

ASX ANNOUNCEMENT

22 August 2017

SMS Management & Technology Announces 2017 Full-Year Results

SMS Management & Technology Limited (**SMS**) (ASX:SMX), today announced its financial results for the year ended 30 June 2017.

| Full Year Results | 2017 \$m | 2016 \$m |
|---------------------------------------------------------------------|-------------|-------------|
| Revenue | 304.5 | 328.7 |
| EBITDA ¹ prior to significant items | 10.9 | 15.7 |
| Reported EBITDA Profit / (Loss) | (37.9) | 15.7 |
| Net Profit After Tax (NPAT) prior to significant items ² | 6.1 | 9.7 |
| Reported Net Profit / (Loss) After Tax | (42.1) | 9.7 |

Mr Rick Rostolis, Chief Executive Officer said, "EBITDA prior to significant items improved in the second half, following initiatives to stabilise the business and focus on operational efficiency. The business has had a number of challenges over recent years, and whilst only recording a modest EBITDA improvement, it is encouraging to deliver an uplift in line with our second half objectives and market expectations."

The reported EBITDA result included the following significant items:

- a non-cash goodwill impairment charge of \$46.7 million (recognised in the 1H FY2017 results);
- termination costs of \$0.9 million; and
- transaction costs of \$1.2 million in relation to the now terminated DWS scheme.

The Chairman of SMS, Mr Derek Young, commented, "This is an improved result compared to both the second half of last financial year and the first half of 2017. Whilst this result demonstrates that a level of stability has been restored to the business, the lower margins and current level of contract wins reflect the highly competitive nature of the market."

Mr Young added, "The Board remains of the view that the proposed acquisition of SMS by ASG Group Limited (ASG), by way of a scheme of arrangement, represents a compelling offer for SMS shareholders and the best available opportunity to realise value for their shares. The Board continues to unanimously recommend that SMS shareholders vote in favour of the ASG scheme, in the absence of a superior proposal or the Independent Expert changing or qualifying its conclusion that the scheme is in the best interests of shareholders." The meeting to vote on the ASG scheme is to be held at 11.00am on Friday, 1 September 2017.

¹ EBITDA represents Earnings Before Interest, Tax, Depreciation and Amortisation and is non-IFRS financial information pre-significant items.

² Significant items (net of tax) are represented by a non-cash goodwill impairment charge of \$46.7 million, termination costs of \$0.6 million and DWS scheme transaction costs of \$0.9 million

Segment Review

SMS Consulting

| \$m | 2017 | 2016 | Change % |
|---------------------|-------|-------|----------|
| Revenue | 211.6 | 234.4 | (10%) |
| EBITDA ³ | 18.9 | 25.1 | (25%) |
| EBITDA margin (%) | 8.9% | 10.7% | |

2017 revenue reflected the weak sales pipeline leading into the financial year. Although revenue was down 10% on the prior year, it remained steady half on half. Despite margin pressures, the second half saw an improvement in EBITDA due to efficiency gains through utilisation increasing from 78% (1H) to 85% (2H). Advisory & Solutions billable headcount was on average 9% lower than the prior year (closing at 825 compared to 877 pcp) due to natural attrition and resource capacity adjustments. The second half profit improvement was seen across most states, in particular Victoria, New South Wales, Western Australia and Queensland.

Contract wins of \$237 million were impacted by underperformance primarily in Financial Services and Telecommunications, Media and Technology (TMT). During the year, a small number of contract wins were signed with several targeted new clients, as part of a focus to diversify the client base into ASX300 companies.

M&T Resources

| \$m | 2017 | 2016 | Change % |
|----------------------|------|------|----------|
| Revenue ⁴ | 92.9 | 94.3 | (2%) |
| EBITDA ³ | 5.5 | 6.1 | (9%) |
| EBITDA margin (%) | 5.9% | 6.5% | |

Demand in the contractor recruitment market remained steady with M&T Resources revenue marginally down on the prior year after delivering a strong result in FY2016. Demand remained solid in Government but weaker in TMT. Profitability was down in the second half with contractor margins and recruitment down in Victoria and New South Wales.

Contract wins of \$121 million were slightly up on the prior year with growth in Government offsetting a slow-down in TMT and Energy, Resources and Infrastructure.

Other

SMS continues to focus on cost management initiatives. Corporate costs (prior to financing costs, depreciation and amortisation expense and significant items) reduced from \$15.5 million in the prior year to \$13.5 million in FY2017 as a result of cost reductions in IT and support functions.

³ EBITDA excludes significant items and unallocated corporate costs. The prior period has been restated to include occupancy costs.

⁴ Excludes interdivisional revenue

Dividends and Capital Management

SMS maintains a strong balance sheet with net debt of \$9.1 million as at 30 June 2017.

The scheme implementation agreement with ASG precludes the Board of SMS from paying a final dividend. However, the Board of SMS has retained the discretion to pay a fully-franked special dividend of up to a maximum of 10.2 cents per share, subject to the ASG scheme becoming effective and a favourable draft ATO class ruling being obtained. The Board intends to consider whether it will pay a special dividend following the scheme meeting on 1 September 2017.

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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.

For more information please visit www.smsmt.com