SMS Management & Technology Limited
2013 Full Year Results

21 August 2013

Tom Stianos, Chief Executive Officer
Rick Rostolis, Chief Financial Officer

Contents

Summary of Key Results

Operational Performance

Group Financial Results

SMS and the Market

Indicium Acquisition

Dividend and Outlook

SMS Management & Technology

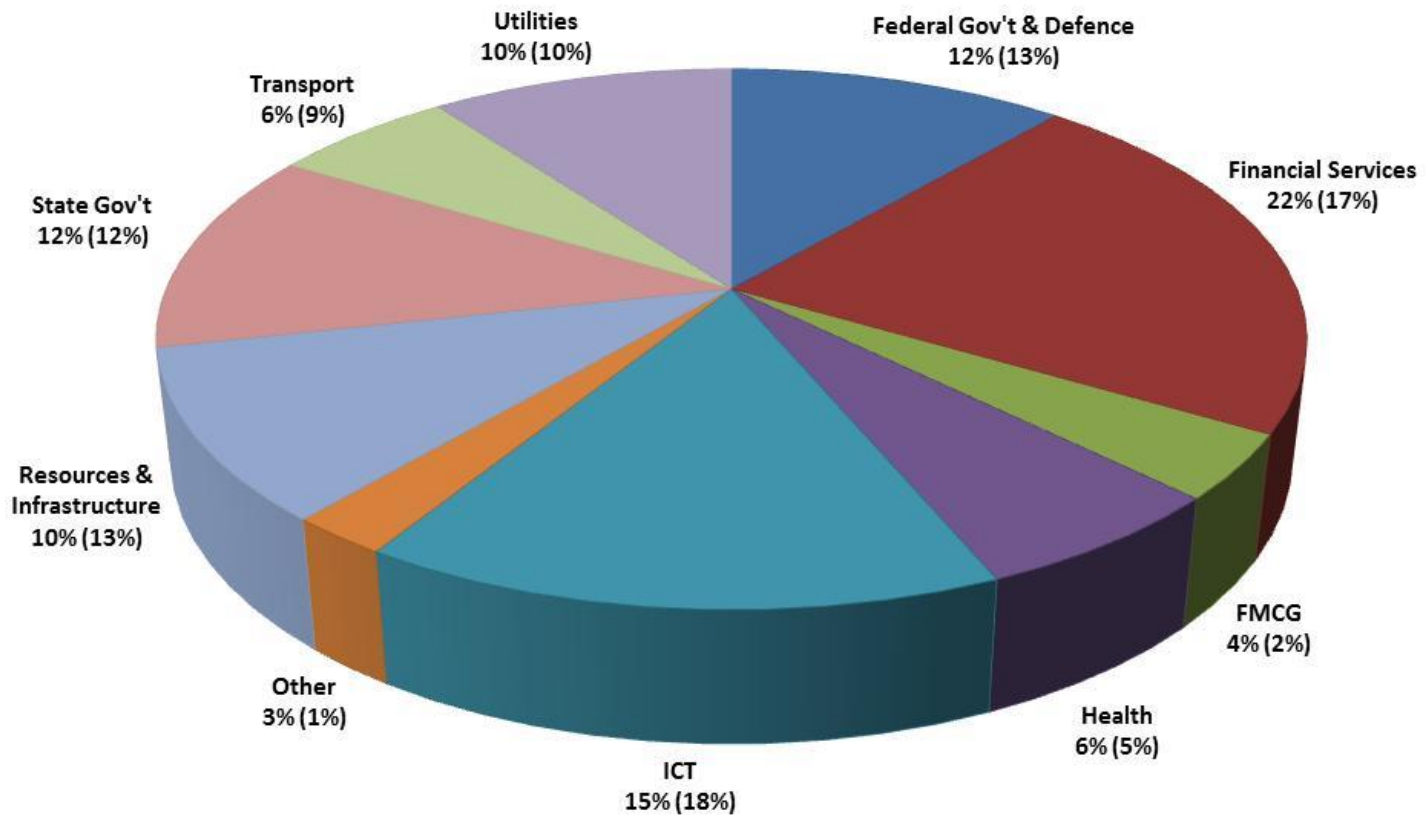
Summary of Key Results

- **Revenue from services $278.5m, down 17% on pcp**
  - Asia and Victoria impacted by significant decline in client demand
  - Weak economic conditions have led to pull-back in IT spend across many sectors
- **Net profit after tax of $21.1m, down 31% on pcp**
- **Basic earnings per share of 30.6 cents**
- **Strong capital position - zero debt with cash balance of $37.0m**
- **Fully franked full-year dividend of 25.5 cents per share - balances the need to:**
  - Maintain history of reliable return; and
  - Allow for capital management and acquisition opportunities
- **Initiated action to develop faster growing segments of the market**
  - Managed Services as a pull-through from our SI offering
  - Indicium acquisition develops "Business Cloud" service
  - More growth expected in this space

