

ASX ANNOUNCEMENT

19 August 2015

SMS Management & Technology Announces Record Revenue of \$356 million and 34% Increase in Net Profit After Tax

SMS Management & Technology Limited (SMS) (ASX: SMX), one of Australia's leading business and IT advisory, technology solutions and managed services providers, today announced that it had increased total revenue by 13% to \$356.2 million for the year ended 30 June 2015.

Full Year Highlights

Total Revenue	\$356.2 million	up 13%
EBITDA ¹	\$ 28.7 million	up 37%
Net Profit After Tax (NPAT)	\$ 17.0 million	up 34%
Final Dividend Per Share (fully-franked)	10.0 cents	up 33%

Ms Jacqueline Korhonen, Chief Executive Officer said, "We are encouraged by this result. Our performance reflected strong revenue and profit growth across the Financial Services, Government and Telecommunications, Media & Technology sectors of the market. An improved trading environment for recruitment and contracting activity led to strong growth in our M&T Resources business."

EBITDA was \$28.7 million, up 37% on the prior year while NPAT of \$17.0 million increased by 34%. The strong earnings growth reflected:

- improved billable utilisation;
- development of SMS's managed services capability;
- stabilisation of project margins; and
- a disciplined focus on cost management.

EBITDA included a net \$2.3 million expense relating to contingent consideration payable for the acquisitions of Indicum and Birchman which have both exceeded profit targets.

During the year, SMS signed contracts worth \$411 million, up 18% on the prior year.

Ms Korhonen commented, "In 2015, we continued to capitalise on a structural trend in the market where capital spend is being replaced by operational expenditure through procuring infrastructure and software as a service. Our 2015 financial result provides the catalyst for further growth driven by emerging technology trends."

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

Segment Review

SMS Consulting

\$m	FY15	FY14	Change %
Revenue	271.0	237.5	14%
EBITDA ²	40.0	30.4	32%
EBITDA margin (%)	14.8%	12.8%	

Revenue was positively impacted by an increase in client demand across the Financial Services and Telecommunications, Media & Technology industry sectors. Managed services revenue grew strongly during the year.

EBITDA of \$40.0 million was a 32% improvement on the prior year. The strong performance was attributable to:

- an improvement in billable utilisation, which increased from 80% (2014) to 84% (2015), due to improved resource planning and management of resource capacity;
- the full benefit of cost reduction measures undertaken in 2014 including a reduction in administrative expenses, closure of the underperforming Western Australian operation (prior to the acquisition of Birchman) and move to a third party owned offshore development facility; and
- the stabilisation of project margins through an improved resource mix.

M&T Resources

\$m	FY15	FY14	Change %
Revenue ³	85.2	76.9	11%
EBITDA ⁴	5.1	3.6	42%
EBITDA margin (%)	6.0%	4.7%	

As demand for contractors, particularly in the Government and Financial Services sectors of the market, continued to increase during the financial year, this contributed to an 11% improvement in M&T Resources' revenue.

The increase in revenue led to an increase in EBITDA of 42%.

Other

Unallocated costs (prior to financing costs and depreciation and amortisation expense) increased from \$13.1 million in 2014 to \$14.1 million in 2015 and included transition costs incurred with the change of Chief Executive Officer.

² EBITDA is prior to \$2.3m net contingent consideration expense and corporate costs

³ Excludes interdivisional revenue

⁴ EBITDA is prior to corporate costs

Dividends and Capital Management

As part of the Company's ongoing capital management strategy, SMS commenced an on-market share buy-back program on 13 June 2014, which was extended on 15 June 2015. The share buy-back is consistent with SMS's key objectives of ensuring an efficient capital structure, maintaining a prudent level of gearing and having sufficient financial flexibility to continue pursuing growth initiatives. During the year ended 30 June 2015, 406,236 (2014: 705,226) shares were acquired at a cost of \$1.3 million (2014: \$2.3 million).

SMS maintains a strong balance sheet, with net cash of \$9.2 million as at 30 June 2015. The Company intends to continue looking for strategic value-adding acquisitions in the year ahead.

The Board has a dividend payout policy of 65-70% of net profit after tax. SMS has declared a fully-franked final dividend of 10 cents per share taking the full year dividends to 17 cents per share and representing a dividend payout ratio of 69% of NPAT.

For further information please contact:

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About SMS

SMS Management & Technology Limited (SMS) [ASX:SMX] is a leading Australian business and IT advisory, technology solutions and managed services provider employing over 1,600 professionals throughout Australia, Hong Kong and Singapore. Established in 1986, SMS is best known for delivery excellence. SMS helps its clients improve their business performance through the design, build and operation of business and technology projects. Industry expertise spans the Financial Services, TMT, Government, Energy, Resources and Infrastructure and Commercial sectors.

For further information refer to www.smsmt.com