

ASX Announcement

ASX: SMN
29 April 2024

Appendix 4C and Quarterly Update

March 2024 Appendix 4C and Quarterly Update

Highlights

- The Group recorded EBITDA of \$624K during the March quarter, against \$129K in the corresponding quarter in the year prior. This can be attributed to the continued growth of the AEM Contract manufacturing and Avionics business segments.
- Wholly owned subsidiary, Anodyne Electronics Manufacturing Corp. (AEM), recorded gross revenue for the quarter of \$6.67m up 14% on the corresponding quarter in the year prior. Both the AEM Avionics and Contract Manufacturing business segments continue to perform strongly growing across all key metrics contributing to achieve this solid result.
- SMS Group recorded positive cashflows from operating activities of \$0.11m in the March quarter and \$1.08m in the year to date.
- The forward orders outlook remains strong with those for the June 2024 quarter currently sitting at \$5.88m. Orders for the corresponding period in the prior year were \$4.81m, an increase of 22%.
- AEM announced in April that its new modern MTP136D forest service radio had received critical Federal Communication Commission (FCC) and Innovation, Science and Economic Development Canada (ISED) certifications. The certifications pave the way for acceptance by the United States Forest Service (USFS), and a pending Supplemental Type Certificate (STC).
- AEM also noted a partnership expansion with Texas Aerospace Technologies, a subsidiary of Texas Aerospace Services, to add AEM's new MTP136D modern panel-mount P25 VHF FM Forest Service radio to its lineup of product offerings for their Latin American customers.
- The broader management team and board remains focused on its ongoing expansion into key international markets with AEM announcing a new distribution agreement with South African-based Safomar Technologies in February 2024.

- The AEM team continues to work towards completion of the final testing procedures required to progress the certification of the Company's CVM™ Smart Sensors for the Aft Pressure Bulkhead (APB) inspection – Boeing Service Bulletin 737-53A1248.
- The installation program and delivery schedule for Delta Air Lines continues to be met and ensures installation of APB kits across the entire fleet with contract guarantees for payment once the final certification is issued.
- SMS, with the assistance of the AEM IT and marketing teams, will soon launch a new website and digital presence that more effectively links both IT platforms and is a reflection of their ongoing integration and consolidation of both entities.

Structural Monitoring Systems Plc (“SMS” or “the Company”) (ASX: SMN) is pleased to provide the following Quarterly Update summarising group performance and prior releases lodged during the quarter ending 31 March 2024.

SMS Group – Summary of Financial Overview and Operational Highlights

Unaudited Group revenue and EBITDA for the quarter and year to date are set out as follows:

	MARCH QTR			YEAR TO DATE		
	FY2024	FY2023	Change %	FY2024	FY2023	Change %
	\$000'	\$000'		\$000'	\$000'	
Revenue	6,670	5,857	14%	19,968	16,537	21%
EBITDA/(LBITDA)	624	129	384%	1,054	627	n/a

The Group recorded positive cashflows from operating activities for the quarter of \$0.11m and \$1.08m for the year to date. The Group has now recorded 3 consecutive quarters of positive cashflow from operating activities and this trend is forecast to continue.

During the quarter approx. \$400K was invested in a build up of inventory to meet orders for the newly launched MTP136D panel mount radio product. First orders were shipped on 2 April.

SMS continues to work towards satisfying the final remaining testing requirements for its CVM™ technology in parallel with improving the testing capabilities at AEM's Kelowna base and is concurrently exploring alternative term certification solutions in the event that there are any further delays.

The ongoing integration of the Group's CVM™ and AEM business segments, and the ongoing cooperation of both management teams remains fruitful in assisting both entities to consolidate resources and drive efficiencies, with a new SMS website to be launched soon reflecting this relationship and more effectively linking the various entities.

The Board continues to remain focused on achieving its growth targets for AEM and finalising the CVM™ approval process as efficiently as possible within given timeframes.