FY13 Market Conditions

- Client sentiment characterised by project deferrals and slow decision making
  - ICT, Transport and Government sectors have underperformed
  - Resources sector has shifted priority from capacity expansion to cost control
- 2H FY13 saw further market deterioration and the seasonal spike in demand usually seen in Q4 did not materialise
- Asian operations delivered a loss, however, the run rate leading into FY14 has improved with two significant multi-year contracts locked in during Q4 FY13
- Dual-shore development centre continues to grow and augments onshore services
- Currently assessing EPS accretive acquisitions
  - Open new market segments
  - Accelerate organic growth of the core business
  - Indicium - completed 4 July 2013
  - Further opportunities being considered

Revenue by Industry Sector



- ICT and Transport have experienced significant decline in demand
- Financial Services, Health and FMCG holding ground in difficult market
- Reduced demand from Resources and Government in 2H FY13

Management & Technology

( ) prior year

Contents

Summary of Key Results

Operational Performance

Group Financial Results

SMS and the Market

Indicium Acquisition

Dividend and Outlook

SMS Management & Technology

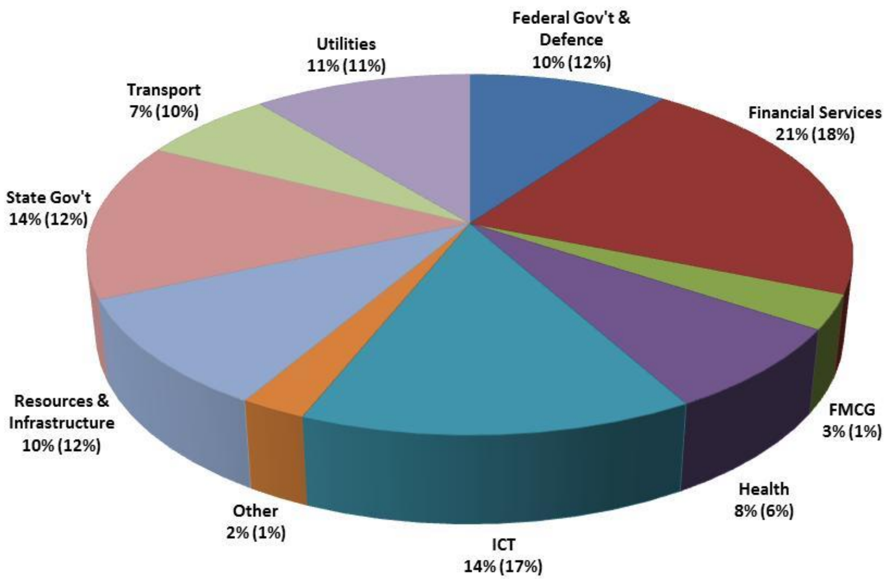
SMS Consulting

- Victorian revenue decline primarily due to ICT sector
- NSW delivered improvement on FY12
- Queensland solid despite pull-back in Resources
- South Australia impacted by Resources
- ACT impacted by Federal Government
- Asia significantly affected by Transport client cost down initiative
- Utilisation - average 83% v 87% pcp
- Billable resources (FTE) of 993 (down 12% on pcp)

$m	FY13	FY12	Change %
Revenue from services	214.6	262.5	(18.2)
EBITDA*	37.3	52.2	(28.5)
EBITDA Margin (%)	17.4	19.9	

* EBITDA is defined as earnings before interest, tax, depreciation and amortisation. EBITDA is non-IFRS financial information. EBITDA is prior to corporate costs

