

ADACEL TECHNOLOGIES LIMITED (ADA)

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Date 14 November 2018

FY19 Outlook & Sell-Off

We say

Price

Target

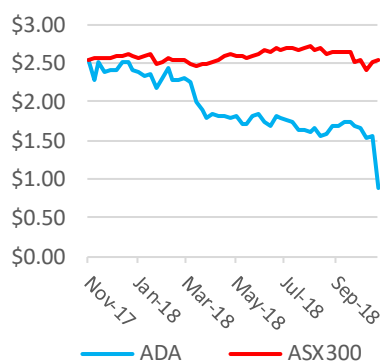
Strategic Target

HOLD

0.80 0.90 1.40

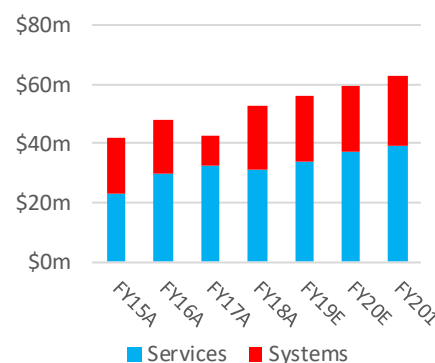
The market sell-off following Adacel's announcement regarding an expected drop in FY19 pre-tax profit by ~25-35% over the pcp appears slightly over-done. The outlook conservatively strips out all FAA Tower Simulation contract revenue. One-off headwinds compounding weighing the outlook include more investment in R&D and increased sales and marketing spend, and negative forex movements. Although the legal proceedings against a subcontractor for IP infringement are an overhang, we see a low risk of further downside citing the robust projects pipeline and modest valuation. The company has produced too many negative surprises for investors and need to review its processes of shareholder communication. We move to a HOLD from the previous buy rating.

ADA SHARE PRICE



Source: IRESS

DIVISION REVENUE



Source: BOEQ

COMPANY DATA & RATIOS

Enterprise value	\$56.1m
Market cap	\$68.6m
Issued capital	78.0m
Free float	~80%
12-month price range	\$0.78 - \$3.18
GICS sector	\$56.1m
Implied return	12%

SELL-OFF ON FY19 OUTLOOK

ADA's outlook statement translates into an expected A\$6.6-\$7.1m of pre-tax profit. The outlook may well be conservative as not all FAA Tower Simulation work has been lost just yet. Margins are expected to be impacted but should be offset by a higher revenue base. Higher overheads will hit pre-tax profit, due largely to a longer-term investment in R&D and sales.

ROBUST PIPELINE AND STEADY GROWTH

ADA is expanding its addressable market with a long list of new products. The enhanced ATM system leads to greater international market relevance. ADA's effort to provide more detail on the project pipeline has revealed a robust foundation for revenue expectations on systems projects and subsequent recurring work in the medium term.

LOW DOWNSIDE RISK ON VALUATION

ADA is trading on a P/E ratio of 12x and largely in line given its growth outlook. Factors weighing ADA appear largely short term and the legal risk appears contained. FAA dependence is reduced. ADA has no debt, and an otherwise resilient revenue base. Management remain optimistic about the long-term growth potential. Investors trust however, has to be re-established.

FY19 PROFIT OUTLOOK

ADA's FY19 outlook commentary released as part of the AGM was a material drop compared with market expectations. Management forecast FY19 pre-tax profit to be approximately 25-35% lower than pcp.

The drop is attributed to a number of factors, including the elimination of FAA Tower Simulation Support revenue from the support contract, margin pressure from competitors and a material swing in forex movements weighing on overheads. Also impacting this outlook is management's decision to increase R&D and sales and marketing for its enhanced product range to a broader addressable market.

Despite these negative factors, a number of positives appear to be supporting ADA's revenue for FY19 and beyond. These include:

- Steady growth in both the underlying Air Traffic Controller (ATC) and Air Traffic Management (ATM) businesses in FY19 to date;
- A robust pipeline of additional systems projects yet to be finalised (which drives future recurring services work), and;
- An expanded product range enhancing the addressable markets, particularly for the ATM division.

FAA TOWER SIMULATION SUPPORT CONTRACT

ADA previously announced the loss of the FAA Tower Simulation Support Contract. We believe the contract was lost on the grounds that the tender was subject to the certain size limitations under the U.S. Small Business Administration set aside rules and that ADA's revenue exceeded the relevant limit imposed. We have discussed the FAA Tower Simulation Support Contract in our previous research.

