

SMS - March Quarter 2020 Further Company Update

Highlights:

- SMS Group posted revenue of \$A4.950 for the quarter and \$A13.950 million year-to-date (unaudited)
- AEM enters final quarter of financial year with exceptional results and momentum, despite the unprecedented challenges in the global environment
- SMS continues to materially advance commercial progress of CVM<sup>™</sup> to inaugural, fullcommercial STC status

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

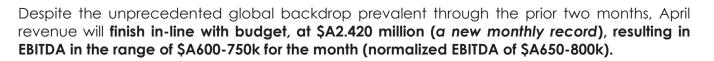
# SMS Group - Company Financial Overview and Operational Highlights

The Company's fully-owned subsidiary, Anodyne Electronics Manufacturing Corp. ("AEM") recorded another very strong month in March with revenue (unaudited management accounts) ahead of budget at \$A1.970 million and exceptional EBITDA (a further new record) at \$A626k (or \$A688k normalised) for the month, due to continued strength in sales, combined with the ongoing improvement in operating margins generated from AEM-developed IP products.

This brings year-to-date EBITDA (nine months to 31<sup>st</sup> March 2020) to **circa-\$A2.750 million** (~\$A3.25 million normalised), with full-year normalised EBITDA well on-track for a full-year result in excess of \$A4 million.

This EBITDA result, taken in the context of the purchase price paid by SMS to acquire AEM a little over two years ago (\$A10.400 million), is an extraordinary achievement from an adjusted-value standpoint – particularly noting that the primary rationale and driver for the acquisition was the full securement and control of a development and production platform for the future anticipated escalation, and commercial rollout, of  $CVM^{TM}$ . At present EBITDA levels, the implied, current realisable valuation of the AEM acquisition is significantly greater than the historical acquisition price paid by the Company.

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Further, the Company now has good visibility on the expected Q4 full-year outlook to June 30, with expected quarterly revenue to be circa-\$A5.500 million for the quarter, with EBITDA of \$A900k-1.050 million (normalized EBITDA of \$A1.100-1.250 million). This guidance would bring the full year revenue result to circa-\$A19.500 million v \$A16.380 million (+19.0%) for the prior year and EBITDA circa-\$A3.65-3.800 million (normalised EBITDA \$A4.350-\$A4.500 million). As alluded to above, this result will represent a significant lift over the prior year's EBITDA (in constant currency terms) of \$A2.440 million (\$A3.180 million normalised), reflecting both the Group strategy employed in regards to AEM's operations since acquisition, and the dedication and excellence of the Company's 100-plus team in Kelowna, Canada.

Looking forward, and in recent weeks, AEM's operations continue to be "business as usual", despite the increased internal in-facility requirements and adjustments to comply with health standards dictated by COVID -19, coupled with the unique challenges presented by external conditions. Customer orders remain very solid, and a number of new and exciting product line developments (with very significant addressable global markets) servicing law enforcement, search & rescue, military and other governmental agencies will be rolled out over the remaining course of this financial year, and continuing in July - further adding to the ongoing uptrend in revenue and profitability for the 2020/21 financial year, and beyond.

# Progression of CVM<sup>™</sup> to Pivotal STC Status is on Schedule, and on Track

The Supplemental Type Certificate (**"STC")** approval for CVM<sup>™</sup> deployment in relation to 2Ku Wi-Fi system on-aircraft use is 100% on schedule and has moved to Stage III. Since the previous communication via the Investor Update in late-March, material progress has been made on the Certification Plan, the Issue Paper, test specimens, and the final Test Plan.

The Certification Plan has now accordingly been amended and resubmitted to the FAA. This amendment aligns the Certification Plan with the Issue Paper for FAA oversight on items such as approval of the Test Plan and determines oversight of Conformity Inspections of test specimens. Furthermore, the response provided by Delta Engineering ("**DE**") and AEM to the Issue Paper has been submitted, thereby resulting in the formal move in the IP process to Stage III.

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Test specimens have now been fully conformed to a final design standard through the Organization of Designation Authorisation ("**ODA**") at DE. A combined work effort between DE, Sandia and SMS is now focused on the Test Plan document, that is scheduled for submission to the FAA by the end of April. After this submission, all required documents needed for a formal STC approval will be back with the FAA.

Preliminary testing has now also commenced, and the teams at DE and Sandia National Labs have all equipment and conformed specimens required to begin, and finalise, formal probability-of-detection (**"POD"**) testing when an approval of the Test Plan is received from the FAA.

The Company is thus wholly on-track to have Stage IV of the IP, and full required adjunct testing, completed in Q3-2020, with full STC-approval shortly thereafter.

The aggregate amount of payments to related parties and their associates included in the current quarter Cash flows from operating activities was approximately \$20k comprising Directors fees, salaries and superannuation.

### This announcement is authorised by the Board.

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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.

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