



## **AEM Performance Update – SMS Wholly-Owned Subsidiary Continues to Achieve Significant Results**

Structural Monitoring Systems Plc (“**SMS**” or “**the Company**”) (**ASX: SMN**) is pleased to provide a more detailed, and current, update regarding the measurably strong performance achieved by the Company’s 100%-owned subsidiary, Anodyne Electronics Manufacturing Corp. (“**AEM**”). Despite the advent of an unprecedented global environment, one which is likely more challenging and difficult than any other historical context, AEM’s platform continues to exhibit clear robustness and commercial continuity.

Further to the recent ASX-released update on 24<sup>th</sup> March, and given the uncertainty and severity of the present COVID-19 dominated global backdrop, the Company believes it is prudent to highlight the present, and expected, SMS Group performance and revenue generation – for clarity.

In this vein, the Company is pleased to advise that AEM continues to track in-line with, and indeed outperform, the already achieved (very positive) historical YTD trend. Key points, as follows:

- **March realized sales confirmed at \$A2.065 million**, in-line with budget, despite the severe and unprecedented global environment clearly evident throughout the month, and **versus \$A1.717 million for same month last year**.
- **April full month already-confirmed orders currently stand at circa-\$A2.116 million, with further upside highly likely as we progress through the month. This compares to last year’s actual April month result of circa-\$A 2.106 million**, which, until the current month, was an all-time AEM platform record – now eclipsed.
- Importantly, May/June forward orders continue to build in-line with YTD and historic patterns and are not showing any material drop-off – **currently at circa-\$A1.411 million**.
- To reiterate, **AEM has been designated an “essential service” organisation** by the Canadian Government, as AEM’s products are essential to the ongoing maintenance of law enforcement, fire protection, military aircraft activities, and so forth. As highlighted previously, the composition of AEM’s key customers is providing a relatively inelastic

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demand profile, and one which is likely to exhibit relatively less volatility in the current global environment - and demand "stickiness".

- Of note, within a total staff count of over 100 permanent staff, AEM has a dedicated and highly capable team of R&D technologists and engineers who continue to work on a number of a new products, where SMS, through AEM, owns and controls the generated IP. An example of the material future revenue upside potential associated with these "new product" programs is the recent major European OEM firm orders for these new products - with delivery later this calendar year. This product addresses a very large potential global market where there is a significant identified need, and thus it is expected other major customers will be interested in ongoing, and growing, acquisitions. Further, it is important to note, that this new product is fully additive to AEM's broad current product catalogue.
- AEM has in-place a robust risk mitigation plan to isolate and fully address potential business disruption issues that might develop either internally, or through supply chain-related impacts. While it is clearly not possible to fully rule out any future material platform disruption/s, AEM management have nevertheless done an excellent job of considering all potential risk scenarios, and have enacted clear mitigation and recovery plans to deal with these potential impacts as, and if, they arise.

In conclusion, SMS management remain (cautiously) optimistic that the Company is well placed to navigate the extraordinarily challenging global environment with limited disruption and negative effects impacting the Group's operating results. The exceptional performance being achieved by AEM's legacy business platform, the material cash-cost reduction implementation already enacted with regards to SMS Board and Executive/senior staff compensation, and the clear mitigation and redundancy protocols already in place lend visible and credible support to this optimism.

The Company also looks forward to providing further guidance in the coming weeks and months as ongoing clarity is achieved with respect to current, and expected, customer order-flow – and, similarly, providing timely guidance and information related to SMS's critical programs. This will include pertinent information related to the attainment of the Wi-Fi program STC, and the provision of key information related to some of the Company's other key programs, such as the B737 Aft-pressure Bulkhead ("APB") program.

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*This announcement is authorised by the Board.*

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