

ASX ANNOUNCEMENT

23 August 2016

2016 Full Year Results Presentation

Attached is the Presentation regarding SMS's Financial Results for the year ended 30 June 2016. The presentation will occur at 10.00am (AEST) today.

The information contained in the Presentation should be read in conjunction with SMS's Media Release and 2016 Annual Report which incorporates the Consolidated Financial Report for the year ended 30 June 2016, both released today.

The Presentation will be via live audio webcast, with synchronised slides which can be accessed using the following link:

<http://webcast.openbriefing.com/2902/>

A recording of the briefing will be available on the SMS website as soon as practicable after the briefing.

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

+ 2016 Full Year Results

Rick Rostolis, Chief Executive Officer
Peter Sherar, Chief Financial Officer

23 August 2016

Disclaimer

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This presentation contains summary information about the current activities of SMS Management & Technology Limited ABN 49 009 558 865 (SMS) (ASX:SMX) and its subsidiaries (Group). It should read in conjunction with SMS's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (ASX), including the 2016 Annual Report, which incorporates the Full Year Consolidated Financial Report and associated Media Release released today, which are available at www.asx.com.au

The information contained in this presentation is not investment or financial product advice and is not intended to be used as the basis for making an investment decision regarding SMS shares. This presentation has been prepared without taking into account the investment objectives, financial situation or particular needs of any particular investor. Potential investors must make their own independent assessment and investigation of the information contained in this presentation and should not rely on any statement or the adequacy or accuracy of the information provided.

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Past performance information given in this presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

The statements and information in this presentation are made only as at the date of this presentation unless otherwise stated and remain subject to change without notice.

Summary of Key Results

Operational Performance

Group Financial Results

Strategy Update

Dividends and Capital Management

Outlook



Summary of Key Results

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- Revenue from operating activities \$328.7m, down 8% on pcp
 - SMS Consulting down 14%
 - M&T Resources up 11%

- Reported EBITDA¹ \$15.7m, down 45% on pcp
 - In line with market guidance provided on 2 May 2016
 - Includes net termination costs of \$0.7m in relation to senior management changes

- Reported net profit after tax (NPAT) \$9.7m, down 43% on pcp

- \$7.3m net debt² - all acquisition earn-out payments now finalised

- Basic earnings per share (EPS) 14.1 cents

- Fully-franked final dividend of 3.0 cents per share
 - Total full-year dividends of 9.5 cents per share

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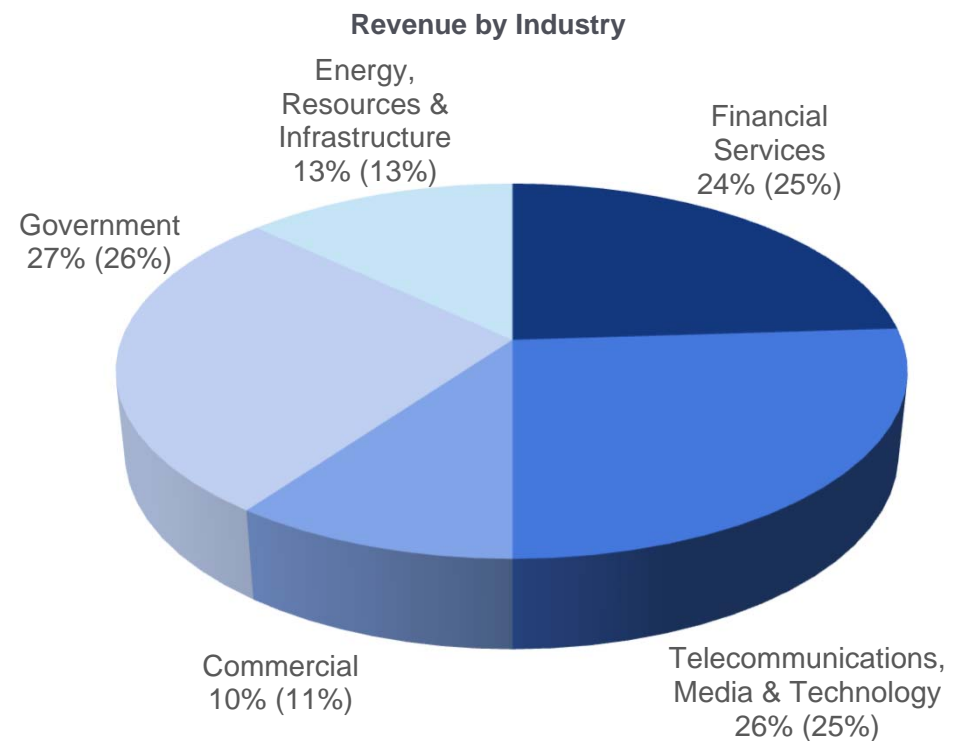
Outlook