ADA has also announced that it has initiated legal proceedings against Adsync Technologies (Adsync), a small U.S. based technology firm, for breach of contract and infringement of IP which relates to a previous contract arrangement between the two entities.

ADA is seeking financial damages in relation to the unauthorised use of its IP as well as costs incurred. ADA's board is hoping to provide an update by the end of this calendar year and are also hopeful of closing the legal matter by the end of FY19.

As a precaution, ADA has conservatively stripped out all FAA Tower Simulation Contract work from its FY19 outlook. We estimate the total value of the FAA Tower Simulation Contract to be ~A\$10m in revenue per year.

We note the legal dispute is not with the FAA, but rather Adsync. Accordingly, we consider the legal dispute with Adsync to be relatively contained. Outside of the Tower Simulation work, ADA also works with the FAA as a contractor to Leidos to provide engineering support services under the FAA's Advanced Technologies and Oceanic Procedures (ATOP) Program. This engagement is expected to continue through to FY20. This contract was expanded by approximately 20% in FY18.

PRODUCT ADVANCEMENT EXPANDING ADDRESSABLE MARKET

ADA has ramped up its R&D this half to develop new products and product features for the Air Traffic Control (ATC) simulation and Air Traffic Management (ATM) system businesses.

Among a range of enhanced product offerings announced at the AGM, the continued investment in ADA's Air Traffic Management System, Aurora, is of special interest to us. The enhanced product has helped expand ADA's relevance in oceanic airspace projects to both land and ocean-based projects, which unlocks a substantially larger addressable market across many island nations and regions, which typically have aging ATM systems. By expanding their capabilities, ADA is increasingly becoming a more global competitor.

Key evidence of this has been ADA's ability to secure smaller footprint, land-based ATM system upgrades, such as those in Fiji and the French Territories.

ADA has also been busy acquiring and will continue to acquire new technologies in the ATC and ATM spaces. In the ATM systems market, small acquisitions of IP from software products and development work completed in-house have enabled ADA to expand out the product suite for enhanced aeronautical information management, complimenting the existing Aurora system.

ADA has increased its sales and marketing efforts to correspond with these new opportunities. We await and are hopeful of early traction beginning to show early in late FY19 or early FY20.

We re-iterate some key trends we are observing in the broader air travel market, which we expect will benefit global aviation technology companies such as ADA. These include a greater presence of voice assistants for pilots and augmented reality displays powering the next generation of aeronautical information systems.

We believe one of the biggest challenges currently facing ADA is the ability to leverage its enhanced products into new markets and grow into a more internationally relevant technology company; a serious challenge about which the company needs great insight and communicate that effectively to shareholders.

FY19 ESTIMATES

We outline our FY19 estimates below. These figures are broadly in line with the outlook statements provided by management at the AGM, namely, a 30-35% drop in pre-tax profit in FY19 on pcp, with the impact weighted toward the first half (a 65-75% drop vs pcp). This translates into FY19 pre-tax profit guidance of A\$6.6m-A\$7.1m

\$million	1H18	2H18	2018	1H19	2H19	2019
	Actual	Actual	Actual	Forecast	Forecast	Forecast
Revenue						
Systems	10.2	11.7	21.9	8.0	14.5	22.5
Services	15.4	15.8	31.1	11.0	23.0	34.0
Total Revenue	25.6	27.5	53.1	19.0	37.5	56.5
Gross Margin						
Systems	3.4	2.7	6.1	2.0	3.6	5.6
<i>Gross Margin %</i>	34%	23%	28%	25%	25%	25%
Services	6.7	7.4	14.1	4.5	9.4	13.9
<i>Gross Margin %</i>	26%	27%	27%	24%	25%	25%
Total Gross Margin	10.2	10.1	20.3	6.5	13.1	19.6
<i>Total Gross Margin %</i>	40%	37%	38%	34%	35%	35%
EBITDA	5.1	5.8	10.9	1.9	5.3	7.2
Depreciation & amortisation	-0.3	-0.3	-0.6	-0.4	-0.8	-1.1
EBIT	4.8	5.5	10.3	1.5	4.5	6.0
Net interest income /(expense)	0.0	-0.1	-0.1	0.3	0.3	0.6
Pre-tax profit	4.8	5.4	10.2	1.8	4.8	6.6
Tax expense	-1.3	-0.5	-1.8	-0.4	-1.0	-1.3
Underlying NPAT	3.5	4.9	8.4	1.4	3.9	5.3
Abnormal items	0.0	0.0	0.0	0.0	0.0	0.0
Statutory NPAT	3.5	4.9	8.4	1.4	3.9	5.3

