

ASX ANNOUNCEMENT

23 August 2016

SMS Management & Technology Announces Revenue of \$329 million and Net Profit After Tax of \$9.7 million

SMS Management & Technology Limited (SMS) (ASX: SMX), one of Australia's leading business and technology services providers, today announced its financial results for the year ended 30 June 2016.

Full Year Results		
Revenue	\$328.7 million	down 8%
EBITDA ¹	\$ 15.7 million	down 45%
Net Profit After Tax (NPAT)	\$ 9.7 million	down 43%

Mr Rick Rostolis, Chief Executive Officer said, "this result is in line with the market guidance provided on 2 May 2016. The performance of our SMS Consulting business in 2016 was disappointing, impacted by a number of factors that saw a significant slow-down in contract wins and revenue. On a positive note, the growth in our contract recruitment business led to further improvement in M&T Resources."

The result was impacted by:

- The implementation of a national sales and delivery structure on 1 July 2015 that caused significant disruption to sales effectiveness with a resulting deterioration in financial performance, particularly in the second half of the financial year;
- the sudden and unexpected cancellation of a large client transformation project that led to lower utilisation as a number of consultants were not able to be redeployed quickly;
- increased cost investment of \$1.5 million in Managed Services business development and bid efforts aimed at winning large scale Managed Services contracts, which did not eventuate;
- a continuation of the slow-down in the Western Australian market; and
- termination costs of \$0.7 million in relation to senior management changes made in May.

Mr Rostolis commented, "It has been a challenging year for SMS. We have expended considerable effort in recent weeks initiating actions to stabilise the business in order to restore growth. These actions have included an alignment of our sales and delivery teams on a regional basis to drive deeper engagement with clients, particularly in the Advisory and Solutions business. We have also expanded our national capability development team to broaden and enhance our service offerings and strengthen delivery management."

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

Segment Review

SMS Consulting

\$m	FY16	FY15	Change %
Revenue	234.4	271.0	(14%)
EBITDA ²	27.1	45.2	(40%)
EBITDA margin (%)	11.6%	16.7%	

The 1 July 2015 organisational changes mentioned above had a negative impact on contract wins, and therefore revenue. SMS Consulting's total contract wins of \$291 million were down 4% on the prior year with the decline most evident in Advisory and Solutions where contract wins of \$251 million were down 13% on the prior year. Whilst Managed Services contracts wins of \$40 million were significantly up on the prior year, these multi-year contracts had limited flow-through benefit to revenue in 2016.

These factors resulted in year on year average billable headcount falling 11% to 877 and billable utilisation dropping to 81% from 84%. The lower headcount and utilisation resulted in SMS Consulting revenue and EBITDA being reduced by 14% and 40% respectively.

M&T Resources

\$m	FY16	FY15	Change %
Revenue ³	94.3	85.2	11%
EBITDA ⁴	7.7	5.8	33%
EBITDA margin (%)	8.2%	6.8%	

Demand for contractors in existing and new clients within the Government, Financial Services and Energy, Resources and Infrastructure sectors continued to increase during the financial year. Together with an increase in permanent placement fees, this contributed to an 11% and 33% improvement in M&T Resources' revenue and EBITDA respectively.

Other

Corporate costs (prior to financing costs, depreciation and amortisation expense) decreased to \$19.1 million from \$20.0 million and included net termination costs of \$0.7 million relating to senior management changes made in the second half of the year.

² EBITDA is prior to contingent consideration expense of \$0.1m (2015: \$2.3m) and corporate costs. 2015 segment EBITDA has been restated to reflect a reallocation of occupancy expenses to unallocated costs

³ Excludes interdivisional revenue

⁴ EBITDA is prior to corporate costs. 2015 segment EBITDA has been restated to reflect a reallocation of occupancy expenses to unallocated costs

Dividends and Capital Management

As part of the ongoing capital management program, SMS extended the on-market share buy-back in June 2016 for a further 12 months. 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 2016, 451,961 (2015: 406,236) shares were acquired at a cost of \$0.9 million (2015: \$1.4 million).

SMS maintains a strong balance sheet, with net debt of \$7.3 million as at 30 June 2016.

The Board has a dividend payout policy of 65-70% of NPAT. SMS has declared a fully-franked final dividend of 3.0 cents per share taking the full year dividends to 9.5 cents per share and representing a dividend payout ratio of 67% of NPAT.

Investors, Analysts and Media

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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