

19 February 2014

SMS Management & Technology Limited results for half year ended 31 December 2013

Revenue \$153.5m up 6% and reported net profit \$5.8 million down 55%

SMS Management & Technology Limited (SMS), Australia's leading consulting, technology and systems integration services provider, today reported net profit after tax of \$5.8 million¹ for the half year ended 31 December 2013.

The profit result was in line with the guidance provided at the Company's October 2013 Annual General Meeting, and has been impacted by a number of one-off factors including:

- \$1.1m write-off of accrued revenue and trade debt on withdrawal from an unsatisfactory sub-contract in Singapore;
- \$0.4m termination costs associated with streamlining the corporate overhead structure; and
- \$0.4m due diligence and acquisition related costs.

The second half of the financial year is expected to benefit further from:

- six month contribution from the Birchman acquisition (3 month contribution in first half);
- merger of WA consulting operations into Birchman;
- withdrawal from loss-making Singapore sub-contract;
- reduced Vietnam overhead costs; and
- streamlining of the corporate overhead structure.

Mr Tom Stianos, Chief Executive Officer said, "in recent months, the Company has observed a slight improvement in business confidence with more clients taking tentative steps with new initiatives; however, the macro-economic environment remains somewhat fragile. Consultant utilisation has been below our desired levels and we are taking steps to ensure that utilisation improves in the second half."

New contracts signed during the first half totalled \$174.7m, up 10%. M&T Resources posted strong gains (albeit on lower margins than the SMS Consulting business). In the past, M&T Resources has been a leading indicator of demand for SMS consulting services. SMS Consulting reported increased contract wins assisted by Indicium and Birchman, with key regions flat or better than the prior corresponding period. The ACT consulting business was significantly impacted by the prolonged Federal Government election process. It is expected that the ACT will improve in calendar 2014 as the Federal Government begins to implement its change program.

Mr Stianos said, "the business has grown market share, partly through acquisition and partly through absorbing reduced margins to shore up sales. While this has had a short term impact on earnings, it gives SMS a good market footprint for revenue and earnings growth as the cycle turns. This will also provide an opportunity for returning margins back to traditional levels over time."

¹ Reported net profit after tax includes \$1.3m (net of tax) of one-off factors impacting first half financial performance and \$0.2m (net of tax) for amortisation (non-cash item) associated with acquired identifiable intangible assets relating to customer contracts and relationships.

During the six months, up-front acquisition payments of \$24.6m were made in relation to Indicium (\$12.1m) and Birchman (\$12.5m - funded by debt). Mr Stianos said, "we are pleased with the financial performance of the acquisitions to date. Both businesses provide us with increased capability and geographic reach. The Company will continue to pursue strategic acquisitions as opportunities present themselves."

The Company held a gross cash balance of \$19.5m (net cash of \$8.0m after debt of \$11.5m) as at 31 December 2013.

The Board declared a fully franked dividend of 5.0 cents per share in line with its dividend policy.

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About SMS

SMS Management & Technology Limited (SMS) [ASX:SMX] is a leading Asia Pacific consulting, technology and systems integration company employing over 1,600 professionals throughout Australia, Hong Kong, Vietnam and Singapore. Established in 1986, SMS is best known for delivery excellence. SMS helps its clients improve their business performance through the implementation of strategy and the delivery of business and technology projects. Industry expertise spans the financial services, ICT, government, defence, health, utilities, resources and infrastructure sectors. For further information refer to www.smsmt.com