SMS Management & Technology
Level 41
140 William Street
Melbourne VIC 3000
Australia
T 1300 842 767
www.smsmt.com

Adelaide
Brisbane
Canberra
Melbourne
Sydney
Perth
Hong Kong
Singapore

ASX ANNOUNCEMENT

1 June 2017

Supplementary disclosure in relation to scheme of arrangement

Please find attached a letter that will be dispatched to shareholders on or before 2 June 2017.

For further information please contact:

Rick Rostolis, Chief Executive Officer
rick.rostolis@smsmt.com
+61 3 9674 3327

Peter Sherar, Chief Financial Officer
peter.sherar@smsmt.com
+61 3 9674 3327

About SMS
SMS is an ASX-listed Australian business specialising in business and IT advisory, technology solutions, managed services and recruitment. SMS cultivates innovation, digital, mobile and design-led business and technology capability to empower organisations across all industry sectors. With over 1,400 staff across Australia, Hong Kong, Singapore and the Philippines, SMS promotes and delivers next-generation customer-centric outcomes for our clients.

SMS Management & Technology
Level 41
140 William Street
Melbourne VIC 3000
Australia
T 1300 842 767
www.smsmt.com

Adelaide
Brisbane
Canberra
Melbourne
Sydney
Perth
Hong Kong
Singapore

1 June 2017

Supplementary disclosure in relation to scheme of arrangement

SMS Management & Technology Limited (**SMS**) (ASX:SMX) refers to the scheme booklet dated 4 May 2017 (**Scheme Booklet**) in respect of the proposed scheme of arrangement to be considered by SMS Shareholders at the meeting of shareholders to be held on 14 June 2017 (the **DWS Scheme**).

This letter provides an update to SMS Shareholders on certain developments that have occurred since the issue of the Scheme Booklet. This letter is supplementary to, and should be read together with, the Scheme Booklet. Terms not otherwise defined in this letter have the meaning given to them in the Scheme Booklet.

ASG Expression of Interest

On the evening of Friday 26 May 2017, SMS received an unsolicited, confidential, non-binding, indicative, incomplete and conditional Expression of Interest from ASG Group Limited (**ASG**, a 100% owned subsidiary of Nomura Research Institute, Ltd (**NRI**)) to potentially acquire 100% of the shares in SMS for $1.80 in cash per share (**ASG EOI**).

The ASG EOI is non-binding and incomplete in a number of material respects. In addition, it is subject to a number of conditions, including but not limited to:

- the completion of confirmatory due diligence;
- final internal approvals;
- unanimous recommendation from the SMS Board in support of the transaction; and
- execution of a binding implementation agreement, including terms such as no material adverse change in the business condition, "no shop" and "no talk" restrictions, no prescribed occurrences in relation to SMS, no regulatory action in relation to the transaction, SMS not making any capital returns or declaring additional dividends and an agreed break fee.

The timetable for any proposal which might emerge from ASG is also unclear.

The ASG EOI is not subject to a financing condition. ASG does not anticipate at this stage that Foreign Investment Review Board approval would be required to implement the ASG EOI, but have not yet expressed a concluded view.

Under the terms of the Scheme Implementation Agreement entered into on 27 February 2017 in respect of the DWS Scheme (the **DWS SIA**), SMS has a well-defined process to follow in these circumstances (see section 14.1 of the Scheme Booklet for a summary of the DWS SIA). This process limits SMS' ability to hold discussions with ASG in relation to a Third Party Proposal (as defined in the DWS SIA) unless, amongst other reasons, the proposal constitutes a transaction which is or may reasonably be expected to lead to a Superior Proposal (as defined in the DWS SIA). The SMS Board, after receiving advice from its legal and financial advisers, has concluded that the ASG EOI may reasonably be expected to lead to a Superior Proposal (as defined in the DWS SIA).

The SMS Board is committed to acting in the best interests of SMS Shareholders and therefore has entered into a confidentiality agreement with ASG and is engaging with ASG on the ASG EOI.

There is no certainty that an offer for SMS from ASG will eventuate. The SMS Board continues to believe that the DWS Scheme is in the best interests of SMS Shareholders, and it intends to proceed with the DWS Scheme Meeting as planned. The SMS Board continues to unanimously recommend that SMS Shareholders vote in favour of the DWS Scheme in the absence of a Superior Proposal emerging or the Independent Expert changing or qualifying its conclusion that the DWS Scheme is in the best interests of SMS Shareholders.

Independent Expert's response

The Independent Expert, KPMG Financial Advisory Services (Australia) Pty Ltd (**KPMG**), has provided the following statement:

"KPMG issued an Independent Expert's Report (**IER**) that included our opinion that the DWS Scheme is in the best interests of SMS Shareholders in the absence of a Superior Proposal. Our opinion was reached after assessing the fairness and reasonableness of the DWS Scheme in accordance with ASIC Regulatory Guide 111.

The reasonableness factors included statements, based on information available at the time the IER was prepared, that no alternative proposal had been presented and the likelihood of an alternative proposal emerging was considered low. Subsequent to issuing the IER, ASG has presented the ASG EOI to potentially acquire 100% of SMS Shares for $1.80 per share in cash. There now appears to be the possibility of an alternative proposal emerging for SMS Shareholders. However, at this time, the ASG EOI is non-binding, indicative, incomplete and conditional. Accordingly, as there is currently no binding proposal capable of acceptance by SMS Shareholders, KPMG has not assessed whether the ASG EOI is superior to the DWS Scheme. Until such time as the ASG EOI becomes binding, we consider that the DWS Scheme remains both fair and reasonable and therefore in the best interests of SMS Shareholders.

