

Adacel Technologies Limited
September 2017



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COMPANY



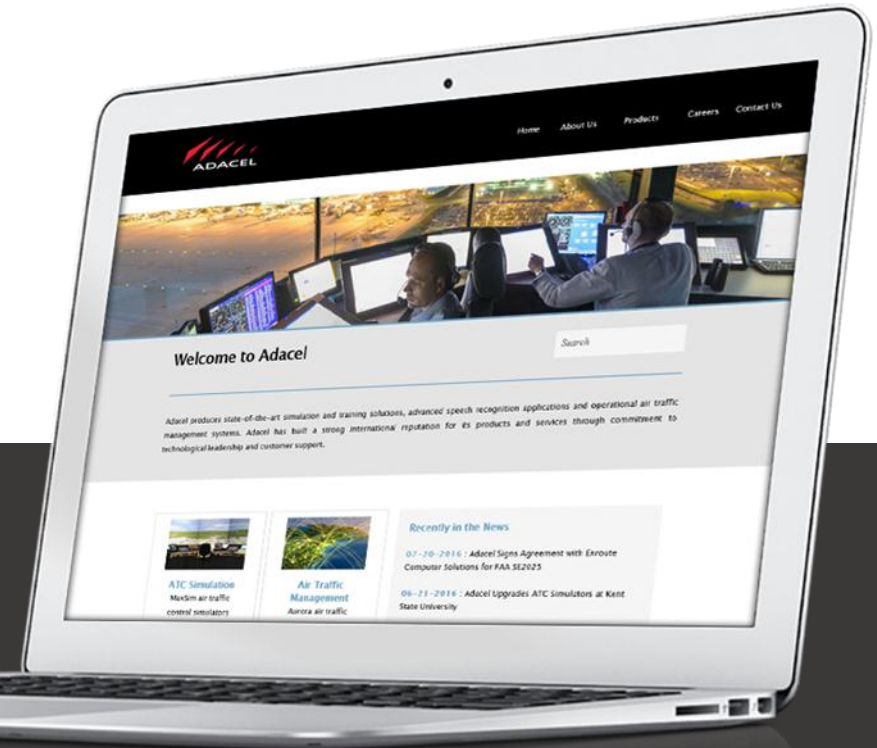
Adacel is a leading developer of advanced simulation and control systems for aviation and defense. The Company operates in the Global Aerospace Systems market including operational Air Traffic Management, Airport and Air Traffic Control Training, and Airborne Vehicle Systems. Adacel operates two business segments, Systems and Services.

Systems

All sales of integrated software systems, system upgrades and products covering both operational control and simulation markets.

Services

All potential recurring revenue, including software maintenance, system support, field services and on-site technical services.



