



ORBITAL®

ASX RELEASE

For Immediate Release: 19 October 2017

## Managing Director's Company Update

Prior to Orbital Corporation Limited's (Orbital or the Company) Annual General Meeting on 27 October 2017, it is my pleasure to provide an update on the Company's direction under my leadership, and that of the rejuvenated Board and executive management team.

The motivation of both Non-Executive and Executive is to govern and lead a growth business that is disciplined, lean and value accretive. Company growth will be reflected in an appreciating share price driven from organic growth opportunities first and foremost. Where acquisition opportunities arise they will be aligned to Orbital's core competencies of innovation and precision engine, fuel system and integrated component design and manufacturing expertise.

Orbital's market opportunities lie within the aerospace and defence sector and in particular the supply of precision engines, fuel systems and integrated components to the tactical drone market.

Tactical drones operate at altitudes of 18,000ft, fly for periods of 12+ hours, support land and sea based missions and are valued from US\$500k - US\$4M. The propulsion systems powering these high value unmanned air vehicles (UAV) include not only the engine, but sophisticated fuel storage and supply systems, electrical supply systems and advanced carbon fuselage components.

Demand for these high value propulsion systems is increasing significantly as the capabilities of tactical drones rapidly evolve. Orbital is uniquely placed to serve this growing market leveraging its core competencies of innovation in precision engine, fuel system and integrated component design and manufacture.

Orbital's patented combustion technology, unparalleled facilities and over one million hours of experience enable us to provide unique light weight propulsion system solutions to meet the long endurance and high reliability requirements of mission-critical unmanned air systems.

The Teal Group (an independent aerospace and defence research and analysis company) released their highly regarded combined world military/civil unmanned aircraft system market forecast in May 2017. They are forecasting that worldwide military and civil combined production will increase from US\$5.4 Billion in 2016 to US\$20.3 Billion in 2025 within which the small to medium tactical drone market will expand from US\$2 Billion to US\$4 Billion. Orbital has the proven competitive advantage to deliver game changing solutions into this growing market.

Orbital's operations have been restructured to align with these substantial UAV opportunities. Overheads have been reduced by A\$3 million annually and with A\$18 million cash currently on hand the Company is in great shape to progress its growth objectives.

Our growth strategy will be further supported by the establishment of a facility in the United States of America, the largest geographic market for tactical drones. Through closer collaboration with our existing US customers and better line of sight of acquisition opportunities, we will accelerate the growth of our Company. I will provide further details on the establishment of the US facility during Q2FY18.

The Company has committed to REMSAFE being cost neutral to the Group by the end of December 2017. We continue to progress this strategy through both revenue growth initiatives and business partnering strategies.

Orbital maintains its revenue guidance of A\$22M this financial year.

The Orbital team is highly motivated and focused on managing a growth business that is disciplined, lean and value accretive. The recent appointments of Mr Steve Gallagher to the Board, Ms Roulé Jones as Chief Financial Officer and Company Secretary and Mr Alastair Bacon as UAVE Operations Manager to the Executive Leadership team, have been driven and supported by our Chairman, Mr John Welborn and are key change agents for the future.

With the revitalised team and continued support from Mr Terry Stinson, in the role of Non-Executive Director, and Geoff Cathcart as our key technical Executive, I am confident the Company will enjoy significant success over the coming years.

For further information, contact:

**Todd Alder | Managing Director and CEO**

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

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# CONTACTS

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## Todd Alder

Managing Director & CEO

Tel: +61 8 9441 2311

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

Website: [www.orbitalcorp.com.au](http://www.orbitalcorp.com.au)

## About Orbital

**ORBITAL is an innovative industrial technology company.**

*ORBITAL invents and builds smart technology that delivers improved performance outcomes for our clients in the aerospace, mining & industrial and consumer sectors.*

*ORBITAL operates on a global scale and is headquartered in Perth, Western Australia. From a world class facility, ORBITAL's innovation magic takes shape – from research and design to development, manufacturing and implementation.*

*Delivering state-of-the-art products and services within the industrial technology sector is what we do.*

*ORBITAL's technology leadership is exemplified by the patented REMSAFE remote isolation system for global mining and industrial applications and Orbital's® UAVE business that produces and supplies engine and propulsion systems for unmanned aerial vehicles.*

## 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. Orbital 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.*