Source: BOEQ estimates

We note the following in respect of our FY19 outlook estimates:

- Our estimates are based on the lower end of the guidance range provided at the AGM (i.e. A\$6.6m of profit before tax), **highlighting missed guidance at the previous result.**
- Despite stripping out ~A\$10m/year revenue from the FAA Simulation Tower contract, management continue to point toward steady growth overall, supported by both the ATC and ATM businesses and foreign currency movements. We estimate ~7% growth in revenue in FY19 vs pcp.
- Gross margins in dollar terms are expected to remain relatively flat on FY18, however the gross margin % is expected to fall to 34% from 38% in FY18 following continued pressure from large competitors in the internationally competitive landscape. The gross margin in the Services division is expected to be impacted greater than the Systems division as the high margin FAA Tower Simulation contract has been stripped out.
- The FY19 gross margin contribution is expected to be slightly lower on pcp but expect a bigger fall in EBITDA on higher R&D and sales & marketing for the enhanced product range.

REVISIONS TO ESTIMATES

Adacel Technologies 30-June	FY19			FY20			FY21		
	Prev	New	Chg%	Prev	New	Chg%	Prev	New	Chg%
Revenue									
Systems	22.5	22.5	0%	22.3	22.3	0%	24.0	24.0	0%
Services	32.0	34.0	+6%	34.0	37.0	+9%	36.8	39.0	+6%
Total Revenue	54.5	56.5	+4%	56.3	59.3	+5%	60.8	63.0	+4%
Gross Margin									
Systems	5.6	5.6	0%	5.8	5.8	0%	6.5	6.5	0%
Services	14.4	13.9	-3%	15.3	15.2	-1%	16.5	16.0	-3%
Total Gross Margin	20.0	19.6	-2%	21.1	21.0	-1%	23.0	22.5	-2%
EBITDA	12.0	7.2	-40%	12.7	7.7	-39%	14.0	8.2	-41%
Depreciation & amortisation	-1.1	-1.1	-4%	-1.1	-1.5	-33%	-1.2	-1.5	-23%
EBIT	10.9	6.0	-45%	11.5	6.2	-46%	12.8	6.7	-48%
Net interest income /(expense)	0.6	0.6	-6%	0.9	0.6	-28%	1.1	0.7	-36%
Pre-tax profit	11.5	6.6	-43%	12.4	6.8	-45%	13.9	7.4	-47%
Tax expense	-2.3	-1.3	+43%	-2.5	-1.4	+45%	-2.8	-1.5	+47%
Underlying NPAT	9.2	5.3	-43%	9.9	5.5	-45%	11.1	5.9	-47%
Abnormal items	0.0	0.0		0.0	0.0		0.0	0.0	
Statutory NPAT	9.2	5.3	-43%	9.9	5.5	-45%	11.1	5.9	-47%
Diluted EPS (¢)	11.8	6.7	-43%	12.7	7.0	-45%	14.2	7.6	-47%
DPS (¢)	4.7	2.7	-43%	5.1	2.8	-45%	5.7	3.0	-47%

Source: BOEQ estimates

We have made the following specific changes to our estimates:

- The high margin FAA contract which we estimate is worth ~A\$10m in annual revenue has been stripped out of our estimates. Despite this, the overall services revenue has increased to reflect an improved outlook on top line growth for FY19 for both the ATC and ATM divisions (outside of the FAA work).
- The loss of the high margin FAA contract has resulted in a lower overall gross margin % across the services division, however the increase in overall revenue has offset this falling margin % to produce a relatively mild reduction in gross margin dollars.
- The EBITDA outlook has materially reduced as additional overheads have been included to reflect an increase in R&D, sales and marketing and negative forex movements on operating expenses.
- The additional expenditure in R&D and sales should herald greater revenue growth however, this remains to be seen.

