



## **SMS Appendix 4C March Quarter 2019 Financial Update**

### **Highlights**

- **SMS posted revenue of A\$3.488 million for the quarter and A\$11.050 million YTD (unaudited)**
- **Employees purchase A\$209k of SMS shares via share purchase programme**
- **Recent significant inventory build at AEM (and thus, cash drawdown) required to meet very strong orders - will rundown significantly as orders are shipped in Q2-19**
- **Cash in bank ~A\$1.100 million**
- **SMS sees no requirement for capital raise at any time in the foreseeable future**

Structural Monitoring Systems Plc ("SMS" or "the Company") (ASX: SMN) is pleased to provide a brief Company update:

### **SMS Financial Overview**

SMS, via historically strong sales contributions from its wholly-owned subsidiary, Anodyne Electronics Manufacturing Corp ("AEM"), continues to outpace top-line revenue expectations for the fiscal year. During the March quarter, **SMS generated A\$3.488m of top-line revenue** which brought **YTD revenue to A\$11.050m (unaudited)**. Further, 2018/2019 fiscal YTD revenues are running at 105.2% of forecast levels. In April, AEM shipped in excess of \$C2.100 million of orders - a record month in the Company's history, while already booked May orders point to another very solid month (orders already at circa-C\$1.600 million). As a result of the strong April and May performance, we expect full year top-line revenues **to clearly exceed \$C14.6 million** (or A\$15.4 million at current AUDCAD spot rate of 0.9497).

Of note, AEM has incurred approximately A\$464k of operating expenses YTD related directly to the SMS vertical – which now includes a dedicated operational headcount of 12 employees, in addition to multiple "crossover" staff at the Company's Kelowna, BC facility. This figure does not include other significant investments in SMS equipment, CAPEX, clean room expansion programs and finished/unfinished goods inventory.

Cash was approximately A\$1.1 million at quarter end, versus ~A\$2.45m at the end of the prior quarter. For clarity, the major item contributing to the drawdown in cash for the quarter was **an ~A\$850k increase in inventory to support the higher level of sales at AEM in the June Quarter, as well SMS's CVM™ equipment, sales pipeline related to both the 737-NG Aft Pressure Bulkhead ("APB") and WiFi programmes**. The present inventory levels at AEM will significantly fall over the coming June quarter as material sales are realised and the cash is collected. This will allow SMS to eliminate the outstanding working capital credit balance and measurably replenish cash on hand. It is important to understand that AEM, like any manufacturing

## ASX ANNOUNCEMENT

ASX: SMN

30<sup>th</sup> April 2019

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business that experiences sales growth, must invest in inventory to facilitate that growth, and that is what has been experienced in the March quarter. Other, one-off, items that affected cash during the quarter were a Tulip Bay settlement payment of ~A\$315,000 - while an increase in trade receivables and trade payables - of A\$389k and A\$250k, respectively – also figured.

**Thirty-six (36) AEM employees purchased ~275k SMS shares via the SMS Employee Incentive Plan (EIP)** during the March quarter which contributed ~A\$209k to the Company. The EIP is available to all employees (SMS and AEM - full and part-time).

SMS Management does not foresee any need to raise new equity capital at any juncture in the foreseeable future. It is envisaged that cash generated from operations will be adequate to fund the full operations and growth of all Company platforms in advance of the onset of realized commercial benefits expected subsequent to the pending OEM/FAA approvals for the 737-NG APB programme and the multi-aircraft type WiFi applications.

The Company recently provided a progress update in relation to both of these highly important programs.

### **Disclaimer**

This announcement contains certain forward-looking statements with respect to the financial condition, operations and business of the Group and certain plans and objectives of the management of SMS. Forward-looking statements can be identified by the use of forward-looking terminology, including, without limitation, the terms "believes", "estimates", "anticipates", "expects", "predicts", "intends", "plans", "goals", "targets", "aims", "outlook", "guidance", "forecasts", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts.

Such forward looking statements involve known and unknown risks, uncertainties and other factors which because of their nature may cause the actual results or performance of the Group to be materially different from the results or performance expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the political and economic environment in which the Group will operate in the future, which may not be reasonable, and are not guarantees or predictions of future performance. No representation is made that any of these statements or forecasts will come to pass or that any forecast result will be achieved, or that there is a reasonable basis for any of these statements or forecasts.

Forward-looking statements speak only as at the date of this presentation and to the full extent permitted by law, SMS, and their respective affiliates and related bodies corporate and each of their respective Related Parties and intermediaries disclaim any obligation or undertaking to release any updates or revisions to information to reflect any change in any of the information contained in this presentation (including, but not limited to, any assumptions or expectations set out in the presentation).

### **Financial Information**

Any pro forma and forecast financial information provided in this announcement is for illustrative purposes only and do not represent a forecast or expectation as to the Group's future financial condition and/or performance. This document has been prepared at a time where the review of financial information contained in this presentation has not been completed and accordingly, you should only rely on any forecast or expectation as to the Group's future financial condition and/or performance that is contained in a prospectus or other offering document which may be issued by SMS in connection with any offer of SMS securities.

### **For further information, please contact:**

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## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Structural Monitoring Systems plc

**ARBN**

106 307 322

**Quarter ended ("current quarter")**

31 March 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	3,488	11,050
1.2 Payments for		
(a) research and development	(122)	(355)
(b) product manufacturing and operating costs	(2,976)	(7,720)
(c) advertising and marketing	(215)	(520)
(d) leased assets	-	-
(e) staff costs	(1,198)	(3,307)
(f) administration and corporate costs	(115)	(828)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	6	10
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(83)	(218)
1.7 Government grants and tax incentives	8	31
1.8 Other – litigation settlement	(315)	(315)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,522)</b>	<b>(2,172)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(77)	(182)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (transfer to 1 year term deposit)	-	(66)
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(77)</b>	<b>(248)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	209	209
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>209</b>	<b>209</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	2,463	3,251
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,522)	(2,172)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(77)	(248)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	209	209

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	33
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>1,073</b>	<b>1,073</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	1,597	2,463
5.2	Call deposits	-	-
5.3	Bank overdrafts	(524)	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,073</b>	<b>2,463</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

<b>Current quarter \$A'000</b>
88
-

Director's fees

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

<b>Current quarter \$A'000</b>
-
-

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	2,109	524
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

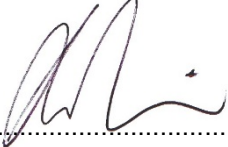
HSBC Operating loan, secured at 4.70%

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	132
9.2 Product manufacturing and operating costs	2,637
9.3 Advertising and marketing	260
9.4 Leased assets	-
9.5 Staff costs	1,263
9.6 Administration and corporate costs	351
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>4,643</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  .....

(Company Secretary)

30 April 2019

Date: .....

Sam Wright

Print name: .....

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.