Revenue by Sector



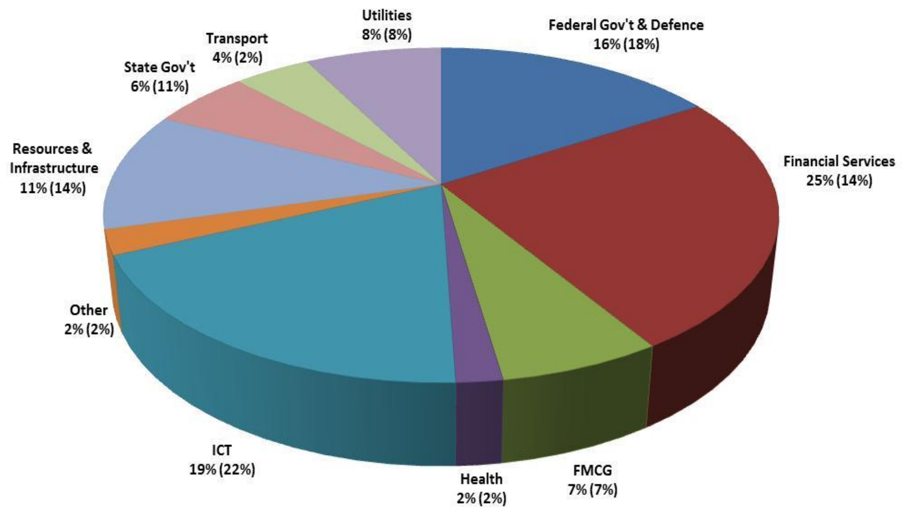
M&T Resources

- Economic uncertainty and lack of market confidence have led to reduced hiring decisions
- NSW improvement through market share gains, particularly in Financial Services
- Recruitment industry changing approach to recruitment (i.e. social media, internal vs. agency)

$m	FY13	FY12	Change %
Revenue from services*	63.9	73.0	(12.5)
EBITDA#	2.7	4.3	(37.2)
EBITDA Margin (%)	4.2	5.9	

* Excludes interdivisional revenue
# EBITDA is prior to corporate costs

Revenue by Sector



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Sales Pipeline

Category of sales	FY13	FY12
Extension of current contracts	41%	39%
Follow-on work from prior projects	25%	27%
New business	34%	34%

Demand and pipeline	FY13	FY12
Sales (contracts signed during FY13)	$316m	$392m
FY13 revenue from services	$279m	$336m

Contents

Summary of Key Results

Operational Performance

Group Financial Results

SMS and the Market

Indicium Acquisition

Dividend and Outlook

SMS Management & Technology

Financial Performance

$m	FY13	FY12	Change %
Revenue from services	**278.5**	**335.5**	**(17.0)**
EBITDA	**29.5**	**44.3**	**(33.4)**
Depreciation	(0.8)	(1.1)	27.3
EBIT	28.7	43.2	(33.6)
Net interest income	0.7	0.3	133.3
Tax	(8.3)	(12.9)	35.7
NPAT	**21.1**	**30.6**	**(31.0)**
EBITDA Margin (%)	10.6	13.2	
Basic EPS (cents)	30.6	44.8	
Diluted EPS (cents)	30.1	43.4	
Fully franked full-year dividend (cents)	25.5	30.5	

- **Revenue primarily impacted by reduced demand from:**
  - ICT, Transport, Federal Government and Resources clients
- **EBITDA affected by:**
  - Revenue decline and impact on project margins and utilisation levels
  - Termination costs of $1.7m
- **EBITDA and NPAT include a $0.9m deferred consideration gain relating to previous business combination**
- **Increase in net interest income due to improved working capital position**