- Significantly impacted by organisational restructure (July 2015) resulting in reduction in contract wins and revenue within core Advisory & Solutions business
- Unexpected cancellation of large client transformation project led to under utilisation of billable consultants
- Utilisation down to 81% from 84% (pcp) on reduced billable headcount - down 11% to 877 from 984 (pcp)
- \$1.5m investment in Managed Services pre-sales activity did not deliver contract wins
- Margins continue to be challenged with intense competition for preferred supplier arrangements

\$m	2016	2015	Change %
Revenue	234.4	271.0	(14%)
EBITDA ¹	27.1	45.2	(40%)
EBITDA margin (%)	11.6%	16.7%	

1. 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

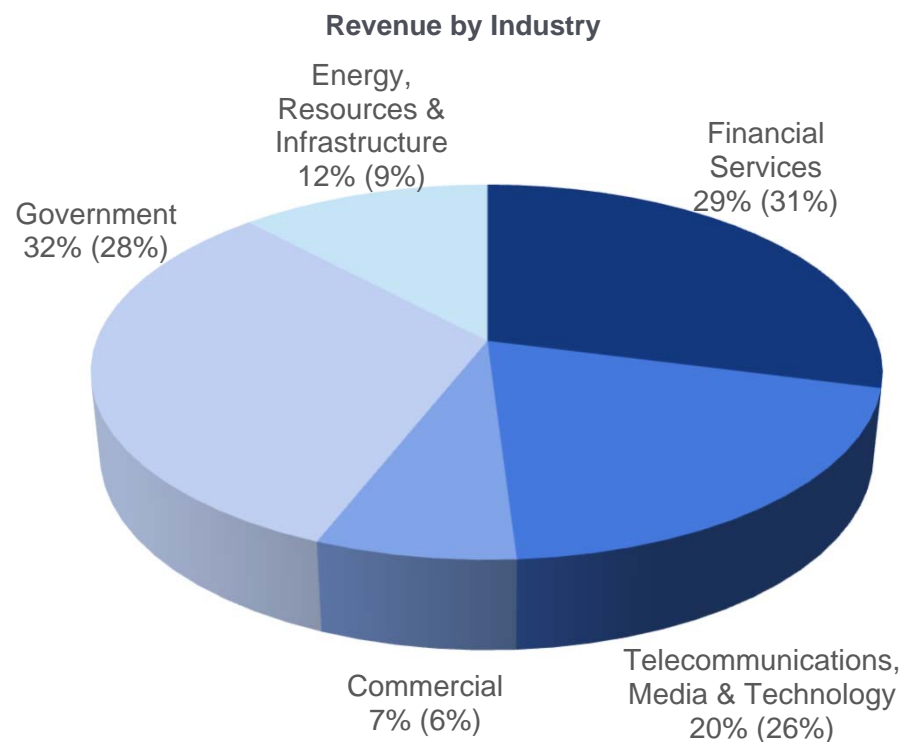


() prior year

- Revenue growth and margin improvement driven by Government, Financial Services and Energy, Resources and Infrastructure (ERI)
- Strong growth in contractor demand in Victoria, ACT and Queensland
- Expanded key panel agreements
- Permanent placement fees continue to grow particularly in NSW
- Contract wins up 7% with strong 4Q
- Average contractor numbers for the year - 502 v 481 (pcp)

