

ASX ANNOUNCEMENT

Senior Management Changes and Trading Update

SMS Management & Technology Limited (SMS) (ASX:SMX) Chief Executive Officer (CEO), Jacqueline Korhonen, today announced that she has resigned as CEO and director of the Company, effective immediately. Ms Korhonen has been CEO since February 2015.

SMS Chairman, Mr Derek Young, said, "We have set out a clear strategy to grow our business over the next three years and we have been working hard to execute this plan. However, recent performance has been disappointing and well below expectations. I believe that Jacqueline's decision is in the best interests of the Company and provides for new leadership to refocus the business on both its core and emerging service offerings. On behalf of the Board, senior management and staff, I would like to thank Jacqueline for her contribution to the business."

Current SMS Chief Financial Officer (CFO), Mr Rick Rostolis has been appointed CEO. Mr Rostolis joined SMS in October 2010 in the role of CFO. He has significant professional services experience from his 12 years with KPMG, together with functional expertise in strategy, finance, mergers and acquisitions and operational performance improvement gained in various senior management roles during his 10 years with Pacific Brands.

"We are pleased that Rick has agreed to take the leadership role. The combination of Rick's strong commercial background and deep understanding of the business positions him well to mobilise the management team and deliver improved performance. The successful execution of our strategic plan will form the basis for sustained value creation for our shareholders," Mr Young concluded.

Mr Rostolis said, "I am excited to have the opportunity to lead SMS and the great people that are at the core of the Company's future. While there are challenges ahead of us, I am confident that the Company's talented team of professionals, broad client base, strong brand and diverse capabilities will support our future success."

Mr Peter Sherar, current Group Financial Controller, has been appointed acting CFO. Incoming CEO Mr Rostolis said, "Peter has 15 years' experience in professional services and has developed a strong understanding of the key financial drivers of our business over his 6 years with the Company."

Full Year 2016 Earnings Guidance

The Company has previously disclosed to the market that its H1 2016 result was negatively impacted by the cessation of a major contract and the organisational restructure that took place on 1 July 2015. The priorities for H2 2016 included a focus on reinvigorating the Advisory and Solutions business, continued investment in bidding for major long-term contracts, conversion of the sales pipeline and improved billable utilisation of consultants.

Unfortunately, H2 contract wins and revenue for the Advisory and Solutions business have been poor with SMS Consulting H2 revenue (January-April) significantly down on the prior corresponding period. The decline in revenue has led to a reduced headcount of approximately 820 billable consultants (H1 - 920 billable consultants) and a H2 billable utilisation of 80% with a likely negative impact on full-year earnings before interest, tax, depreciation and amortisation (EBITDA) of approximately \$4 million - \$5 million. In addition, a H2 investment of approximately \$1.5 million in Managed Services in support of contract proposals has also impacted EBITDA.

While there are some signs of improvement in billable utilisation in Q4, this will not be sufficient to meet market consensus expectations. The Company expects full year EBITDA for the year ending 30 June 2016 to be in the range of \$15.5 million - \$16.5 million prior to any one-off items.

Mr Rostolis said, "One of the key learnings over recent months has been the need to calibrate our sales and business development activities according to the revenue opportunities being pursued. Large multi-year Managed Services opportunities involve detailed and significant client investment decisions, while Advisory and Solutions opportunities are often aligned to investment horizons which are reflected in more frequent and shorter sales cycles. We will be rebalancing our various sales teams to focus specifically on discrete areas of our market, particularly in our Advisory and Solutions business as a priority."

Capital Management

The Company has announced its intention to continue with the on-market share buy-back that was extended on 15 June 2015, subject to prevailing market conditions.

SMS is scheduled to report its financial results for the year ending 30 June 2016 on Tuesday, 23 August 2016.

Investors, Analysts and Media

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 1,500 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

Attachment A: Key Terms of CEO Employment

Term:	Rick Rostolis (“Executive”) engagement commences on 2 May 2016 (“Commencement Date”) and is an open ended services contract (“Contract”).
Remuneration:	<p>The Executive’s remuneration will consist of the following components, which will be reviewed annually from July 2016:</p> <ul style="list-style-type: none">a) <i>Fixed</i>: \$600,000 (inclusive of statutory superannuation contributions and any salary sacrifice arrangements).b) <i>Short Term Incentive</i>: \$200,000 in cash (pro-rated for any part financial year including the current financial year). Whether such a payment is made is at the discretion of the Board and will depend on the performance of SMS and the Executive over the applicable financial year as measured against Key Performance Indicators.c) <i>Long Term Incentive</i>: \$200,000 (valued as per the rules of the relevant plan, by reference to the appropriate Volume Weighted Average Price of SMS shares) allocated as Executive Performance Rights (pro-rated for any part financial year including the current financial year), which will be subject to shareholder approvals (where required). Vesting will be tested against the applicable SMS Group Executive Performance Rights plan rules, which currently comprises a relative Total Shareholder Return component referenced to the Australian Small Industrials Accumulation Index and an absolute Earnings Per Share growth component, both measured over a three year period.
Annual Leave:	Four weeks per annum.
Termination:	<p>The Contract contains provision for the termination of the Executive’s employment as follows:</p> <ul style="list-style-type: none">a) Six months’ notice by either the Executive or the Employer; orb) by the Employer without any period of notice in certain circumstances, including in the case of serious or wilful misconduct.
Change in Control:	Under the Company’s current Long Term Incentive Plan rules (“Rules”), the Board has discretion to vest the Executive’s unvested performance rights on a Change of Control (as that term is defined in the Rules). The Board has confirmed to the Executive that it will exercise that discretion if a Change of Control occurs at any time during the first 18 months following the Commencement Date, subject to the Board assessing performance against applicable vesting conditions.
Post-Employment Restraint:	A restraint provision of up to a maximum of six months is applicable.
Fundamental Change:	If there is a fundamental change to the Executive’s position as CEO, the Executive may notify the Board of this change and the Board has 21 days to rectify the Executive’s grievance in this regard. If the Board fails to rectify this grievance, the Executive can resign with immediate effect and the Board must pay the Executive in lieu of the notice period plus an extra payment of six months’ base salary.
Other:	The Contract contains provisions for insurance, confidentiality, protection of SMS Group interests and other clauses that are in accordance with prevailing legislation or customary for an appointment of this nature.