Report on AEM operational activities and achievements across business segments for the quarter

AEM Avionics Update

Anodyne Electronics Manufacturing Corp. (AEM) experienced another solid quarterly performance for the March 2024 quarter. Avionics revenue and EBITDA performance for the quarter and year to date are set out as follows:

	MARCH QTR			YEAR TO DATE		
	FY2024	FY2023	Change %	FY2024	FY2023	Change %
	\$000'	\$000'		\$000'	\$000'	
Revenue	2,439	2,012	21%	6,951	6,692	4%
EBITDA	355	136	162%	843	803	5%

AEM's newly launched MTP136D panel mount radio received Federal Communication Commission (FCC) and Innovation, Science and Economic Development Canada (ISED) approvals earlier this year and has started shipping to customers, as of the first week of April.

Interest in the product continues to grow as AEM continues to build its order book and sales pipeline for the product. The next targeted milestones include formal acceptance of the radio into the United States Forest Service (USFS) approved equipment list, and announcement of the company's first Supplemental Type Certificate (STC).

The successful launch of the MTP136D is a key part of AEM's ongoing investment in a growing suite of avionics and audio products in the Special Missions Aviation sector and the continuing growth of its existing lineup of products.

The AEM sales and marketing team attended several highly anticipated trade shows and industry events during the quarter including the Canadian Government sponsored trade mission to the Singapore Airshow, as well as HAI HELI-EXPO in Anaheim, California. Both were extremely successful events with record traffic recorded at both, and interest in AEM's special mission products and developments high.

The quarter also saw exhibitions at both the Aerial Firefighting North America 2024 conference and AEA 2024 events, where the company's new mission radio was the focus and well received by the niche industry audience.



AEM Group Chief Operating Officer Taylor Wylie and the team at MRO Americas Aviation Week in Chicago (L) and the AEM booth at this year's HAI HELI-EXPO in Anaheim California (R).

CVM™ Smart Sensor Solutions Update

The AEM team continues to focus on satisfying the final testing requirement in order to progress the certification of the Company's CVM™ Smart Sensors for the Aft Pressure Bulkhead (APB) inspection – Boeing Service Bulletin 737-53A1248, inspection and sensor installation will be addressed by a new Boeing Service Bulletin SB 737-53-1418.

While the CVM™ business segment continues to be challenged by the final certification item required by the Boeing certification engineer, we remain confident and are observing increasing interest from our US airline customers despite the frustrating delays.

As previously reported, we are waiting for the final low stress testing to be completed by Boeing in their own laboratory. There have been some technical issues reported on the Boeing side in relation to their specification of the test coupons, with action taken by AEM to mitigate those issues, including expediting the initial testing while still providing a test covering the required configuration.

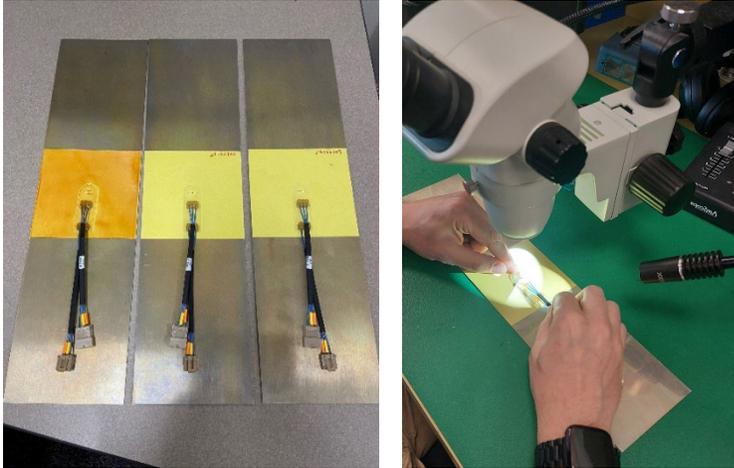
The action resulted in the testing of two sets of coupon configurations, with the first set now testing at the Boeing laboratory and the other at the AEM facility receiving the conversion coating, primer and sensor application.

