

ASX ANNOUNCEMENT

22 August 2017

2017 Full Year Results Overview

Attached is a document containing an overview of SMS's Financial Results for the year ended 30 June 2017.

It is proposed that there will not be a live audio webcast presentation for SMS's 2017 Full Year Results.

The information contained in this document should be read in conjunction with SMS's Media Release and Consolidated Financial Report for the year ended 30 June 2017, both released today.

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About SMS

SMS is an ASX-listed Australian business specialising in business and IT advisory, technology solutions, managed services and recruitment. SMS cultivates innovation, digital, mobile and design-led business and technology capability to empower organisations across all industry sectors. With over 1,400 staff across Australia, Hong Kong, Singapore and the Philippines, SMS promotes and delivers next-generation customer-centric outcomes for our clients.

For more information please visit www.smsmt.com

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2017 Full Year Results

22 August 2017

Disclaimer

This document 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 be read in conjunction with SMS's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (ASX), including the Appendix 4E, which incorporates the audited 2017 Consolidated Financial Report and associated ASX Announcements disclosed today, which are available at www.asx.com.au

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Past performance information provided in this document 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 document are made only as at the date of this document unless otherwise stated and remain subject to change without notice.

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Outlook and ASG Scheme Update

Summary of Key Results

- Revenue from operating activities \$304.5m
 - 7% down on pcp
 - Flat half on half
- EBITDA¹ prior to significant items \$10.9m
 - 31% down on pcp
 - 2H FY2017 \$5.9m, compared to 1H FY2017 \$5.0m
 - Significant items include:
 - Non-cash goodwill impairment charge \$46.7m²
 - Termination costs \$0.9m³
 - Transaction costs \$1.2m⁴
- Net profit after tax (NPAT) prior to significant items \$6.1m
- Reported net loss \$42.1m
- \$9.1m net debt⁵
- Basic earnings per share (EPS) prior to significant items 8.9 cents

1. EBITDA represents earnings before interest, tax, depreciation and amortisation. EBITDA is non-IFRS financial information. Refer to page 10 for a reconciliation of EBITDA to NPAT
2. \$46.7m after tax - nil tax effect
3. \$0.6m after tax
4. In relation to the now terminated DWS scheme. \$0.9m after tax
5. Net debt at 30 June 2017. Excludes finance lease liabilities and bank guarantees

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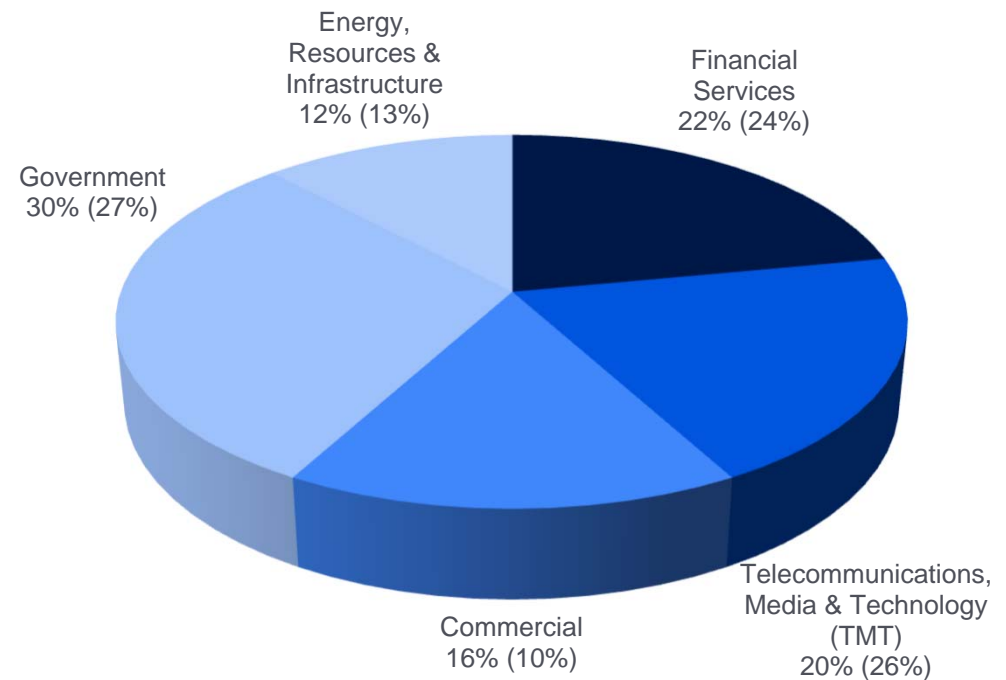
SMS Consulting

- Revenue decline reflected weak sales pipeline leading into FY2017
- Revenue gains in Commercial offset by declines in Financial Services and TMT
- Reduced billable headcount - down 9% on average to 825 from 877 (pcp)
- 2H FY2017 utilisation 85%, up from 78% in 1H. Utilisation improvements in Victoria, NSW, WA and Queensland
- Managed Services revenue growth from commencement of FY2016 multi-year contract wins
- Project margins remain under pressure due to rate reductions on preferred supplier panels