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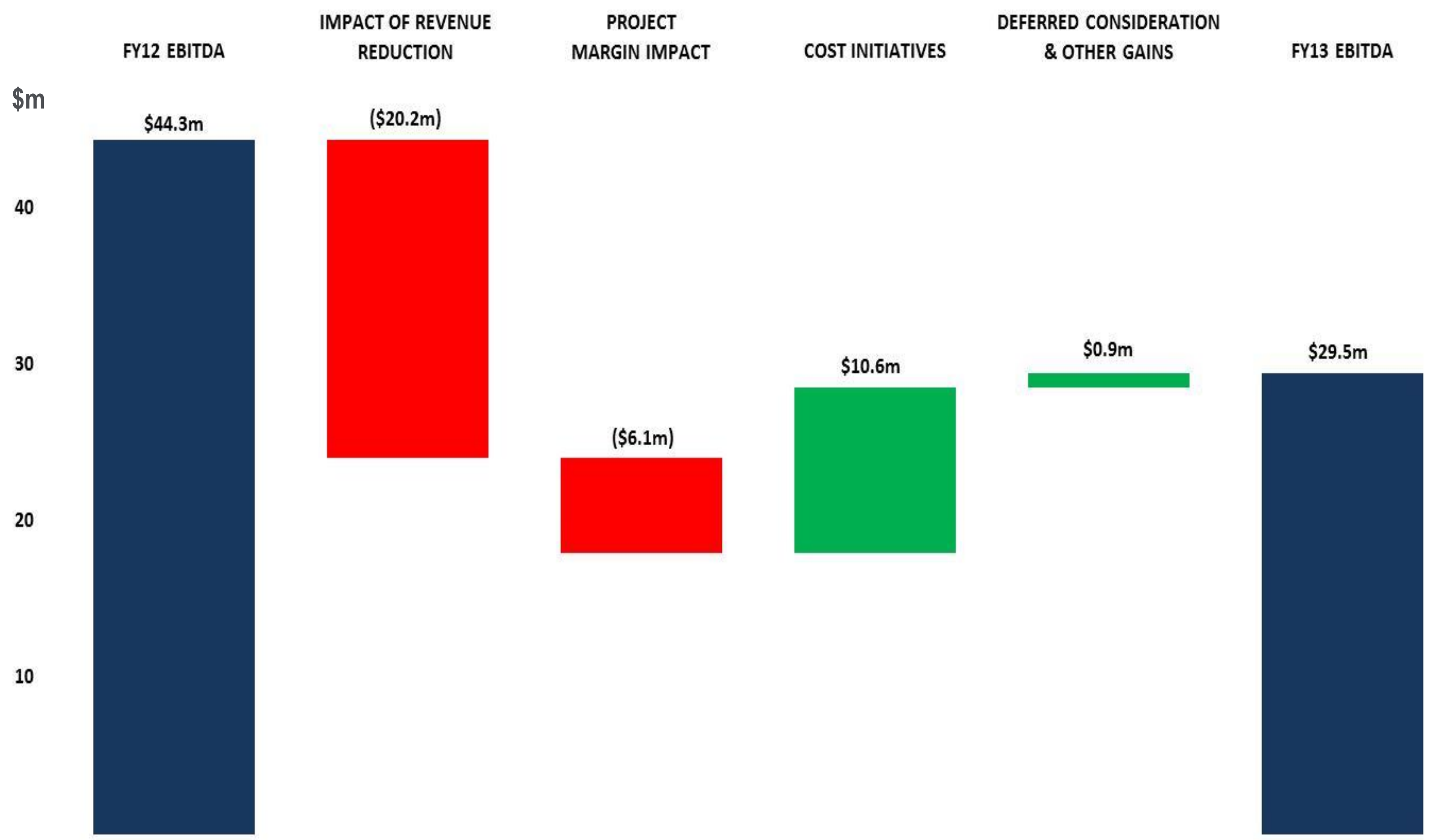
EBITDA Bridge



- Revenue decline from cautious market conditions has impacted profit
- Cost initiatives are net of termination costs
- Deferred consideration gain relates to Renewtek earn-out adjustment

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Summary Financial Position

$m	FY13	FY12
Cash	37.0	30.0
Trade receivables and work in progress	45.1	61.2
Debt	Nil	Nil
Net tangible assets (NTA)	61.8	57.0
NTA per share (cents)	89	83
Debtor days	30	32
Lock-up days (WIP plus debtor days)	59	65

- Strong cash collections due to improved processes and systems
  - Reduction in aged WIP
  - Improvement in total lock-up days
- Deferred consideration payments of $4.8m during the year ($10.6m pcp)

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Cash Flow

$m	FY13	FY12
EBITDA	**29.5**	**44.3**
Change in working capital	9.6	2.5
Net interest received	0.9	0.5
Tax paid	(9.7)	(13.2)
Other	-	1.3
Net operating cash flow	**30.3**	**35.4**
Capital expenditure	(1.0)	(0.4)
Dividends paid	(21.1)	(20.5)
Deferred consideration payments	(2.0)	(9.7)
Other	0.8	0.3
Net cash flow	**7.0**	**5.1**
Opening cash (1 July)	**30.0**	**24.9**
Closing cash (30 June)	**37.0**	**30.0**

- Operating cash flow before interest and tax represents 133% of EBITDA
- Working capital improved due to:
  - Process improvement
  - Tighter cost control
- $2.0m in deferred consideration cash payments relating to Pelion

People (FTEs)

	Dec-10	Jun-11	Dec-11	Jun-12	Dec-12	Jun-13
Billable						
Permanent Consultants	1,000	1,130	1,155	1,127	1,014	993
M&T Resources*	352	347	385	364	333	320
	1,352	**1,477**	**1,540**	**1,491**	**1,347**	**1,313**
Non-Billable						
Sales, Admin & Management	187	198	194	191	183	176
Total	**1,539**	**1,675**	**1,734**	**1,682**	**1,530**	**1,489**

