STRUCTURAL MONITORING SYSTEMS plc

ASX Announcement

ASX: SMN
26 March 2025

SMS Revised FY25 Forecast: Strong H2 FY25 Growth and Market Resilience

Highlights:

- **Revenue** – FY25 forecast at $29.6M (down slightly from forecast $30M); H2 FY25 revenue at $17.1M (with an annualised run rate of $34.2M).
- **Adjusted EBITDA –** Now $5.0M (down from forecast $7.6M), but up 105% from FY24's $2.5M
- **Operating Cash Flow –** strong H2 FY25 operating cash flow positive, driven by cost restructuring and strong Forest Radio sales
- **Strategic Expansion** – evaluating new product investments in Audio Systems and Radios, as well as acquisitions in Avionics and Structural Health Monitoring

Structural Monitoring Systems Plc ("SMS" or "the Company") (ASX: SMN & SMNOA) announces a revised forecast for FY25 following its Interim Financial Report for the half-year ended 31 December 2024 and the ASX announcement dated 13 December 2024. Despite minor variations to the December forecast reported here, SMS is now in the strongest financial position it has ever been and is confident in delivering even better results in the coming years.

Revenue

Forecast revenue for FY25 is now $29.6M vs September 2024 forecast of $30.0M. $30M was the lower bound of our forecast range, which was before contracted revenues from Delta were taken into account. We are now forecasting that revenue for FY26 (see explanation below). Despite this, the outlook remains positive with H2 FY25 revenue now forecasted at $17.1M, an annualised run rate of $34.2M. Of this recast revenue we currently estimate our worst case exposure to possible US tariffs to be approximately $1.3M (see explanation below). The planned shift to higher margin Avionics manufacturing production has occurred in FY25 with Avionics now contributing 60% of forecast gross revenues, up from 40% in FY24.

Operating Cashflow

Net cash flow from operations for FY25 is forecast to be $2.0M, excluding changes to working capital (and follows our reported Q1 FY25 cash burn of $1.4M).

H2 FY25 net operating cash flow projection indicates a strong positive trend, reinforced by a significant restructuring of operating costs and successful sales campaigns for SMS's Forest Radio product.

End of financial year budgeted cash available

End of financial year cash available forecast is in excess of $8.0M (following a reported Q1 FY25 closing cash of $0.9M,) This is a result of our recent capital raise of $8.7M and after restructuring costs, working capital investments and the strong positive operating cashflows reported above.

EBITDA

Adjusted EBITDA forecast for FY25 now $5.0M, down from September 2024 forecast of $7.6M but up 105% on FY24 Adjusted EBITDA of $2.5M.

Factors impacting forecast EBITDA	**$M'**
Lower than budget Avionics revenue in H1 FY25	$0.5
Reduced manufacturing margin due to rework	$1,4
Reduced capitalisation of R&D costs	$0.3
Other (see below)	$0.4
Total reduction in forecast Adjusted EBITDA	$2,6

While the impact of first time build issues with loudspeakers and radios has temporarily affected our manufacturing margin, this is a short-term adjustment that will not affect long term performance or the upcoming fiscal year.

Furthermore, the lower-than-expected capitalisation of R&D expenses incurred in FY25 has also temporarily impacted profitability but it has improved our operating cashflow and is evidence of our new more disciplined approach to investments. The Company remains confident in the continued progress of our innovation pipeline.

Not withstanding the above revisions, it should be noted that the second half of FY25 is forecast to deliver an adjusted EBITDA of $4.9M in line with the top range of our original forecast. This demonstrates the resilience of our business model and the strong upside potential as we head into the second half of the year.

Adjusted EBITDA excludes non-cash share-based payments, one-off corporate restructuring costs, audit adjustments to manufacturing overhead, and non-operational unrealised losses on hedging contracts.

Exchange rate AUD/CAD 0.91. All financials stated in Australian dollars.

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Tariff resilience

We continue to closely monitor the evolving trade tariff situation between the US and Canada We are unable to be certain whether our products will in fact be subject to tariffs, when they might take effect and how much they will be. We may know more after the next announcement expected on 2 April. However, we believe that the impact on SMS will be minimal, certainly for the balance of this financial year where we estimate in the worst case that any shipments of our products to the US after 2 April are subject to a 25% tariff, and that if our customers require us to refund this amount from the contracted purchase price our maximum exposure is $1.3M.

Our products currently clearly identified and well-protected under the US Mexico Canada Agreement (USMCA)

Longer term, and subject the details of the application and duration of tariffs to our products, we believe we are in a stronger position than most imports for the following reasons:

- **Unique market leadership –** we are usually the preferred (and sometimes the only) solution available for our highly specialised customers

- **Exclusive certification** – our products require certification for installation and operation, and this certification is not easily or quickly replicated

- **Competitor subject to same tariff measures –** the competing radio products for our market are both supplied by another Canadian company, so any tariffs imposed would apply equally to current alternatives

We also continue to monitor our supply chain to identify exposure to any Canadian counter-tariff measures that might be introduced, and we have begun sourcing alternative suppliers where possible.

Chairman and CEO, Ross Love stated:

"Notwithstanding the uncertainty of the timing of FAA approval for our Aft Pressure Bulkhead CVM application (now expected in Q1 FY26) and the impact, if any, of proposed US tariffs on some Canadian products, we are very pleased with the strong operational improvements in the second half of FY25 which have put us in the strongest financial position we have ever experienced.

This is due to a significant restructure of our operating costs, successful sales campaigns for our Forest Radio product and a new approach to staging some of our new product investments prior to final investment approval.

We are now experiencing a strong net positive cash flow from operations, which is supplementing the significant increase in our cash available for investments after raising over $8M in new share capital in Q2/Q3 FY25 and which puts us in the position to fund investment in the growth of our Avionics and Structural Health Monitoring business segments.

Looking ahead, SMS is actively considering two new product investment projects in Audio Systems and Radios as well as two small acquisitions -one in avionics and one in structural health monitoring. These initiatives have the potential to further increase the profitable growth of our Avionics business, and cement our position as the leading developer of structural health monitoring solutions of commercial airframes.Importantly, these investments will only proceed if we are satisfied, they will contribute materially to future revenue, cashflow and EBITDA results for the company without impacting the current forecasts".

This ASX release has been approved for release by Executive Chairman Ross Love on behalf of the Board of Directors.

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