www.adacel.com



@adacel systems

Profit Before Tax of \$7.9M,
above top end of guidance

Increase in final dividend –
2.25 cps

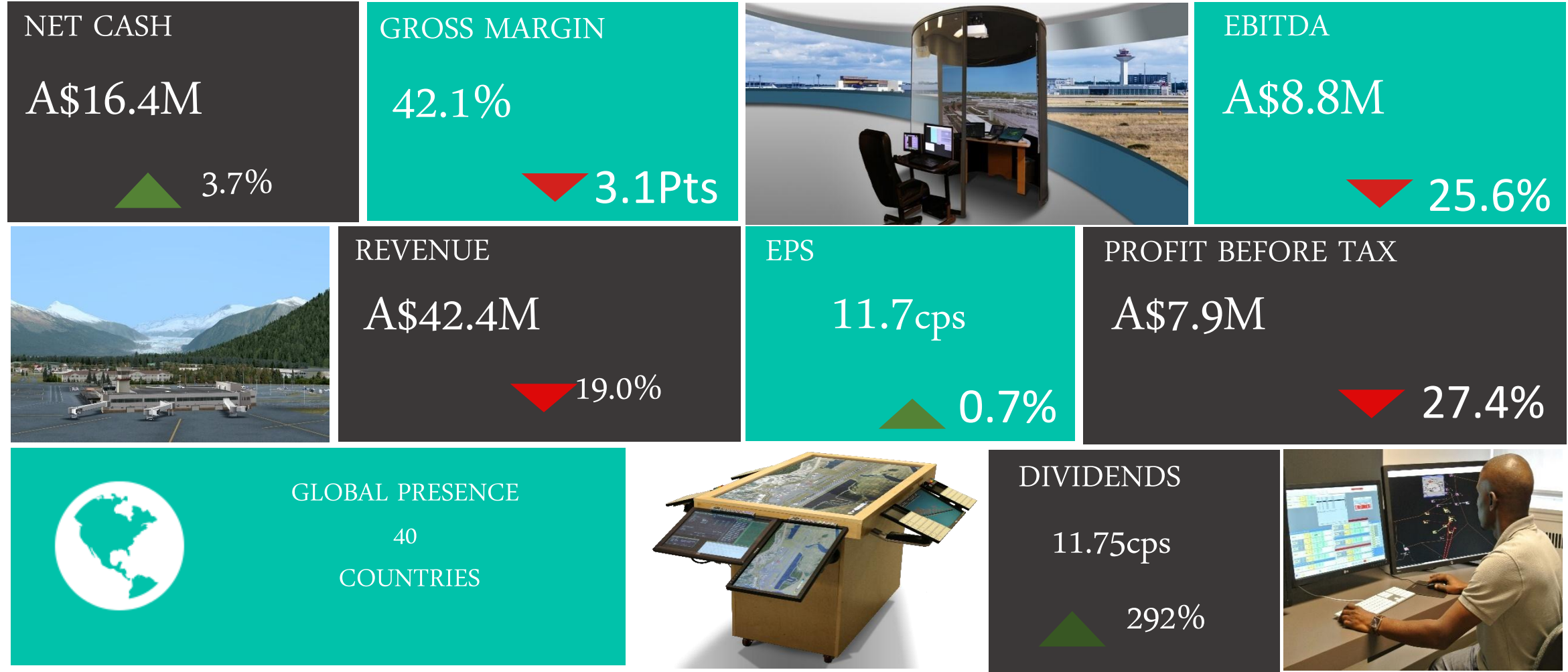
Special dividend – 7.75 cps

Continued growth in
Services segment

Lower contribution from
Systems segment, expected
to reverse trend in 2018

Recognition of asset relating
to unused tax credits

FINANCIAL METRICS: 30 JUNE 2017



Comparison – year ended 30 June 2016