\$m	2017	2016	Change %
Revenue	211.6	234.4	(10%)
EBITDA ¹	18.9	25.1	(25%)
EBITDA margin (%)	8.9%	10.7%	

1. EBITDA excludes impairment charge (\$46.7m), termination costs (\$0.9m), and unallocated corporate costs. The prior period has been restated to include occupancy costs

Revenue by Industry



() prior year

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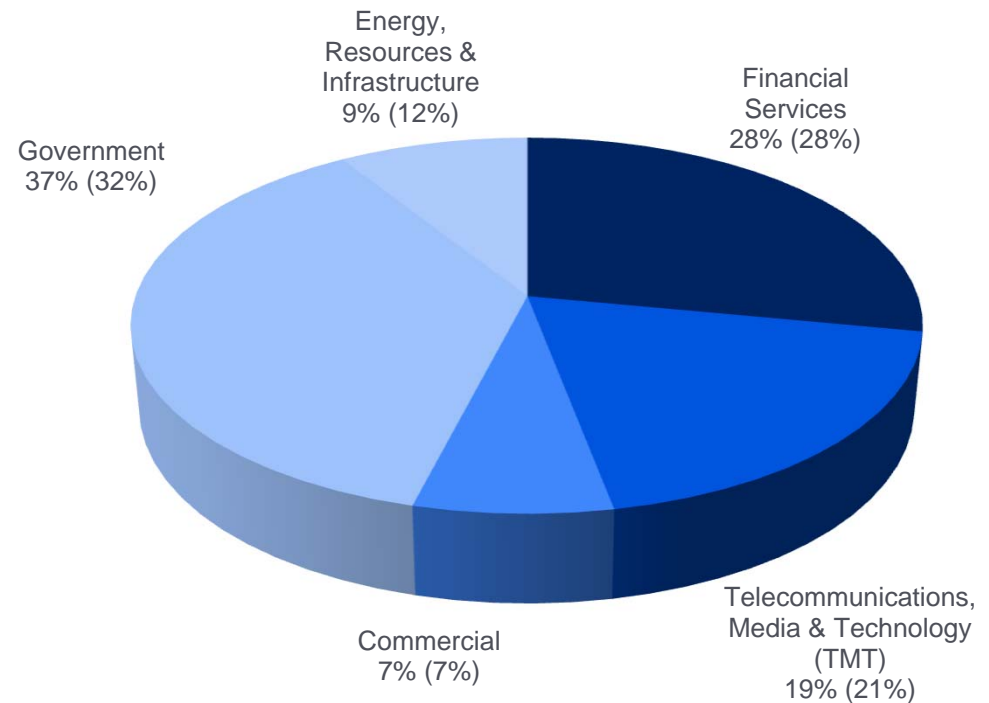
M&T Resources

- Solid revenue growth in Government offset by slow-down in TMT and ERI
- Growth in contractor demand in Queensland with Victoria and NSW down on pcp
- Permanent placement fees steady
- Contractor margins subdued in second half
- Average contractor numbers - 483 v 498 (pcp)

\$m	2017	2016	Change %
Revenue ¹	92.9	94.3	(2%)
EBITDA ²	5.5	6.1	(9%)
EBITDA margin (%)	5.9%	6.5%	

1. Excludes interdivisional revenue
 2. EBITDA excludes unallocated corporate costs. The prior period has been restated to include occupancy costs

Revenue by Industry



() prior year

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Contract Wins

\$m	2017	2016	% Change
SMS Consulting			
Advisory & Solutions	209	251	(17%)
Managed Services	28	40	(30%)
	237	291	(19%)
M&T Resources ¹	121	116	4%
Total	358	407	(12%)

- SMS Consulting
 - Primarily impacted by decline in low margin TMT as well as Financial Services
 - Managed Services
 - Includes significant win with ACT Education - commencing FY2018
- M&T Resources
 - Growth in State Government



1. Excludes interdivisional contract wins

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Financial Performance

\$m	2017 Reported	2017 Pre-significant Items	2016	% Change from 2016 to 2017 Pre-significant items
Revenue	304.5	304.5	328.7	(7%)
EBITDA	(37.9)	10.9	15.7	(31%)
Depreciation and amortisation	(1.5)	(1.5)	(1.4)	(7%)
EBIT	(39.4)	9.4	14.3	(34%)
Net interest expense	(0.7)	(0.7)	(0.7)	-
Tax	(2.0)	(2.6)	(3.9)	33%
NPAT	(42.1)	6.1	9.7	(37%)
EBITDA margin (%)	n/a	3.6	4.8	(1.2pts)
Basic EPS (cents)	(61.4)	8.9	14.1	(37%)