DCF BASED VALUATION

Our DCF based Price Target has reduced to \$0.90 per share, down from \$2.00 per share following a material reduction in gross margins due to the loss of the FAA contract and higher overheads from increased up-front investment in R&D and sales. Our valuation methodology is based on a DCF using a β of 1, equity risk premium of 5% and Rf of 4%. We have also used a terminal growth rate of 4%. This Price Target equates to a PE of ~12x on our FY19 EPS estimate.

STRATEGIC PRICE TARGET

Our strategic Price Target of \$1.40 per share has been calculated on the basis that ADA was to attract corporate interest and was acquired at a ~15x EV/EBITDA multiple. Accordingly, our strategic target price has been calculated as follows:

\$million	FY19	FY20
	Estimate	Estimate
Forecast EBITDA	\$7.2m	\$7.7m
Shares on Issue	78.8m	78.3m
EBITDA per share	9.1c	9.8c
Target Price to Earnings Ratio	15.0x	15.0x
Target Price	\$1.36	\$1.48
Rolling 12-mth fwd target price (AU\$)		1.40

Source: BOEQ estimates

We believe ADA's expanding catalogue of products and increasingly global reach present a potential acquisition opportunity for a larger competitor.

COMPARATIVES

The following tables have been constructed using latest Thomson Reuters consensus data.

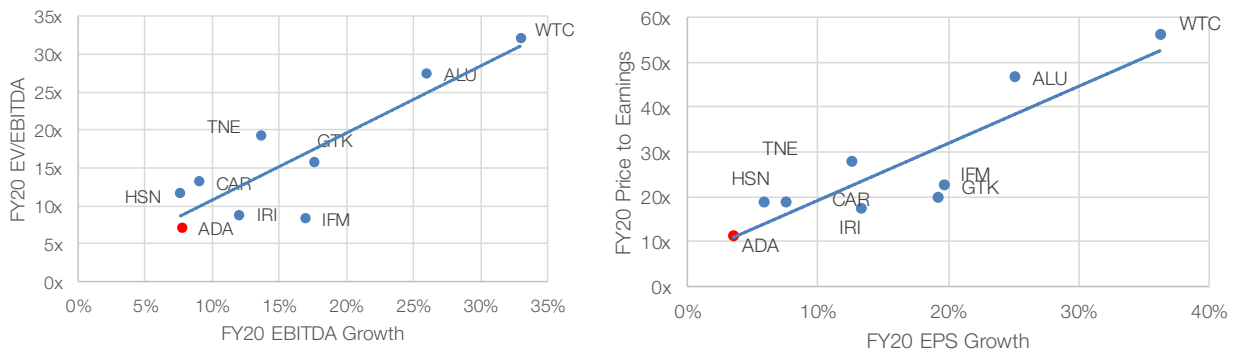
ADA'S ASX LISTED PEERS

Stock Code	Company Name	Price	Mkt Cap A\$Mill	EV A\$Mill	EBITDA (\$Mill)		EBITDA Growth		EV/EBITDA (\$Mill)		EPS Growth		PE Ratio (x)	
					2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
ADA.AX	Adacel Technologies Ltd	\$0.80	62.4	49.8	7.2	7.7	-34.4%	7.7%	7.0	6.5	-37.2%	3.5%	11.9	11.5
ALU.AX	Altium Ltd	\$22.90	3,007.4	2,104.5	60.6	76.7	30.4%	26.5%	34.7	27.4	32.8%	24.8%	58.8	47.1
CAR.AX	Carsales.Com Ltd	\$11.93	2,929.2	3,303.8	234.0	255.1	12.7%	9.0%	14.1	12.9	7.1%	5.9%	19.6	18.5
GTK.AX	Gentrack Group Ltd	\$6.45	635.8	717.8	39.0	45.9	22.8%	17.6%	18.4	15.7	23.4%	19.7%	26.8	22.4
HSN.AX	Hansen Technologies Ltd	\$3.37	668.9	668.1	54.1	58.3	-8.3%	7.6%	12.3	11.5	-9.1%	7.6%	19.8	18.4
IFM.AX	Infomedia Ltd	\$1.22	382.4	366.4	36.0	42.1	29.2%	17.0%	10.2	8.7	24.8%	19.2%	24.2	20.3
IRI.AX	Integrated Research Ltd	\$2.29	396.2	382.2	40.1	44.9	5.7%	11.9%	9.5	8.5	8.1%	13.4%	19.2	16.9
TNE.AX	TechnologyOne Ltd	\$5.83	1,859.7	1,788.8	80.1	91.0	15.0%	13.6%	22.3	19.7	15.2%	12.6%	32.0	28.4
WTC.AX	WiseTech Global Ltd	\$15.88	4,814.9	4,661.4	111.0	148.7	46.0%	33.9%	42.0	31.4	45.5%	37.0%	74.7	54.5
	Mean						13.2%	16.1%	19.0	15.8	12.3%	16.0%	31.9	26.4
	Median						15.0%	13.6%	14.1	12.9	15.2%	13.4%	24.2	20.3