REVENUE SOURCES

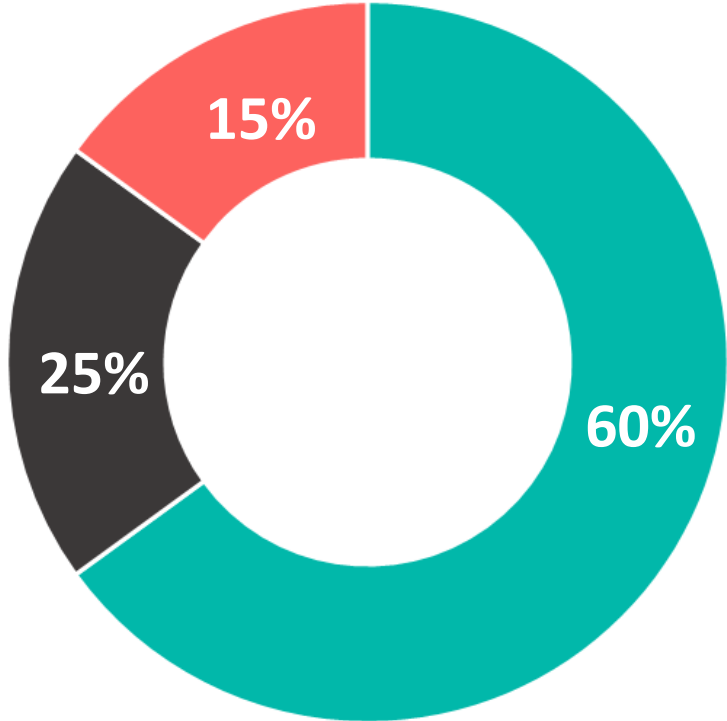


Existing customer-services revenue.
Typically in backlog or will be awarded under an existing contract option. Generally not affected by contract timing.

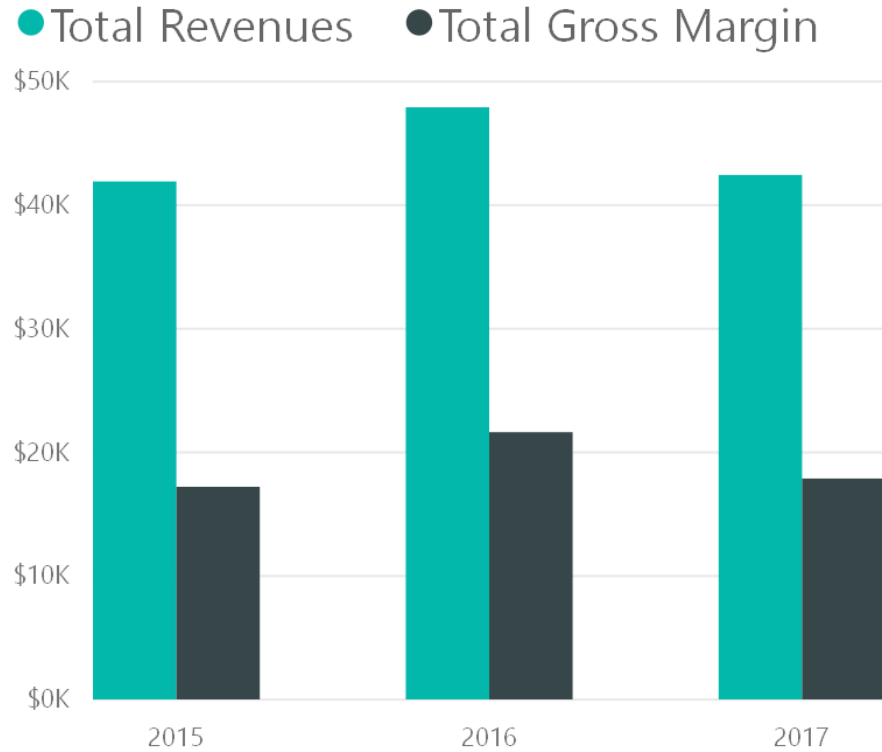
Existing customers-additional systems/ services.
Commonly sole source awards and comprised of mostly systems revenue. Highly probable revenue, though at risk of impact by customer budgets and timing.

