

9 May 2014

Manager, Companies  
Australian Stock Exchange Limited  
Company Announcements Office  
Level 4  
Stock Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

Dear Sir/Madam

Pursuant to Listing Rule 3.1, attached is a presentation to be presented today by the Company's Chief Executive Officer, Mr Tom Stianos, at the Macquarie Australia Conference.

Yours faithfully



**Anna Gorton**  
Company Secretary

+Empowering Business

# SMS Management & Technology Limited

Macquarie Australia  
Conference

*Tom Stianos, Chief Executive Officer*

9 May 2014



Management & Technology

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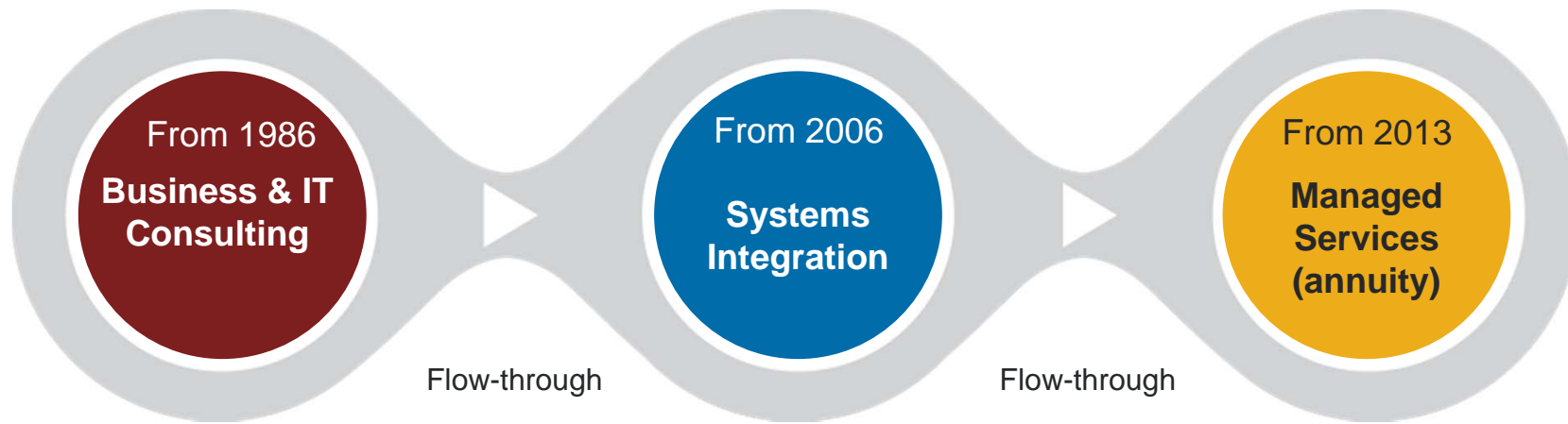
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- Strategic Intent
- 3Q Update
- Operational Performance
- Outlook

# Evolution of SMS Business

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- SMS is on track with its long term strategy despite weak conditions in FY14
- Trends in cloud, data, social, and mobility present new opportunities
- Emerging business model drives more multi-year ongoing services, not just project-based contracts



	Business & IT Consulting	Systems Integration	Managed Services (annuity)	Contract Resources (M&TR)
<b>Profit Contribution</b>				
Pre 1999	90%	-	-	10%
2008	68%	19%	-	13%
2013	49%	41%	2%	8%
2014 Target	39%	39%	16%	6%
2014 Estimate	32%	26%	25%	17%
Medium-term Target	30%	30%	35%	5%

# Evolution of SMS Business (cont.)

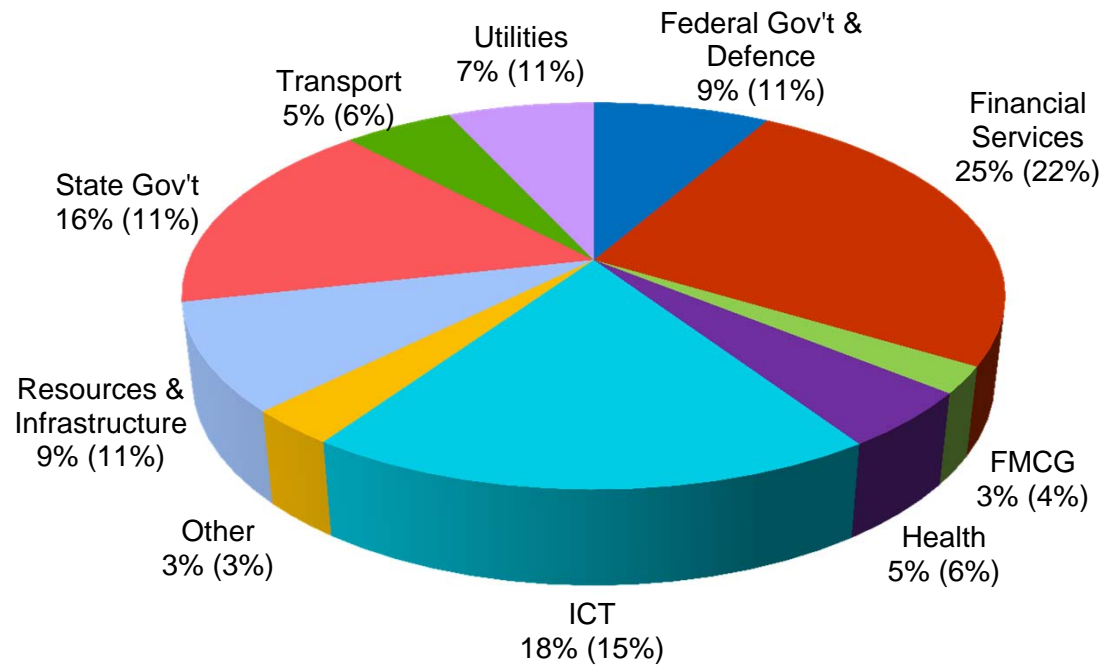
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- Advent of cloud and similar offerings is a structural change and disrupts companies dependent on selling software licenses or hardware
- **SMS Consulting** is largely technology agnostic and provides for differentiation from commodity providers. Consulting also provides industry knowledge which drives sales of downstream services
- **SMS Systems Integration** is primarily concerned with orchestration of technology elements to achieve a business outcome. This is a value-creation activity and required regardless of the choice of technologies and whether they are cloud or in-house
- **SMS Managed Services** represents a major growth area for SMS, both in re-positioning its traditional capabilities as a service, as well as entering the infrastructure and software managed services arena by partnering with cloud and software providers. We are already seeing good traction in these areas