Source: Thomson Reuters, BOEQ

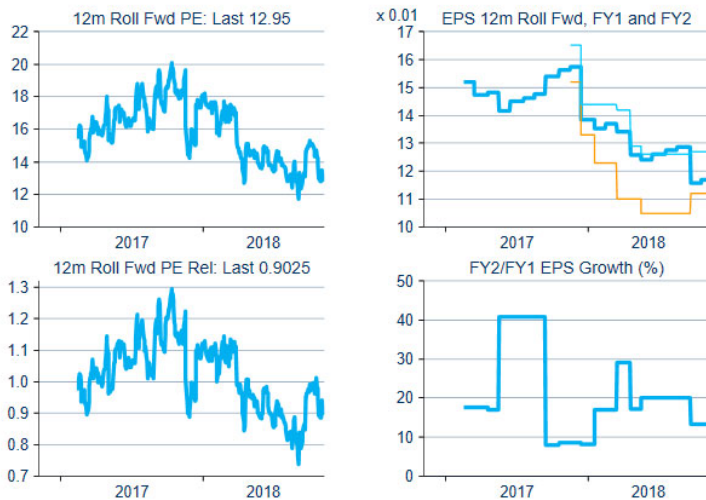
As can be seen in the previous chart, both ADA's PE ratio and EPS growth outlook are significantly lower than the average of the selected peers. Plotting these data points on the following two tables suggests that based on the correlation between the two metrics, ADA appears to be trading largely at fair value.

EV VS EBITDA GROWTH & PE RATIO VS EPS GROWTH



Source: Thomson Reuters & BOEQ

PE Summary: ADACEL TECHNOLOGIES



Source: Thomson Reuters Datastream Consensus

Source: BOEQ, Thomson Reuters consensus data

The charts on the left were produced immediately prior to the market sell-off on 9 November. Up until this point ADA was trading on a PE above 12x on a rolling 12-month basis. Based on our EPS estimates for FY19 and FY20, ADA is trading on ~11x EPS. We believe there is a low risk of downside from the current PE ratio, particularly if ADA can capitalise on its steady growth in top line revenue and translate this into EPS growth, in line with our estimates.

We are cautious of the prospect of any negative news relating to the legal proceedings as well as the market overhang and business distractions the situation brings. Whilst management remain optimistic of an ideal outcome, we have not factored in any potential upside for a positive outcome from the legal proceedings.

KEY RISKS

Lengthy tender and decision making: The generally long process of aviation authorities as well as their occasional funding constraints can affect ADA's ability to forecast accurately the timing and quantum of both new and on-going business activity, particularly for the Systems division.

Project risk Failure to successfully implement projects: A failure to successfully implement a project for a customer in a timely manner could reduce the revenues that ADA would receive from the project or expose ADA to significant substantial costs.

Customer retention and concentration: Traditionally, ADA has held high customer retention rates, there is no certainty that this will continue. A decline in retention rates, with particularly the key customers such as the FAA, Leidos (Lockheed Martin), and the USAF would adversely affect ADA's financial performance.

Key personnel, human capital and staff retention: ADA's success depends on key people in the business, including the senior management team and key technical and sales personnel and their relationships with customers. A failure to hire and retain qualified personnel may adversely affect ADA's ability to grow, deliver projects successfully and adequately service its existing customer base.

Competition: ADA's competitors are generally multinational vendors who may have greater access to capital and are able to devote greater resources to the development, marketing and sale of their solutions and services. Significantly lower pricing points may prove to be competitive against ADA's products when tendering for new projects.

U.S. contract renewals: Many U.S. Government contract tenders are subject to certain business size thresholds which are designed to restrict successful tender applicants to small businesses only. These rules are known as the set-aside rules, and may impact ADA's ability to participate in any up-coming tenders in the U.S. There are various exceptions to the rules, and the rules are applied on a case-by-case basis. ADA has been progressively reducing its reliance on U.S. revenues with a substantial portion now in other regions.