New customers - competitive awards.
Awards most likely impacted by customer timing and given highly competitive nature of bids, often lower margin programs for the initial system deliveries.

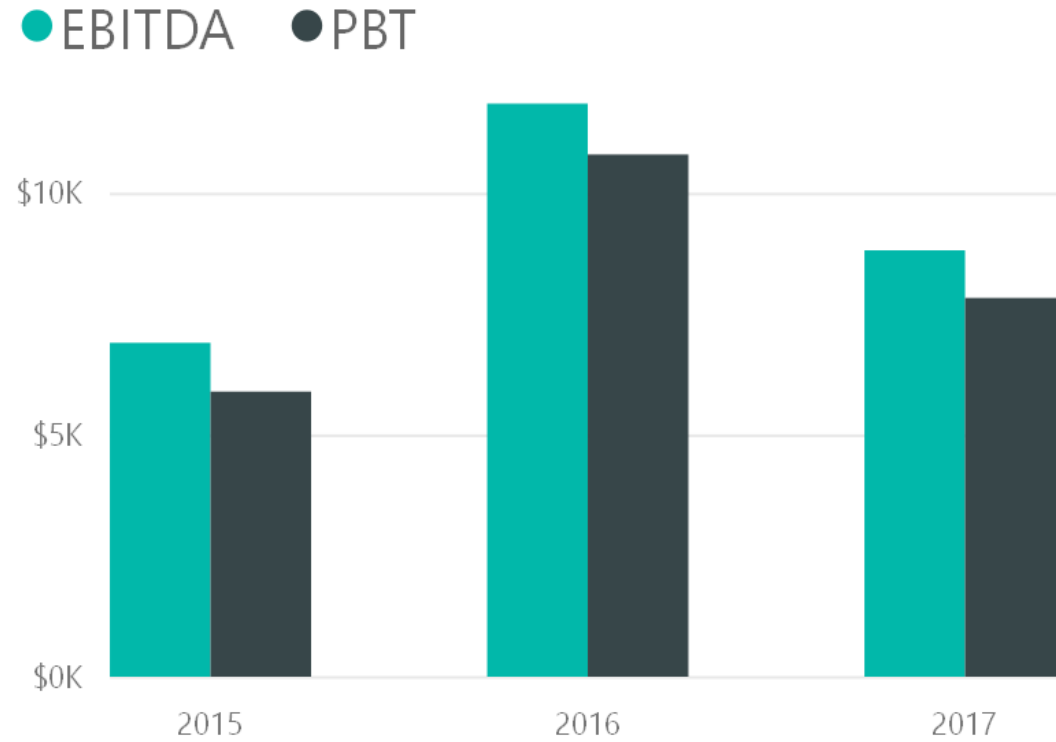
FY2018 EXPECTED REVENUE SOURCES



HISTORICAL COMPARISONS

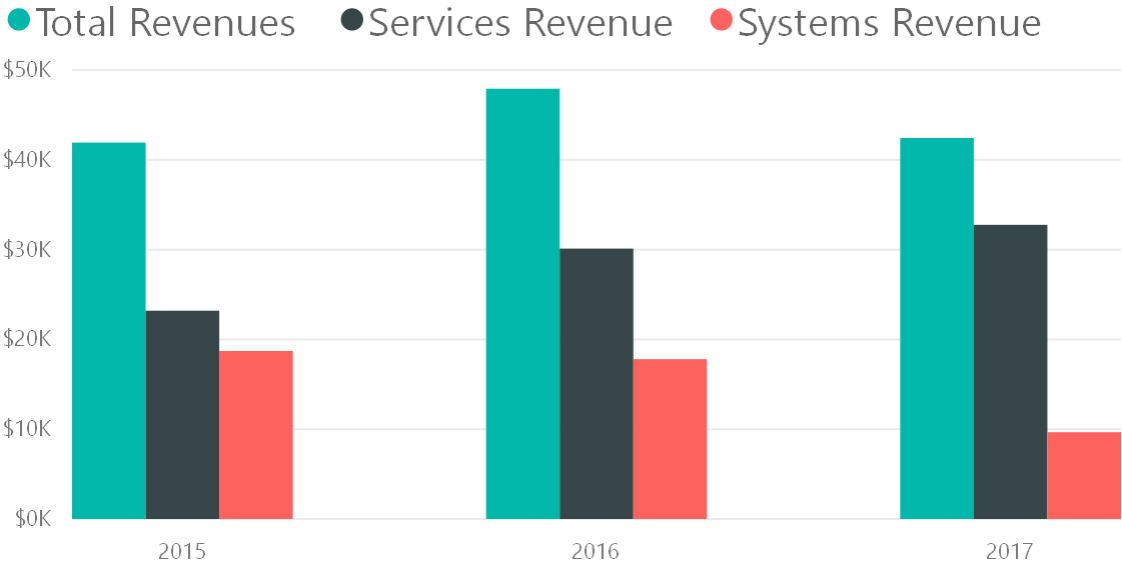


Year	Revenues (\$'000)	GM (\$'000)
2015	\$41,914	\$17,217
2016	\$47,917	\$21,635
2017	\$42,432	\$17,884

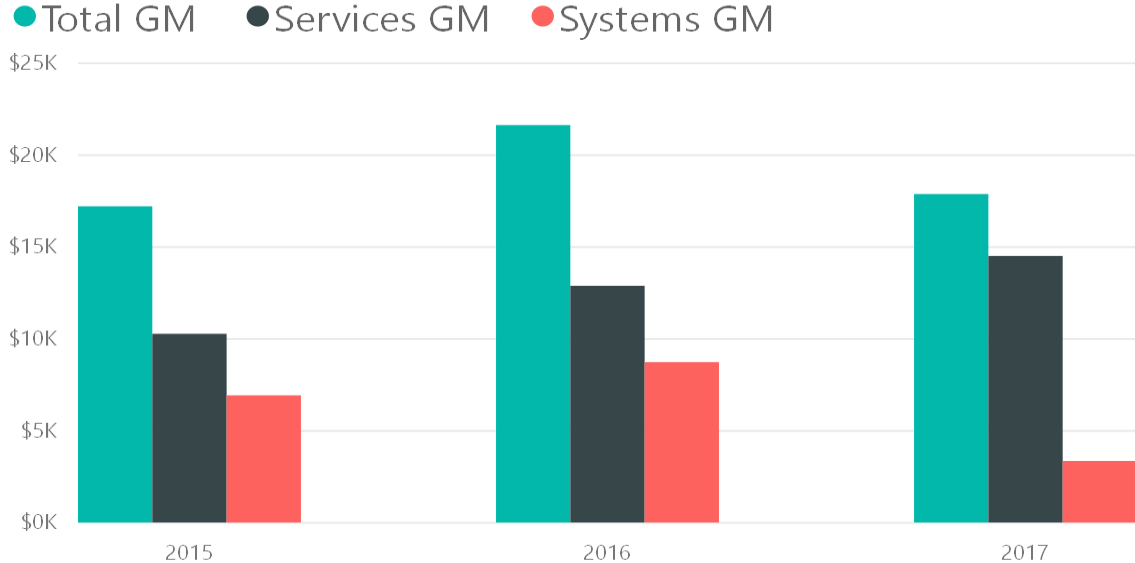


Year	EBITDA (\$'000)	PBT (\$'000)
2015	\$6,992	\$5,913
2016	\$11,871	\$10,818
2017	\$8,836	\$7,851