\$m	2016	2015	Change %
Revenue ¹	94.3	85.2	11%
EBITDA ²	7.7	5.8	33%
EBITDA margin (%)	8.2%	6.8%	

1. Excludes interdivisional revenue
2. EBITDA is prior to corporate costs. 2015 segment EBITDA has been restated to reflect a reallocation of occupancy expenses to unallocated costs



() prior year

Contract Wins

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\$m	1H 2015	2H 2015	FY 2015	1H 2016	2H 2016	FY 2016
SMS Consulting						
Advisory & Solutions	150	138	288	131	120	251
Managed Services	6	9	15	31	9	40
	156	147	303	162	129	291
M&T Resources ¹	56	52	108	52	64	116
Total	212	199	411	214	193	407

➤ SMS Consulting

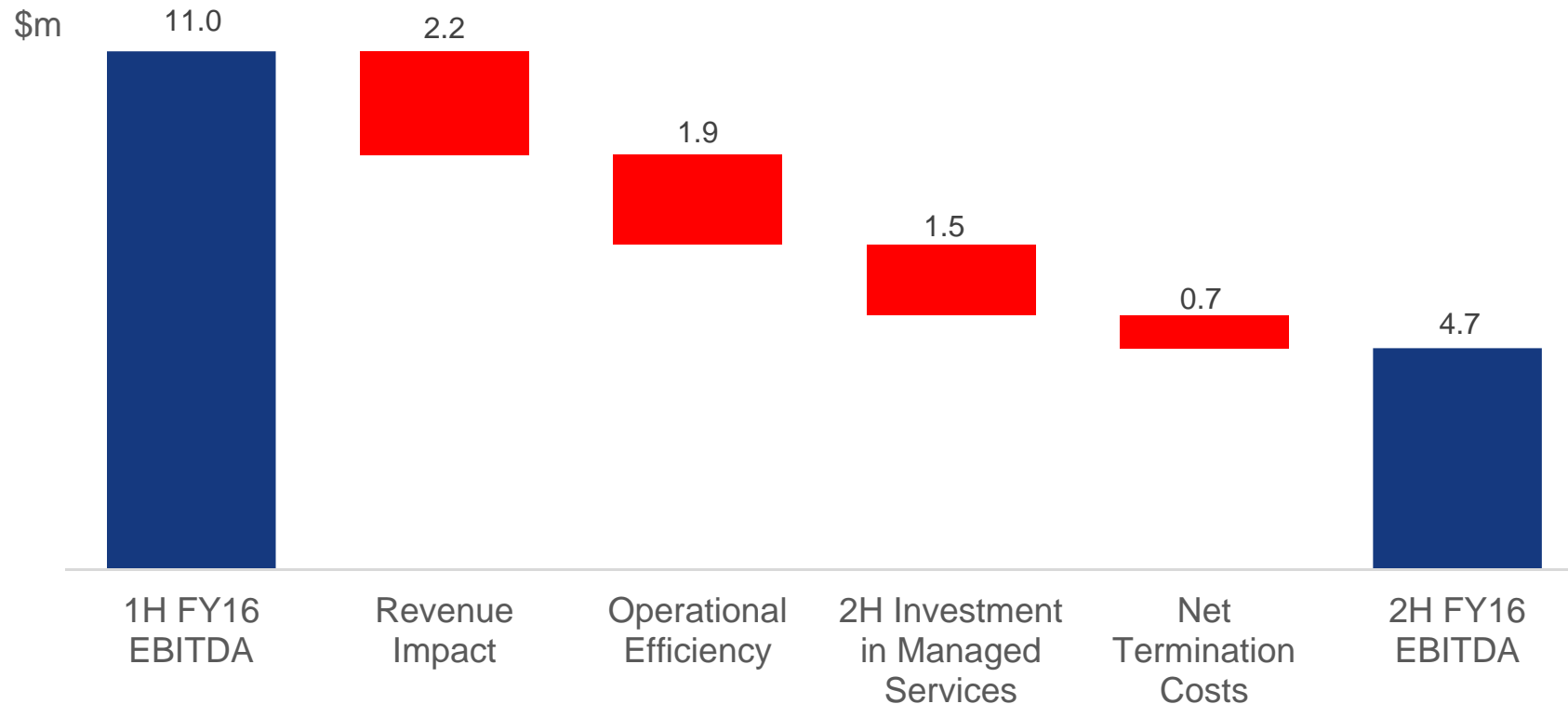
- Total contract wins down 4% on pcp
- Advisory & Solutions down 13% on pcp, driven by slow down in TMT, ERI and Commercial industry segments. 2Q and 3Q significantly down on pcp
- Managed Services - multi-year contracts up significantly off a low base
 - Financial Services and Government wins in 1H planned to go live in early 2017
 - Approximately \$30m of contract wins will generate revenue in 2018 and beyond

