to net cash of \$0.9 million on June 30, 2023. This movement has occurred predominantly due to a significant increase in working capital requirements associated with the new FAA H/W Support contract. During FY2024, the company paid dividends totaling \$0.7 million (FY2023:\$2.4 million) to its shareholders.

Business Segment Reporting

	Year Ended 30 June	
	2024	2023
Revenue USD\$'000		
Systems	9,612	8,178
Services	21,359	19,072
Total	30,971	27,250
Gross Margin \$'000		
Systems	675	991
Services	6,546	7,801
Total	7,221	8,792
Gross Margin %		
Systems	7.0%	12.0%
Services	30.6%	40.9%
Total	23.3%	32.2%

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.

Adacel recorded an increase in its Systems segment revenues from \$8.2 million in FY2023 to \$9.6 million in FY2024. During the year, revenues related to the new FAA H/W and S/W support contracts and the School House 21 program contributed to the increase offset by lower revenues related to the Aurora ATM projects. In FY2023, significant progress was achieved on the Aurora system deliveries in Martinique, Seychelles and St. Lucia.

Gross margin, as a percentage of revenues decreased to 7.0% in FY2023 compared to 12.0% in FY2023. The reduction in margin is due to the mix of revenues, specifically with the new FAA H/W Support contract where the focus in FY2024 was on the delivery of new hardware where the associated margins are lower than the related software components.



Services

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

Services segment revenues increased in FY2024 to \$21.4 million compared to \$19.1 million in FY2023 due mainly to the new FAA H/W and S/W contracts signed in FY2024 offset partially by lower volumes from the USAF given the delay in finalizing the contract renewal.

Gross margin for the Services segment in FY2024 was lower at \$6.5 million in FY2024 compared to \$7.8 million in FY2023. The reduction in gross margin despite higher revenues is attributable to the revenue mix.

Dividend

The Company does not intend to declare a dividend for the year ended 30 June 2024 as it continues to focus on executing its plan for FY2025.

Outlook

For FY2025, the Company anticipates EBITDA of between \$4 million and \$5 million.

In FY2024, the Company focused on staffing up for the new FAA H/W and S/W support contracts signed in H1 FY2024 as well as investing in inventory required to deliver the technical refresh across the FAA's 111 sites in the US. In FY2025, the Company will continue to deliver on both these contracts. The backlog for FY2025 is strong with the recent 5-year renewal to continue its long-standing service provision for the USAF's Tower Simulator System (TSS) program and new contract awards from existing customers such as Nav Portugal's contract. With a robust pipeline across Adacel's three product lines, the Company is actively pursuing very specific opportunity contracts that are expected to be awarded in the next 12 months with some expected to contribute as early as FY2025. In addition, our cost base has been adjusted following the restructuring plan carried out in June 2024.

Chairman, Michael McConnell, said, "There is no doubt that FY2024 was a disappointing year as contract delays directly impacted the Company's profitability. As we look forward to FY2025, we are optimistic given the multiple significant contract wins in FY2024, the ongoing management efforts to optimize our costs structure and the robust pipeline, notably potential contract wins related to our REVAL product in the emerging remote tower space. Accordingly, we are forecasting FY2025 EBITDA of between \$4.0 million and \$5.0 million."

-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 20% of the world's airspace is managed with Adacel's Aurora ATM software. Adacel's MaxSim Tower Simulator and Training systems lead the industry with the highest number of installations worldwide. MaxSim is also the first ATC simulation system in the world to deliver Virtual and Mixed Reality training capabilities into the classroom. Adacel's latest flagship system, REVAL, a digital 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 more information, please visit adacel.com.

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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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