HISTORICAL SEGMENT COMPARISONS



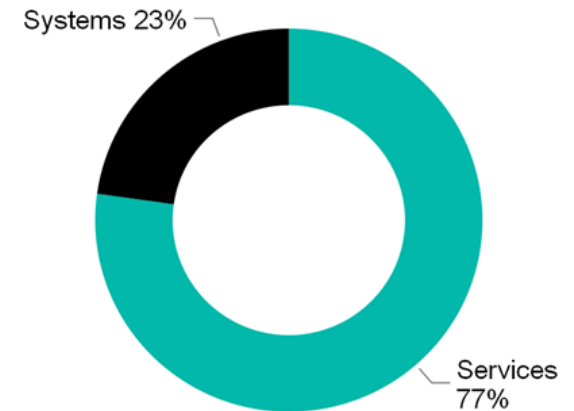
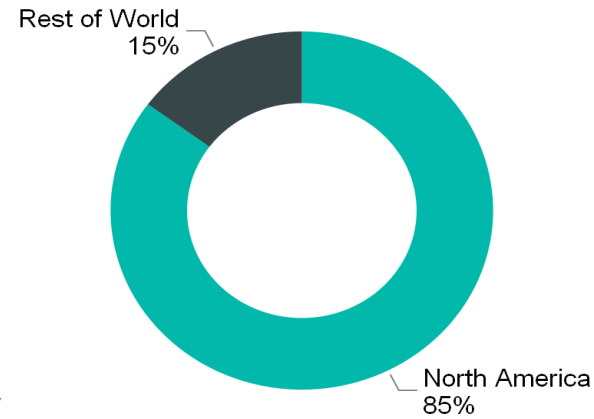
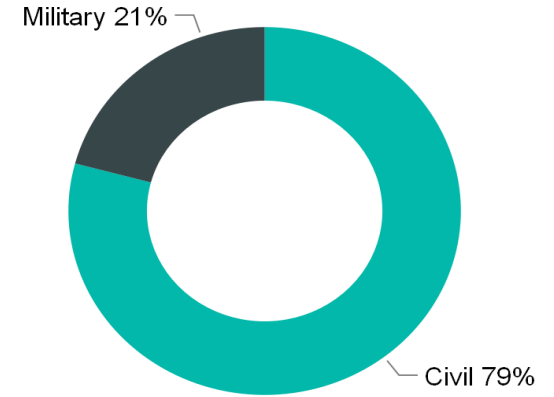
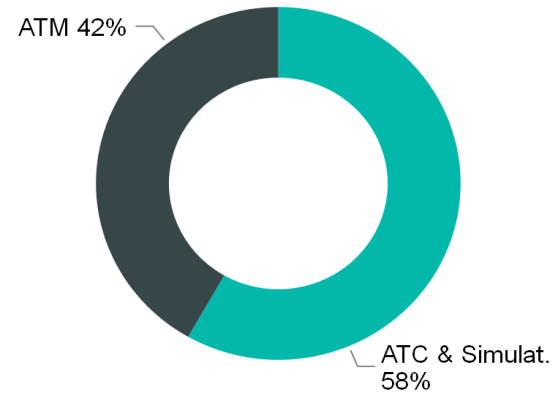
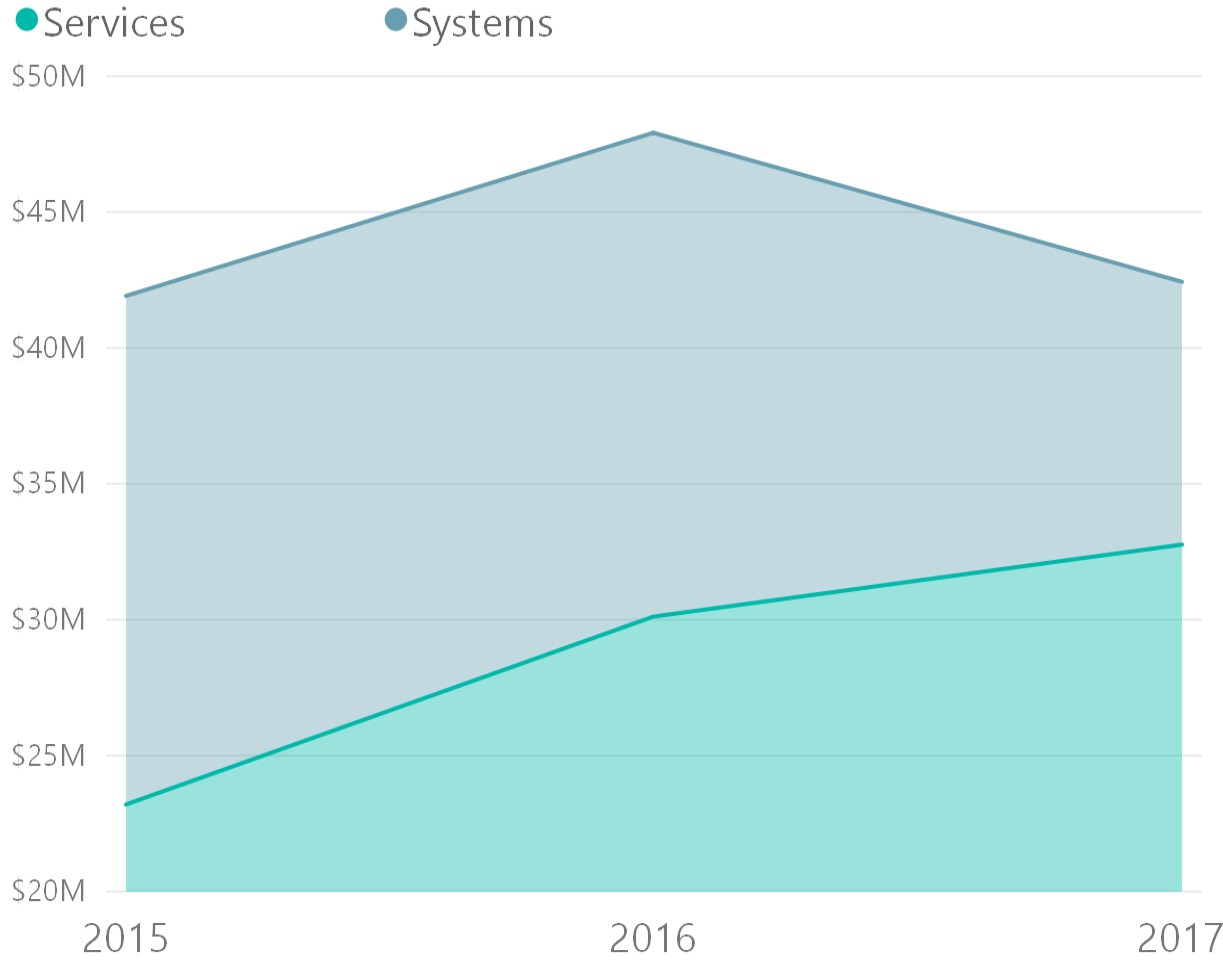
Year	Total Rev	Services Rev	Systems Rev
2015	\$41,914	\$23,199	\$18,715
2016	\$47,917	\$30,111	\$17,806
2017	\$42,432	\$32,762	\$9,670