In addition, the IER included a statement that the SMS Share price may fall in the absence of the DWS Scheme. Since SMS announced the ASG EOI, the price of a SMS Share traded on ASX has closed as high as $1.77, which is higher than our assessment of the DWS Scheme Consideration (of $1.57 to $1.64). In our view, the market is currently reacting to information regarding a potential price of $1.80 within the ASG EOI. Notwithstanding the current SMS Share price, our valuation range per SMS Share (of $1.52 to $1.76) remains appropriate as it is based on fundamental analysis and ASIC guidelines. In our view, the SMS trading price may remain at these levels whilst there is a possibility (or speculation) of the ASG EOI proceeding to a binding offer and, while the ASG EOI is still a possibility, it is unlikely to fall in the absence of the DWS Scheme as contemplated in the IER.

Furthermore, we note that:

- based on the SMS trading price on ASX as at the date of this letter, SMS Shareholders may be able to exit their investment in full, on market, at a price above our assessed range of the DWS Scheme Consideration, noting that trading prices are subject to change and trading volumes may mean that this option is not available to all SMS Shareholders; and
- by voting in favour of the DWS Scheme, the SMS Shareholders will forego the opportunity to participate in any future control transaction, including the ASG EOI (should it proceed)."

Further information

The ASG EOI was announced to ASX on Monday 29 May 2017 (copy attached). SMS will provide further information on the ASG EOI if and when appropriate through further announcements to ASX. **Shareholders do not need to take any action in response to this letter, although SMS recommends that Shareholders monitor the ASX announcements issued by SMS up until the Scheme Meeting (www.asx.com.au) and the SMS website (http://www.smsmt.com/investor-information).**

If you require further information, please contact the SMS Shareholder Information Line on 1300 970 086 (within Australia) and +61 1300 970 086 (outside of Australia) between 8.30am and 5.30pm, Monday to Friday. You should read this letter and the Scheme Booklet in their entirety before deciding on whether to vote in favour of the DWS Scheme or not. You should seek your own legal, financial or other professional advice before making any decision in relation to your SMS Shares.

Yours sincerely

Derek Young AM
Chairman
SMS Management & Technology Limited

SMS Management & Technology
Level 41
140 William Street
Melbourne VIC 3000
Australia
T 1300 842 767
www.smsmt.com

Adelaide
Brisbane
Canberra
Melbourne
Sydney
Perth
Hong Kong
Singapore

ASX ANNOUNCEMENT

29 May 2017

Receipt of Non-Binding Expression of Interest from ASG Group Limited

SMS Management & Technology Limited (**SMS**) (ASX:SMX) on the evening of Friday, 26 May 2017, received an unsolicited, non-binding, confidential, indicative, incomplete and conditional Expression of Interest (**EOI**) from ASG Group Limited (**ASG**, a 100% owned subsidiary of Nomura Research Institute, Ltd (**NRI**)) to potentially acquire 100% of the shares in SMS for $1.80 in cash per share.

The EOI is non-binding and is subject to a number of conditions, including but not limited to:

- completion of confirmatory due diligence;
- final internal approvals;
- unanimous recommendation from the SMS Board in support of the transaction; and
- execution of a binding implementation agreement, including terms such as no material adverse change in the business condition, "no shop" and "no talk" restrictions, no prescribed occurrences in relation to SMS, no regulatory action in relation to the transaction, SMS not making any capital returns or declaring additional dividends and an agreed break fee.

The EOI is not subject to a financing condition. ASG does not anticipate at this stage that Foreign Investment Review Board approval would be required to implement the EOI, but has not yet expressed a concluded view.

Under the terms of the Scheme Implementation Agreement entered into on 27 February 2017 between SMS and DWS Limited (the **DWS SIA**), SMS has a well-defined process to follow in these circumstances. The SMS Board, after receiving advice from its legal and financial advisers, has concluded that the EOI may reasonably be expected to lead to a Superior Proposal (as defined in the DWS SIA). The SMS Board is committed to acting in the best interests of SMS shareholders and therefore will engage with ASG, subject to the negotiation of an appropriate confidentiality agreement. DWS has been notified of the key terms and conditions of the EOI.

There is no certainty that an offer for SMS from ASG will eventuate. The SMS Board continues to believe that the proposed acquisition by DWS by scheme of arrangement (the **DWS Scheme**) is in the best interests of SMS shareholders. The SMS Board continues to unanimously recommend that SMS shareholders vote in favour of the DWS Scheme in the absence of a Superior Proposal emerging or the Independent Expert changing or qualifying their conclusion that the DWS Scheme is in the best interests of SMS shareholders. The Scheme Meeting is currently scheduled for 14 June 2017.

Further announcements will be made by SMS if and when appropriate. Shareholders do not need to take any action in response to this announcement.

For further information please contact:

Rick Rostolis, Chief Executive Officer
rick.rostolis@smsmt.com
+61 3 9674 3327

Peter Sherar, Chief Financial Officer
peter.sherar@smsmt.com
+61 3 9674 3327

About SMS

SMS is an ASX-listed Australian business specialising in business and IT advisory, technology solutions, managed services and recruitment. SMS cultivates innovation, digital, mobile and design-led business and technology capability to empower organisations across all industry sectors. With over 1,400 staff across Australia, Hong Kong, Singapore and the Philippines, SMS promotes and delivers next-generation customer-centric outcomes for our clients.