➤ M&T Resources

- Total contract wins up 7% on pcp, with strong growth in Government and ERI industries

1H to 2H EBITDA Bridge

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- SMS Consulting half-on-half revenue decline \$7m
 - Revenue impact - Advisory & Solutions average billable FTE reduced from 920 (1H) to 835 (2H)
 - Operational efficiency - utilisation decreased from 82% (1H) to 80% (2H)
- \$1.5m cost increase aimed at improving Managed Services pre-sales activity did not generate expected contract wins
- Net termination costs relate to senior management changes made in May

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Financial Performance

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\$m	2016	2015	Change %	
Revenue	328.7	356.2	(8%)	Revenue decline in higher margin SMS Consulting. Revenue growth in lower margin M&T Resources contract recruitment
EBITDA	15.7	28.7	(45%)	
Depreciation and amortisation	(1.4)	(2.8)	51%	Project margins remain under pressure due to competition for preferred supplier arrangements with certain clients
EBIT	14.3	25.9	(45%)	
Net interest expense	(0.7)	(1.1)	28%	Billable headcount and utilisation decline (84% to 81%) impacted EBITDA margin
Tax	(3.9)	(7.8)	51%	
NPAT	9.7	17.0	(43%)	Employee costs reduced by 5% partially offsetting decline in revenue
EBITDA margin (%)	4.8	8.1		
Basic EPS (cents)	14.1	24.5		Amortisation down as a result of various customer contract intangibles being fully amortised in 2015
Diluted EPS (cents)	14.0	24.1		
Fully-franked full-year dividend (cps)	9.5	17.0		Effective tax rate of 28.4% (2015: 31.5%)

Financial Position

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\$m	2H 2016	1H 2016	2H 2015	2H 2016 change v	
				1H 2016	2H 2015
Working capital	34.9	44.7	44.1	(22%)	(21%)
Intangible assets	112.0	112.2	112.4	-	-
Contingent consideration	-	(8.0)	(19.2)	100%	100%
Other	(10.2)	(9.0)	(14.3)	(13%)	29%
Total capital employed	136.7	139.9	123.0	(2%)	11%
Net (debt) / cash ¹	(7.3)	(7.5)	9.2	3%	(179%)
Net assets / equity	129.4	132.4	132.2	(2%)	(2%)
Interest cover (x) ²	15x	25x	20x	(10x)	(5x)
ROCE (%) ³	10.4%	16.8%	20.7%	(6.4 pts)	(10.3 pts)

- Strong balance sheet despite disappointing 2016 trading results
- Working capital movement (refer page 12)
- Contingent consideration payments for previous acquisitions now finalised
- Net debt - cash of \$4.7m less unsecured working capital facility of \$12m
 - Term debt (for previous acquisition funding) repaid in 2H
 - Undrawn working capital facility at 30 June of \$18m
 - Compliant with existing banking covenants