Year	Total GM	Services GM	Systems GM
2015	\$17,217	\$10,282	\$6,935
2016	\$21,635	\$12,893	\$8,742
2017	\$17,884	\$14,517	\$3,367

* All numbers (\$'000)

REVENUE CONTRIBUTIONS BY SEGMENT



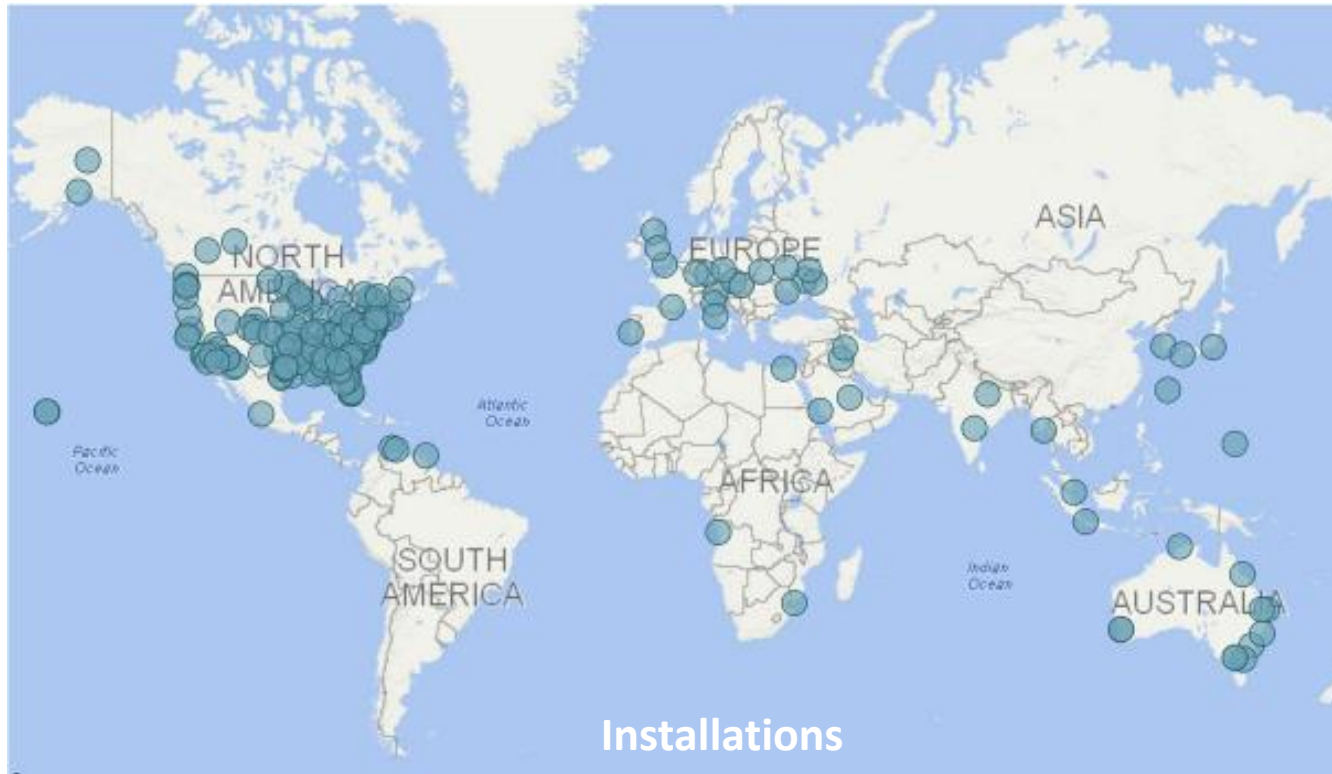
FY2017

ADACEL GLOBAL PRESENCE



PRODUCTS	INSTALLS/LICENSES
ATC SIMULATORS	364
ICE PHRASEOLOGY TRAINERS	467
AURORA ATM	15
VOICE ACTIVATED COCKPIT	63
LEXIX SPEECH UPGRADES	497
OTHER SIMULATORS	49