Stock Details

Recommendation	HOLD	52 Week High	\$3.18	Shares on Issue	78.0m
Valuation	\$0.90	52 Week Low	\$0.82	Market Capitalisation	\$69m
Share price	\$0.80	Avg Mthly Value	\$6.5m	Enterprise Value	\$56m
Upside/downside	13%	Financial Year End	30-June	Free Float	63%

Profit & Loss (\$m)	FY17A	FY18A	FY19E	FY20E	FY21E
Operating Revenue	42.4	53.1	56.5	59.3	63.0
Other Revenue	0.0	0.0	0.0	0.0	0.0
Total Revenue	42.4	53.1	56.5	59.3	63.0
Operating Costs	-33.6	-42.2	-49.4	-51.5	-54.8
EBITDA	8.8	10.9	7.2	7.7	8.2
D&A	-0.8	-0.6	-1.1	-1.5	-1.5
EBIT	8.1	10.3	6.0	6.2	6.7
Net Interest Expense	-0.2	-0.1	0.6	0.6	0.7
Pre-Tax Profit	7.9	10.2	6.6	6.8	7.4
Tax Expense	1.4	-1.8	-1.3	-1.4	-1.5
Minority Interests	0.0	0.0	0.0	0.0	0.0
Profit from disc'd operations	0.0	0.0	0.0	0.0	0.0
NPAT Normalised	9.3	8.4	5.3	5.5	5.9
One-Offs after tax	0.0	0.0	0.0	0.0	0.0
NPAT Reported	9.3	8.4	5.3	5.5	5.9

Balance Sheet (\$m)	FY17A	FY18A	FY19E	FY20E	FY21E
Cash	16.4	12.5	15.6	17.9	20.6
Inventory	0.5	1.1	0.8	0.8	0.9
Receivables	14.7	17.4	18.6	19.5	20.7
Other	0.7	1.4	1.4	1.4	1.4
Current Assets	32.3	32.4	36.4	39.5	43.6
PPE	1.2	1.0	1.0	1.0	1.0
Intangible Assets	0.8	0.9	0.9	0.9	0.9
Other	3.5	3.5	3.5	3.5	3.5
Non-Current Assets	5.5	5.5	5.5	5.5	5.5
Total Assets	37.8	37.9	41.9	45.0	49.1
Payables	2.0	5.0	6.2	6.5	6.9
Interest Bearing Liabs	0.0	0.0	0.0	0.0	0.0
Other	7.9	8.0	8.0	8.0	8.0
Current Liabilities	9.9	13.0	14.1	14.4	14.9
Interest Bearing Liabs	0.0	0.0	0.0	0.0	0.0
Other	1.9	1.4	1.4	1.4	1.4
Non-Current Liabilities	1.9	1.4	1.4	1.4	1.4
Total Liabilities	11.8	14.3	15.5	15.8	16.2
Contributed Equity	75.2	73.3	73.3	73.3	73.3
Reserves + Retained	-47.2	-48.4	-45.6	-42.8	-39.1
Minorities & Convertibles	-2.0	-1.3	-1.3	-1.3	-1.3
Total Equity	26.0	23.6	26.3	29.2	32.8

Cashflow Statement (\$m)	FY17A	FY18A	FY19E	FY20E	FY21E
Gross Cash Flow	6.4	7.5	7.5	7.1	7.3
Net Interest	0.0	0.1	0.0	0.0	0.0
Tax Paid	0.0	2.1	-1.3	-1.4	-1.5
Other	-1.5	-1.1	0.0	0.0	0.0
Net Operating Cash Flows	4.9	8.6	6.2	5.7	5.8
Payments for PPE	-0.2	-0.5	-1.1	-1.5	-1.5
Payments for Acquisitions	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Net Investing Cash Flows	-0.2	-0.5	-1.1	-1.5	-1.5
Net Share Issues	0.0	0.0	0.0	0.0	0.0
Net Borrowings	-0.7	-0.7	0.0	0.0	0.0
Dividends Paid	-2.8	-9.5	-2.5	-2.6	-2.3
Other	0.0	-2.0	0.6	0.6	0.7
Net Financing Cash Flows	-3.5	-12.2	-2.0	-2.0	-1.6
Change in Cash Held	1.2	-4.1	3.1	2.2	2.8
Cash at Beginning of Period	15.8	16.4	12.5	15.6	17.9
Adjustments	-0.6	0.2	0.0	0.0	0.0
Cash at End of Period	16.4	12.5	15.6	17.9	20.6