- Significant items include non-cash goodwill impairment charge (\$46.7m), termination costs (\$0.9m) and DWS scheme transaction costs (\$1.2m)
- Project margins remain under pressure due to competition for preferred supplier arrangements with certain clients
- Effective tax rate prior to impairment charge of 30% (2016: 28%)

Significant Items

- Non-cash goodwill impairment charge
 - Carrying values of cash generating units (CGUs) reviewed as part of the Company's December 2016 external reporting cycle
 - Carrying value of goodwill not fully supported by assessed recoverable amount under accounting standard requirements
 - Non-cash impairment charge of \$46.7m with respect to the revaluation of the carrying value of SMS Consulting goodwill
- Termination costs
 - Expense of \$0.9m incurred in relation to reduction in resource capacity
- Transaction costs
 - \$1.2m incurred in relation to the now terminated DWS scheme
- Reconciliation of EBITDA and NPAT prior to significant items:

\$m	EBITDA	NPAT
Reported	(37.9)	(42.1)
Impairment charge	46.7	46.7
Termination costs	0.9	0.6
Transaction costs	1.2	0.9
Prior to significant items	10.9	6.1

Financial Position

\$m	2H 2017	1H 2017	2H 2016	2H 2017 change v	
				1H 2017	2H 2016
Working capital	37.1	33.0	34.9	12%	6%
Intangible assets	64.8	65.1	112.0	-	(42%)
Other liabilities (net)	(9.2)	(5.3)	(10.2)	(74%)	10%
Total capital employed	92.7	92.8	136.7	-	(32%)
Net debt ¹	(9.1)	(10.3)	(7.3)	12%	(25%)
Net assets / equity	83.6	82.5	129.4	1%	(35%)
Interest cover pre-significant items (x) ²	10x	12x	15x		

- Balance sheet remains strong
- Working capital
 - Increase in working capital due to timing issues with fixed price invoice milestones at 30 June
 - Debtor days steady, despite continued pressure on credit terms from various clients
- Goodwill written down by \$46.7m as a result of impairment charge
- Net debt - cash of \$4.4m less unsecured working capital facility of \$13.5m
 - Undrawn working capital facility at 30 June of \$16.5m
 - Compliant with banking covenants



1. Excludes finance lease liabilities and bank guarantees
2. Profit before interest, tax and significant items / interest expense

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Cash Flow

\$m	2017	2016
EBITDA	(37.9)	15.7
Change in working capital and provisions	(1.2)	9.2
Non-cash and other items	46.5	(0.4)
Tax paid	(3.9)	(6.2)
Net operating cash flow	3.5	18.3
Dividends paid	(3.1)	(11.4)
On-market share buy-back	-	(0.9)
Proceeds from borrowings	1.5	12.0
Repayment of borrowings	(1.0)	(4.3)
Borrowing costs	(0.9)	(0.9)
Contingent consideration payments	-	(19.4)
Capital expenditure	(0.2)	(1.5)
Net cash flow	(0.2)	(8.1)
Opening cash (1 July)	4.7	12.9
FX fluctuations on cash held	(0.1)	(0.1)
Closing cash (30 June)	4.4	4.7

- Partial unwinding in working capital due to year-end timing issues
- Non-cash items include goodwill impairment charge of \$46.7m
- Tax paid includes \$3.3m final FY2016 instalments
- Dividends paid represents FY2016 final and FY2017 interim dividends
- Proceeds from borrowings represent drawdown on working capital facility to \$13.5m (\$16.5m undrawn facility balance at 30 June)

People (FTEs)

	Jun-17	Jun-16
Billable		
SMS Consulting		
Advisory & Solutions	825	877
Managed Services	62	53
M&T Resources¹	483	498
	1,370	1,428
Non-Billable		
Sales, Administration & Management	158	182
Total	1,528	1,610

- Advisory & Solutions billable headcount down by 9% on average compared to pcp through natural attrition and resource capacity adjustments
- M&T Resources average contractor headcount down 5% on pcp
- Non-billable headcount down through focus on operational efficiency



1. Represents respective 6 month average FTEs

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- Continued focus on restoring growth in Advisory & Solutions business
 - Sales capability uplift - in progress
 - Improving sales pipeline and contract conversions
- Improved operational efficiency through sustained levels of billable utilisation
- Reducing overheads and discretionary expenditure
- Scheme meeting to vote on proposal from ASG Group Limited to acquire 100% of SMS
 - SMS Directors continue to unanimously recommend that SMS shareholders vote in favour of the scheme, in the absence of a superior proposal or the Independent Expert changing or qualifying its conclusion that the Scheme is in the best interest of shareholders
 - Meeting to be held at 11.00am on 1 September 2017
 - Special dividend will be considered by SMS Directors following the Scheme meeting, and will be subject to the Scheme becoming effective and a favourable draft ATO class ruling being obtained



SMS

Management & Technology