SIMULATOR SERVICES REVENUE



413 SIMULATORS
222 CITIES
31 COUNTRIES

SERVICES REVENUES
FROM ATC & OTHER
SIMULATIONS
\$17 Million

AVERAGE SERVICE
REVENUE PER
SIMULATOR INSTALL
\$42,000

USA ATC TRAINING MARKET



In the 5 years prior to 2015, 2,795 air traffic controllers retired from the FAA

In the 5 years prior to 2015 the FAA hired 4,400 new controllers.

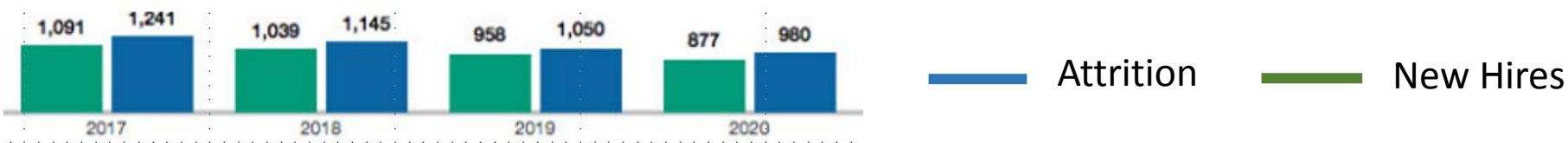
Between 2015 and 2020 the FAA planned to hire an additional 6300 controllers.

14,000 federal controllers, 1280 civilian contract controllers and 10,000 military controllers provide services to 24.6 million square miles of airspace.

“Increased use of simulators are helping the FAA meet its goals.....We must also integrate new technologies....From state-of-the-art simulators to satellite technology”.

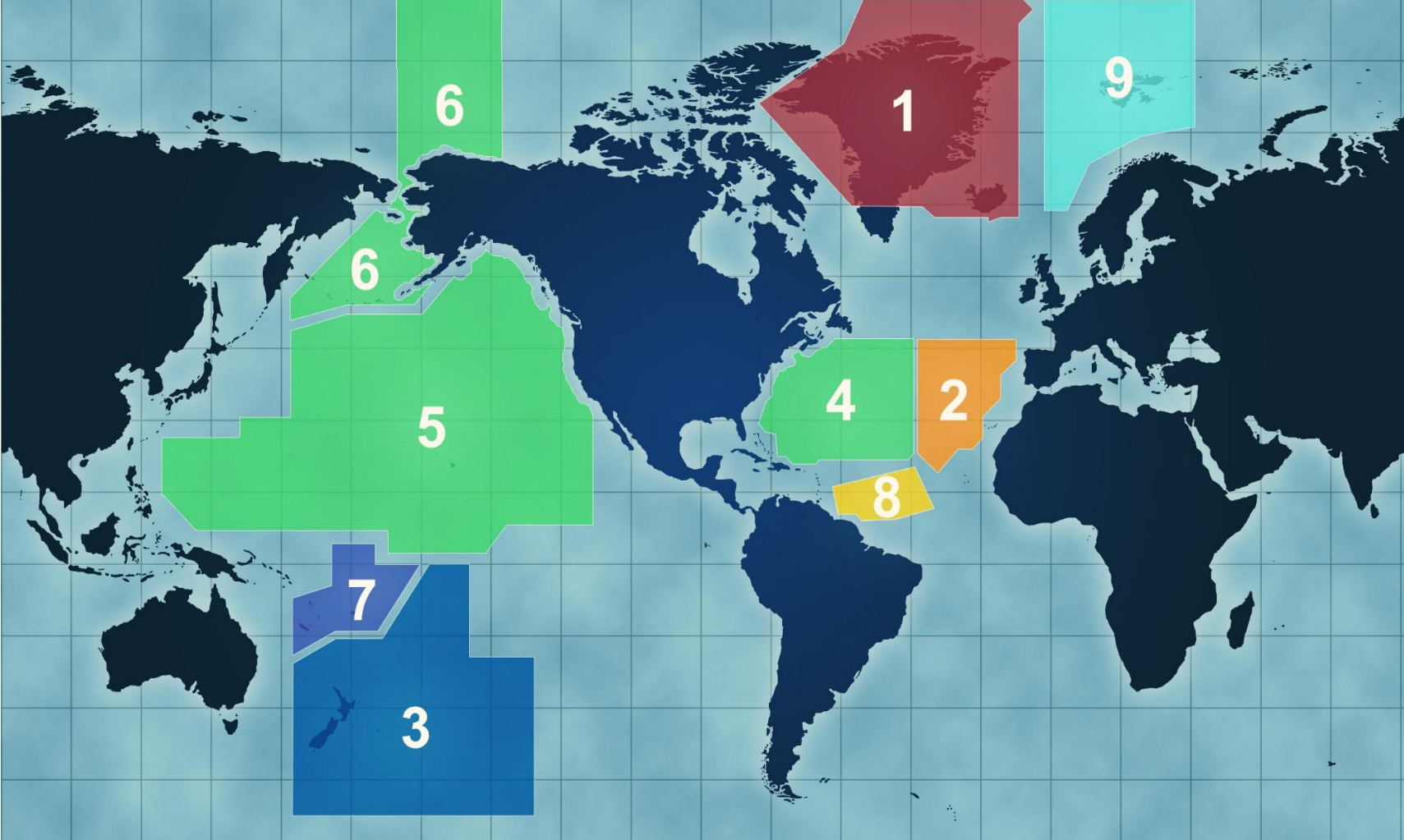
Between 2017 and 2018, the FAA predict 25% of new hires lost in training attrition. Total attrition is >100% of total hires