We remain hopeful for final approval by the end of this calendar year as previously advised. However, in the meantime, we are exploring alternative short-term certification solutions in the event that there are any further delays with the currently agreed process. To that end, work is currently underway on the next two potential commercial applications – incorporating alternative certification strategies.

The installation program and delivery schedule at Delta Air Lines continues under our contract which guarantees payment once the final certification is issued and we are advised that the draft Service Bulletin will be circulated to major US carriers for comment in coming weeks. Taken together, these developments confirm our confidence of a positive outcome from the certification process, and for further CVM™ revenues in the next financial year.

The CVM™ sales team once again attended the MRO Americas in Chicago in April 2024 again to demonstrate the technology's performance and operation and highlight its benefits to airline operators, as well as aircraft maintenance, repair and overhaul service centres.

CVM™ recorded no material revenue in the quarter.



Coupons ready for testing by Boeing (L) CVM™ Sensors being prepared in the laboratory for installation and testing (R)

AEM Contract Manufacturing Update

Contract manufacturing revenue and EBITDA performance for the quarter and year to date is set out as follows:

	MARCH QTR			YEAR TO DATE		
	FY2024	FY2023	Change %	FY2024	FY2023	Change %
	\$000'	\$000'		\$000'	\$000'	
Revenue	4,224	3,954	7%	12,613	9,476	33%
EBITDA	862	638	35%	2,514	1,495	68%

AEM's ongoing focus remains on maintaining high-value contract manufacturing projects and has again delivered solid results for the quarter.

The company's strategy in this space continues to support a limited number of customers generating the highest possible rate of return, while remaining agile in its ability to fulfill the increased sales demand for its own IP products.

Corporate Update

During the quarter, SMS executed revised credit facilities with its Canadian bankers, Royal Bank of Canada. The revised facilities include an increase of CAD\$1m in the revolving line of credit (new limit CAD\$4.75m) and a new CAD\$500K lease finance facility. The revised facilities follow an annual review and illustrates RBC's continued confidence in the growing AEM businesses.

The SMS Board focus remains on achieving growth in key international markets for the company's avionics products, as well as satisfying the final testing requirements for its CVM™ smart sensors to Boeing's ultimate satisfaction ahead of submission to the Federal Aviation Administration (FAA) before the end of the calendar year as previously reported.



The board and management team is currently in the final stages of preparing its budget and plan for 2024/2025, together with a five year forecast.

The plan provides a strong baseline which generates ongoing revenue and earnings growth from internally generated funds, and an accelerated growth plan in the event that the Company is able to raise additional investment on appropriate terms and, of course, subject to shareholder approval.

The Company hosted an investor webinar in February which provided an overview of the December 2023 quarterly as well as an overview of the strategy for the year ahead. Interested parties can view the webinar via the following [link](#).

SMS Executive Chairman Ross Love commented:

“The March quarter has seen some great progress for SMS, notwithstanding the continuing delays in final Boeing approval for the Aft Pressure Bulkhead CVM™ application which we have referenced in previous communications.

“EBITDA of \$624K was recorded during the March quarter up 384% on the December quarter and revenue for the year to date is up 21% compared to the same period in the prior year. We are very much on track to achieve our budgeted current year revenue and EBITDA forecasts despite the delay in forecast APB sales”.

“Our cash position has stabilised, as expected, after some concerns in the second quarter that were previously reported.

“The contract manufacturing business segment continues to provide a strong economic foundation for our business with the focus remaining on high value contract manufacturing products.

“Our Special Missions Avionics segment is starting to see some of the growth we have been planning, especially with the growing interest in our new Forest Radio, which is now certified in Canada and on track for formal acceptance in the United States.

“The CVM™ business segment continues to be challenged by the certification requirements, but we remain confident in the process and the ability of our sensors to meet the rigorous demands of testing and anticipate increasing interest from our US airline customers despite the delays.

“If you have not provided your email address previously or wish to update your email address you can register your details by following this link: <http://www.computershare.com.au/easyupdate/SMN> or via the new SMS website.