Net Working Capital

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\$m	2H 2016	1H 2016	2H 2015	2H 2016 change v	
				1H 2016	2H 2015
Trade and other debtors	36.9	35.5	39.4	4%	(6%)
Work in progress (WIP)	14.2	22.8	25.6	(38%)	(45%)
Trade creditors and accruals	(16.2)	(13.6)	(20.9)	(19%)	22%
Working capital	34.9	44.7	44.1	(22%)	(21%)
Debtors days	37	35	36		

- Implementation of new ERP system and enhanced processes has improved working capital
- WIP down due to faster invoice conversion process and lower revenue
- Debtor days steady, despite continued pressure on credit terms from various clients

Cash Flow

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\$m	2016	2015
EBITDA	15.7	28.7
Change in working capital	9.2	(2.4)
Non-cash and other items	(0.4)	3.7
Tax paid	(6.2)	(5.6)
Net operating cash flow	18.3	24.4
Dividends paid	(11.4)	(10.1)
On-market share buy-back	(0.9)	(1.4)
Proceeds from borrowings	12.0	0.2
Repayment of borrowings	(4.3)	(5.5)
Borrowing costs	(0.9)	(0.8)
Contingent consideration payments	(19.4)	(11.9)
Capital expenditure	(1.5)	(0.8)
Net cash flow	(8.1)	(5.9)
Opening cash (1 July)	12.9	18.1
FX fluctuations on cash held	(0.1)	0.7
Closing cash (30 June)	4.7	12.9

- Significant improvement in working capital
- Dividends paid in accordance with Board policy
- 451,961 shares acquired via on-market share buy-back
- Proceeds from borrowings represent \$12m drawdown on working capital facility (\$18m facility undrawn at 30 June)
- Term debt fully repaid in March 2016
- Contingent consideration payments represent final earn-out payments for Indicium (\$11.4m) and Birchman (\$8m)

People (FTEs)

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	Jun-14	Dec-14	Jun-15	Dec-15	Jun-16
Billable					
Advisory & Solutions	998	989	984	895	877
Managed Services	42	42	42	45	53
M&T Resources ¹	435	494	469	506	498
	1,475	1,525	1,495	1,446	1,428
Non-Billable					
Sales, Administration & Management	188	192	191	187	182
Total	1,663	1,717	1,686	1,633	1,610

- Advisory & Solutions billable headcount significantly reduced by 11% on pcp as a result of trading performance
- Managed Services headcount represents increased service desk support for new multi-year contracts
- M&T Resources average contractor headcount up 4% on pcp