Types of Facility	Number
TRACON – A facility that provides radar services to departing and arriving aircraft	27
Tower and Radar Approach Control – Provides ATC tower and ATC radar services to departing and arriving aircraft	130
Additional Towers	130
En-Route – Provides ATC services to aircraft during the En-route (cruise) portion of the flight	22
Contract Towers – towers manned by private contractors	253
Military facilities	>150



Source – A Plan for the future: 10-Year Strategy for the Air Traffic Control workforce , published 2015

ATM SERVICES REVENUE



Zones 4, 5 and 6, FAA ATOP program, produces approximately \$12M in annual services revenue

NavPortugal (2), Fiji (7) French Guiana (8) and Norway (9) contribute approximately \$4M in annual services revenue.

Iceland (1) is a legacy Aurora system not currently managed by Adacel. The New Zealand (3) system is currently part of a major modernization program that includes Adacel Aurora licenses

INCOME TAX



Entity	Percent of Revenue	Tax Notes
Adacel Inc - Canada	48%	<p>At a federal level, the tax rate is 15%. Adacel Inc has A\$11.6M of tax credits related to prior years and therefore incurs no federal taxes for the year.</p> <p>The provincial income tax rate for Quebec is 11.9%. Our tax provision for FY17 was approximately C\$780k, however Adacel benefits from Canadian tax credit programs relating primarily to Research and Development of approximately C\$1.2M each year, resulting in Zero taxes paid.</p>
Adacel Systems Inc - USA	52%	<p>Corporate tax rate is 34%. Although responsible for 52% of revenue, taxable income for ASI was approximately US\$850k, resulting in a tax provision of approx. US\$290k for FY17. There are no losses or credits available to ASI that can be applied.</p>
Adacel Technologies Inc - AUS	Less than 1%	<p>ATL has no taxable income though we seek to generate future income in Australia to enable the utilization of previous tax losses.</p>

GROWTH STRATEGY



EXISTING CUSTOMERS

With over 400 installations, Adacel has a captive market for an ongoing series of new products and upgrades. Customers can make direct contract awards.

NEW PRODUCTS

Increased competitive advantage through the introduction of new complimentary products and new technology enhancements



EXPANDED SERVICES CAPABILITY

Add additional Simulation and ATM customers that lead to multi-year support. Leverage US government contract qualifications and experience to further expand into additional government services programs, e.g., CTC, NASA

NEW CUSTOMERS

Capture new customers through a strategy of best value pricing and technology advantages, resulting in a larger opportunity for services contracts and premium product upgrades.



ADJACENT/NEW MARKET OPPORTUNITIES

Grow addressable markets by adapting existing core capabilities to new adjacent markets, where Adacel technologies and skills can provide a competitive advantage

ACQUISITIONS

Grow capabilities and addressable markets through acquisition of businesses with existing revenue streams and complimentary technologies and market spaces.

OUTLOOK

- Anticipated strong earnings growth based upon the consistency and growth of Services revenue, plus new system sales awarded late in the FY2017, new ATC orders in early in FY2018 and successful award of French Territories.
- Increasing level of effort on the FAA ATOP program that will contribute to further growth in the Services business.
- Growing US government qualifications positions Adacel to pursue large contract opportunities in government services.
- An authorized US budget for FY2018 has potential to lead to increased visibility of sales opportunities from the FAA and DoD.
- Success in the new French Territories program should position us well for the award of the final two systems under this contract.
- Expect high systems success rate to lead to further growth in the services business as the new systems enter the long term support phase

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