“The Company strongly encourages shareholders to register for electronic communications to save on cost and environmental wastage.

“I look forward to providing further regular updates throughout the course of the 2024 calendar year.



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Appendix 4C Details

SMS consolidated cash-at-bank as at March 31 was \$1.89m.

Payments of \$2.82m represents expenditure allocated to product manufacturing and operating costs.

Payments for staff costs of \$2.84m represents salaries for manufacturing, administration, sales and general management activities.

Payments for administration and corporate costs of \$0.41m represent general costs associated with running the Company including ASX fees, legal fees, audit etc.

The aggregate amount of payments related to parties and their associates included in the March quarter cash flows from operating activities was \$0.25m in respect to fees paid to directors.

As stated above, the Group cash balance as at March 31, 2024, was \$1.89m.

Please refer to attached Appendix 4C for further details on cash flows for the quarter.

(All financials are in AUD unless otherwise stated. Average exchange rate for the quarter:
A\$1=C\$0.8861)

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

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Structural Monitoring Systems Plc

ARBN

106 307 322

Quarter ended ("current quarter")

31 March 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	6,546	19,387
1.2 Payments for		
(a) research and development	(78)	(187)
(b) product manufacturing and operating costs	(2,819)	(7,508)
(c) advertising and marketing	(149)	(552)
(d) leased assets	-	-
(e) staff costs	(2,844)	(7,979)
(f) administration and corporate costs	(411)	(1,472)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(133)	(493)
1.6 Income taxes received/(paid)	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (Royalty fee)	-	(116)
1.9 Net cash provided by/(used in) operating activities	112	1,078
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(61)	(112)
(d) investments	-	-
(e) intellectual property ⁽¹⁾	(351)	(1,002)
(f) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (repayment of term deposit)	-	-
2.6 Net cash provided by/(used in) investing activities	(412)	(1,114)

(1) Capitalised R&D expenditure

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	1,000
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(8)	(89)
3.5 Proceeds from borrowings	981	1,139
3.6 Repayment of borrowings	(34)	(220)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (repayments of ROU leases)	(278)	(864)
3.10 Net cash provided by/(used in) financing activities	661	966

4. Net increase in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,498	961
4.2 Net cash from operating activities (item 1.9 above)	112	1,078
4.3 Net cash used in investing activities (item 2.6 above)	(412)	(1,114)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from financing activities (item 3.10 above)	661	966
4.5	Effect of movement in exchange rates on cash held	28	(4)
4.6	Cash and cash equivalents at end of period	1,887	1,887

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,887	1,502
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other	-	(4)
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,887	1,498

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	254
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Line of credit	5,388	5,178
7.2 Term loan	1,255	1,255
7.3 Other (equipment leases/director loan)	4,090	3,602
7.4 Total financing facilities	10,733	10,035
7.5 Unused financing facilities available at quarter end		698
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
<p>Royal Bank of Canada (RBC) operating line of credit of C\$4.75million secured at 8.05% variable, no maturity date, reviewed annually. The limit increased by C\$1m during the quarter.</p> <p>RBC 7 year term loan of C\$1.25million secured at 6.78% fixed for 3 years.</p> <p>HSBC equipment lease facility of US\$2.20million, secured at various rates of between 2.61% and 4.41% fixed with a term of between 3-5 years according to the type of equipment financed.</p> <p>The Company has a loan of US\$100,000 from a director of the Company. The loan is unsecured at 5% fixed with no fixed date for repayment.</p> <p>During the quarter RBC established a C\$500K equipment lease finance facility. A drawdown of C\$69,759 was made during the quarter. The term is 3 years at an interest rate of 7.63%.</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from operating activities (item 1.9)	112
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,887
8.3 Unused finance facilities available at quarter end (item 7.5)	698
8.4 Total available funding (item 8.2 + item 8.3)	2,585
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: n/a	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: n/a	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: n/a

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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.

29 April 2024

Date:

The Board

Authorised by:

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.