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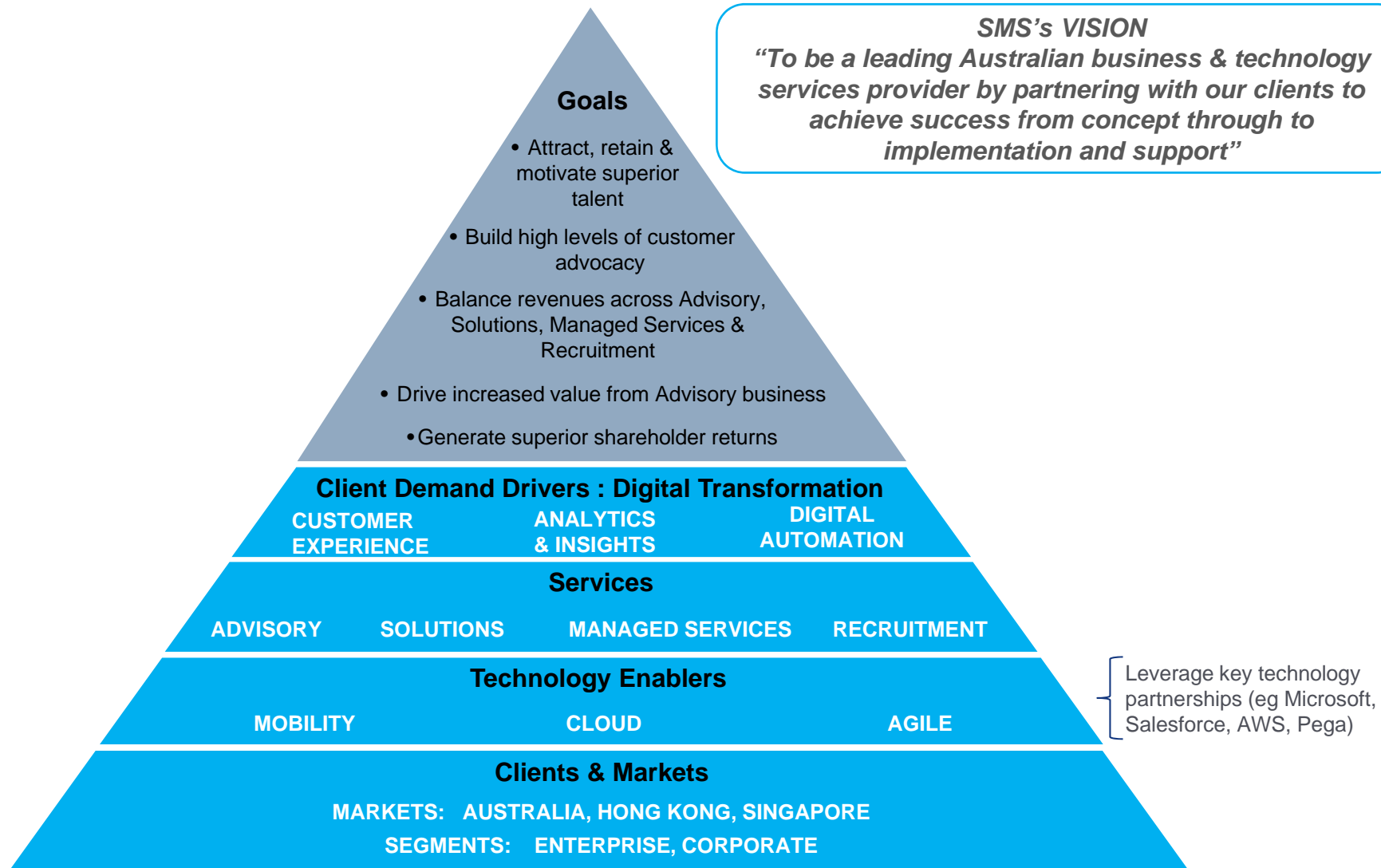
Outlook



- Execution over the last 12 months has been disruptive and ineffective
 - Senior management changes made
- FY17 renewed focus on SMS Consulting's core Advisory & Solutions business in order to reinvigorate sales pipeline with targeted accounts and markets
 - Alignment of sales and delivery teams on a regional basis
 - Leverage strong partnerships with key technology providers
- Managed Services pre-sales activity dedicated to appropriate opportunities in infrastructure and application managed services from both new and existing clients
- Expansion of national capability development team to strengthen go to market offerings in response to client demand drivers
- M&T Resources growth in contract recruitment focused on expanding key panel agreements and increased permanent placement fees

SMS Vision & Strategy

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Demand Drivers and Service Offerings +Empowering Business

Client Demand Drivers



Service Offerings

SMS Consulting			M&T Resources
ADVISORY	SOLUTIONS	MANAGED SERVICES	RECRUITMENT
Digital Business Strategy	Web and Mobile Application Solutions	Managed Application Services	Permanent Recruitment
Technology, Strategy and Planning	Data Provisioning and Business Analytics	Managed Infrastructure Services	Contract Recruitment
Design Thinking and Customer Experience	Customer Solutions	Managed IT Services	Talent Acquisition
Agile Transformation	Process and Productivity Solutions		Retained Search
Information Management Strategy	Cloud Migration and Enablement		Candidate Services
Project Management, Change Management & Business Analysis			