- Client demand in Victoria and ACT businesses continue to be impacted by weak economic conditions
  - Victoria and ACT were below our target utilisation levels for Q3
- Consultant utilisation improved in March
- M&T Resources delivered revenue growth
- Healthy contracted sales: \$254m (\$229m pcp) in first 9 months
- Project margins remain under pressure but steady since September 2013
- Acquisitions are performing in line with expectations
- Vietnam development facility transitioned in 4Q (28 April)

# Revenue By Sector - March YTD

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- **Strong** - Financial Services, ICT, State Government
- Steady** - Health, Resources
- Weak** - Federal Government, Transport, Utilities
  
- Broadened ICT and Financial Services clients with wins in NSW



# Operational Performance

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One-off factors which negatively impacted 1H:	2H Benefit
Write-off of accrued revenue and trade debt on withdrawal from a sub-contract in Singapore	✓
Termination costs associated with streamlining the corporate overhead structure	✓
Due diligence and acquisition related costs	✓

Factors contributing to 2H:	2H Benefit
Weaker than anticipated Victorian market conditions leading to below target utilisation levels	✗
Six month contribution from the Birchman acquisition (3 month contribution in first half)	✓
Closure of existing WA consulting facility and incorporation of billable staff into Birchman	✓
Reduced fixed costs in Vietnam (achieved too late to benefit 2H but will benefit FY15)	✗
Streamlining of the corporate overhead structure	✓

# Recent Acquisitions - Update

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## Indicium (4 July 2013)

- Managed services and cloud hosting, 3 to 5 year contracts
- Major managed services win with big 4 bank - service begins July 2014
  - Leveraged SMS balance sheet and relationship with enterprise clients
- On track to meet first year target (\$4.4m cash to be paid in August 2014)

## Birchman (3 October 2013)

- Western Australian business, strong Microsoft partner
- Provides critical mass in key oil and gas market
- On track to meet first year target (\$7.5m cash to be paid in December 2014)

# Offshore Development Centre (ODC) +Empowering Business

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- **Vietnam facility acquired with Renewtek**
  - Focussed on IBM Filenet implementations
- **SMS increased staff and extended capabilities to:**
  - Microsoft SharePoint, Salesforce.com, .Net, Java
- **On 28 April announced partnership to form a new ODC which:**
  - Creates a variable cost base - flex up and down
  - Transfers our Vietnam staff to partner and cuts our fixed costs
    - Cost savings estimated at \$1.0m - \$1.5m pa (from FY15)
  - Increases capacity - access to 1,600 technical resources
    - Allows SMS to ramp up without the bench risk - only pay for what we need
  - Establishes a lower daily variable cost than India-based resources
  - Provides access to broader technical skills

	Mar-13	Jun-13	Dec-13	Mar-14
Billable				
Permanent Consultants	995	993	1,104	1,098
M&T Resources*	319	320	389	407
	1,314	1,313	1,493	1,505
Non-Billable				
Sales, Admin & Management	170	176	193	188
Total	1,484	1,489	1,686	1,693

- Natural attrition and capacity management assisted with reduction in consulting staff numbers
- Graduate intake program added 37 staff
- Asia (including Vietnam) consultants of 116 as at 31 March
- Acquisitions (Birchman and Indicium) added:
  - 159 permanent consultants, 23 non-billable overheads

- Short term sentiment remains cautious awaiting the Federal Budget
- Despite weakness in Victoria and delayed implementation of ODC in Vietnam, improvements in other regions and one-off factors still point to a stronger 2H
  - 2H EBITDA is expected to be 5%-15% up on 1H FY14
- Utilisation improved in March and is expected to lift further in 4Q
- New contract wins provide confidence for growth in FY15
- Shift to more managed services is achieving success
  - Transitioning some traditional project work to managed services
  - Winning new infrastructure/platform/software-as-a-service contracts
- Acquisitions forecast to perform well and achieve first year earn outs
- FY15 will benefit further from recent changes - eg ODC model in Vietnam