Ratio Analysis	FY17A	FY18A	FY19E	FY20E	FY21E
Revenue Growth	-11.4%	25.0%	6.5%	4.9%	6.3%
EBITDA Growth	-25.6%	23.4%	-34.4%	7.7%	6.3%
EBIT Growth	-27.4%	27.4%	-41.4%	3.0%	7.9%
NPAT Growth	0.7%	-9.5%	-37.2%	3.5%	8.5%
EBITDA Margin	20.8%	20.5%	12.7%	13.0%	13.0%
EBIT Margin	19.0%	19.4%	10.7%	10.5%	10.6%
Tax Rate	-18.2%	17.6%	20.0%	20.0%	20.0%
NPAT Margin	21.9%	15.8%	9.3%	9.2%	9.4%
Diluted EPS (¢)	11.7	10.7	6.7	7.0	7.6
EPS growth	0.7%	-8.5%	-37.2%	3.5%	8.5%
DPS (¢)	4.0	4.5	2.7	2.8	3.0
DPS Growth	33.3%	12.5%	-40.1%	3.5%	8.5%
Franking	0.0%	0.0%	0.0%	0.0%	0.0%
Payout Ratio	34.2%	42.3%	40.0%	40.0%	40.0%
ROE	37.5%	31.7%	20.1%	18.8%	18.3%
ROA (NPAT)	25.3%	21.3%	12.8%	12.2%	12.3%
ROIC	79.8%	69.4%	38.7%	39.4%	39.8%
Total Debt	0.0	0.0	0.0	0.0	0.0
Net Debt	-16.4	-12.5	-15.6	-17.9	-20.6
Current Debt / Total Debt	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt / Equity	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt / Net Debt + Equity	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT Interest Cover	37.5	Large	Large	Large	Large
Total Debt / EBITDA	0.0	0.0	0.0	0.0	0.0
NPAT Cash Conversion	49%	96%	97%	82%	79%
EBITDA Cash Conversion	180%	126%	95%	109%	112%
Capex / Sales	0%	1%	2%	3%	2%
Capex / Depreciation	23%	84%	100%	100%	100%
EBITDA	8.8	10.9	7.2	7.7	8.2
Change in W/C	-2.9	-0.3	0.4	-0.6	-0.9
Net Interest Expense	-0.2	-0.1	0.6	0.6	0.7
Tax Paid	1.4	-1.8	-1.3	-1.4	-1.5
Cash Flow	7.2	8.8	6.8	6.3	6.6
Maintenance Capex	-0.2	-0.5	-1.1	-1.5	-1.5
Free Cash Flow	7.0	8.2	5.6	4.8	5.1

Share Price: \$0.80	FY17A	FY18A	FY19E	FY20E	FY21E
EFPOWA (million)	79.3	78.9	78.3	78.3	78.3
Normalised EPS (¢)	11.7	10.7	6.7	7.0	7.6
PE	6.8	7.5	11.9	11.5	10.6
CFPS (¢)	9.1	11.1	8.7	8.1	8.4
P/CFPS	8.8	7.2	9.2	9.9	9.6
FCFPS	8.8	10.4	7.2	6.2	6.5
P/FCF	9.0	7.7	11.1	13.0	12.4
DPS (¢)	4.0	4.5	2.7	2.8	3.0
Yield	5.0%	5.6%	3.4%	3.5%	3.8%
BVPS (\$)	\$0.35	\$0.32	\$0.35	\$0.39	\$0.44
P/BV	2.27	2.52	2.27	2.05	1.84
NTAPS (\$)	\$0.34	\$0.31	\$0.34	\$0.38	\$0.42
P/NTA	2.34	2.61	2.34	2.12	1.89
EV/EBITDA	6.3	5.1	7.8	7.3	6.8
EV/EBIT	7.0	5.5	9.3	9.0	8.4
EV/EBITDA (at Target \$0.90)	6.5	5.3	8.1	7.5	7.0
EV/EBIT (at Target \$0.90)	7.1	5.6	9.6	9.3	8.6

Source: Company, BOEQ

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