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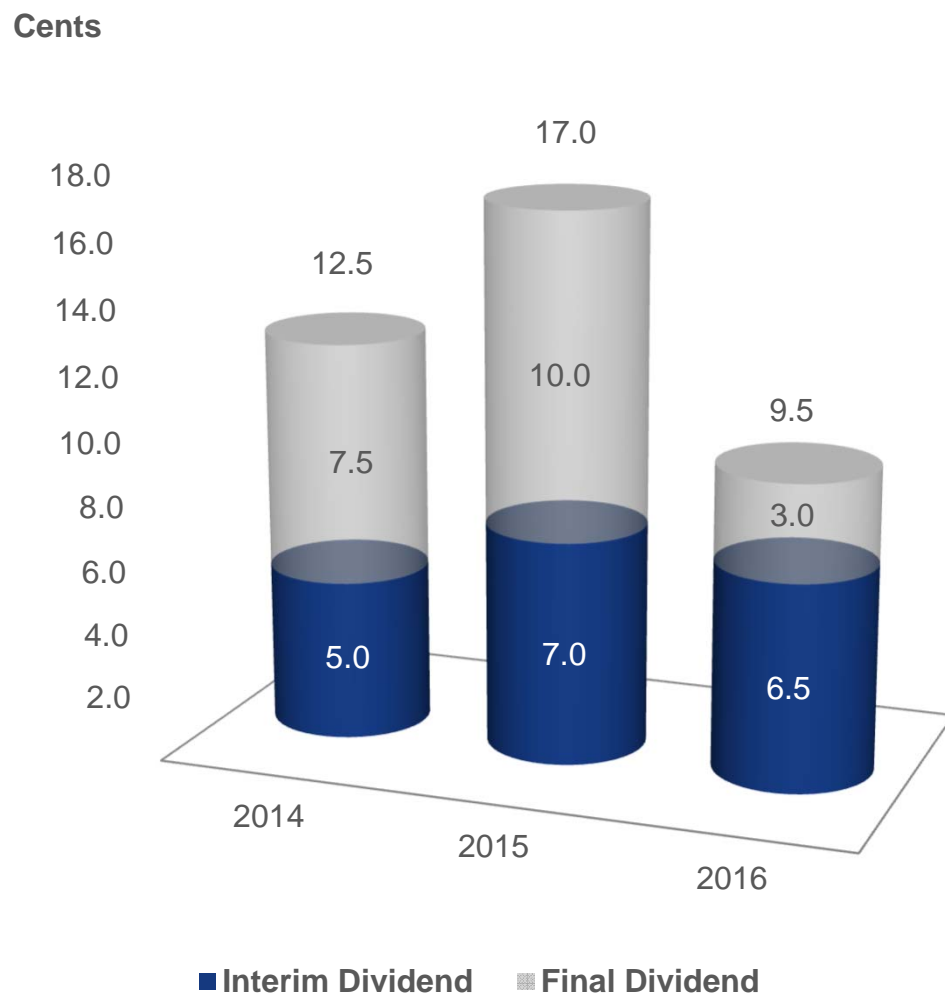
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Dividends

- Final dividend 3.0 cps fully-franked
 - Record date: 14 October 2016
 - Payment date: 4 November 2016
- Maintain Board policy of 65-70% full-year pay-out ratio of net profit after tax

Capital Management

- Bought back <1% - 451,961 (\$0.9m) shares during the year
- On-market share buy-back extended in June 2016 for a further 12 months

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- Focus on restoring growth in core Advisory and Solutions business
 - Alignment of sales and delivery functions to provide regional impetus
 - Drive growth in sales pipeline and conversion to contract wins and revenue
 - Enhance service offerings through expansion of capability development team
 - Leverage partnerships with high demand technology solution partners

- Managed Services with clear direction to pursue appropriate opportunities at acceptable margins

- M&T Resources to drive top-line growth through client expansion

- Continued focus on improving utilisation and cost containment

- Trading update to be provided at Annual General Meeting on 14 November 2016

QUESTIONS?