- Recruitment activities adjusted to match market conditions
- Contractor market continues to be impacted by weak demand
- Asia (excluding Vietnam) billable FTEs reduced from 106 to 67
- Vietnam dual-shore development centre growing

* Represents respective 6 month average FTEs

Contents

Summary of Key Results

Operational Performance

Group Financial Results

SMS and the Market

Indicium Acquisition

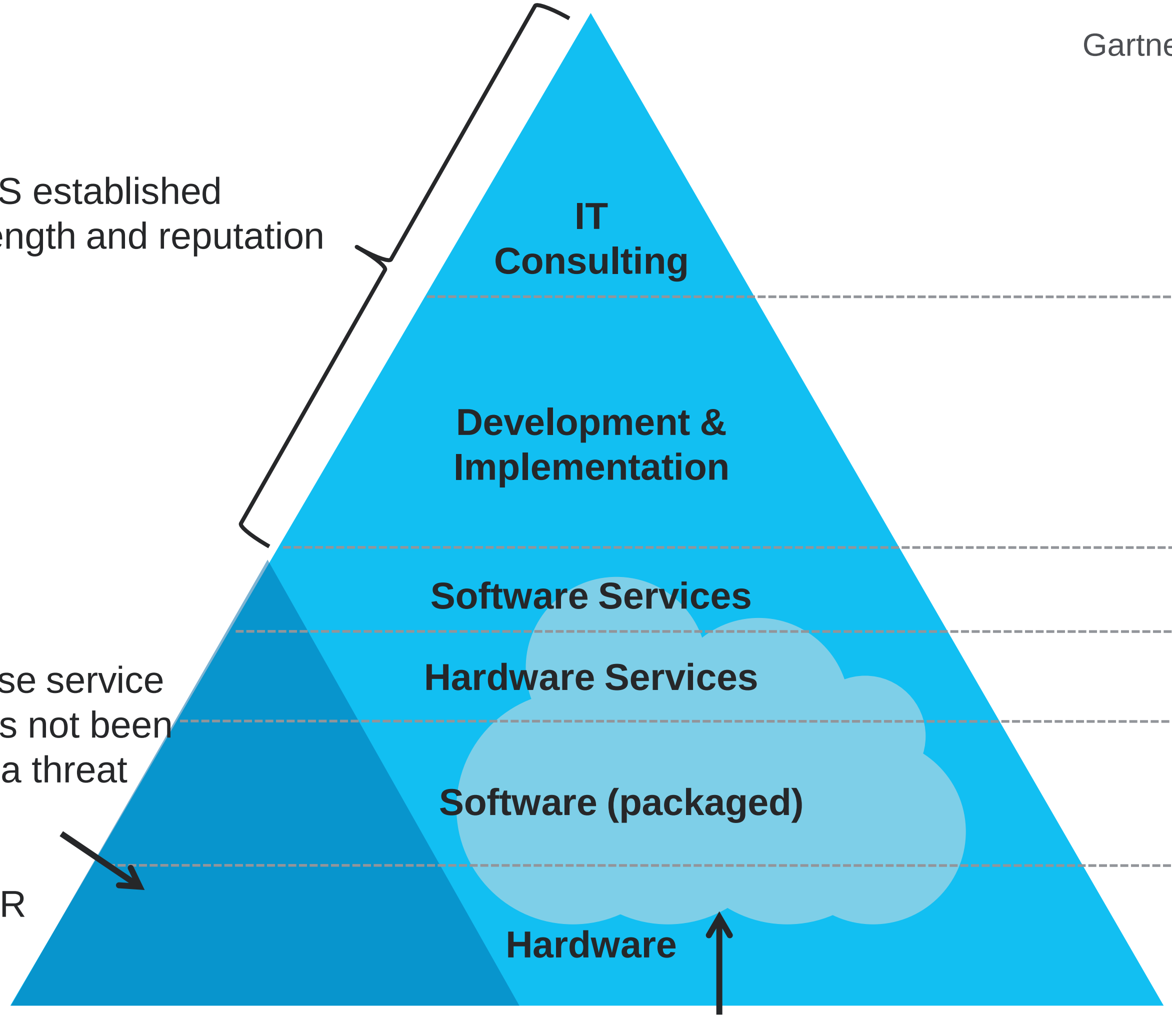
Dividend and Outlook

2013 Estimate of Australian IT Market Size
(excludes Telecom Services & Equipment)

Source:
Gartner, Forrester, SMS research

SMS established strength and reputation

IT outsourcing addresses these service segments - has not been of interest nor a threat to SMS
- $9b
- 3.4% CAGR

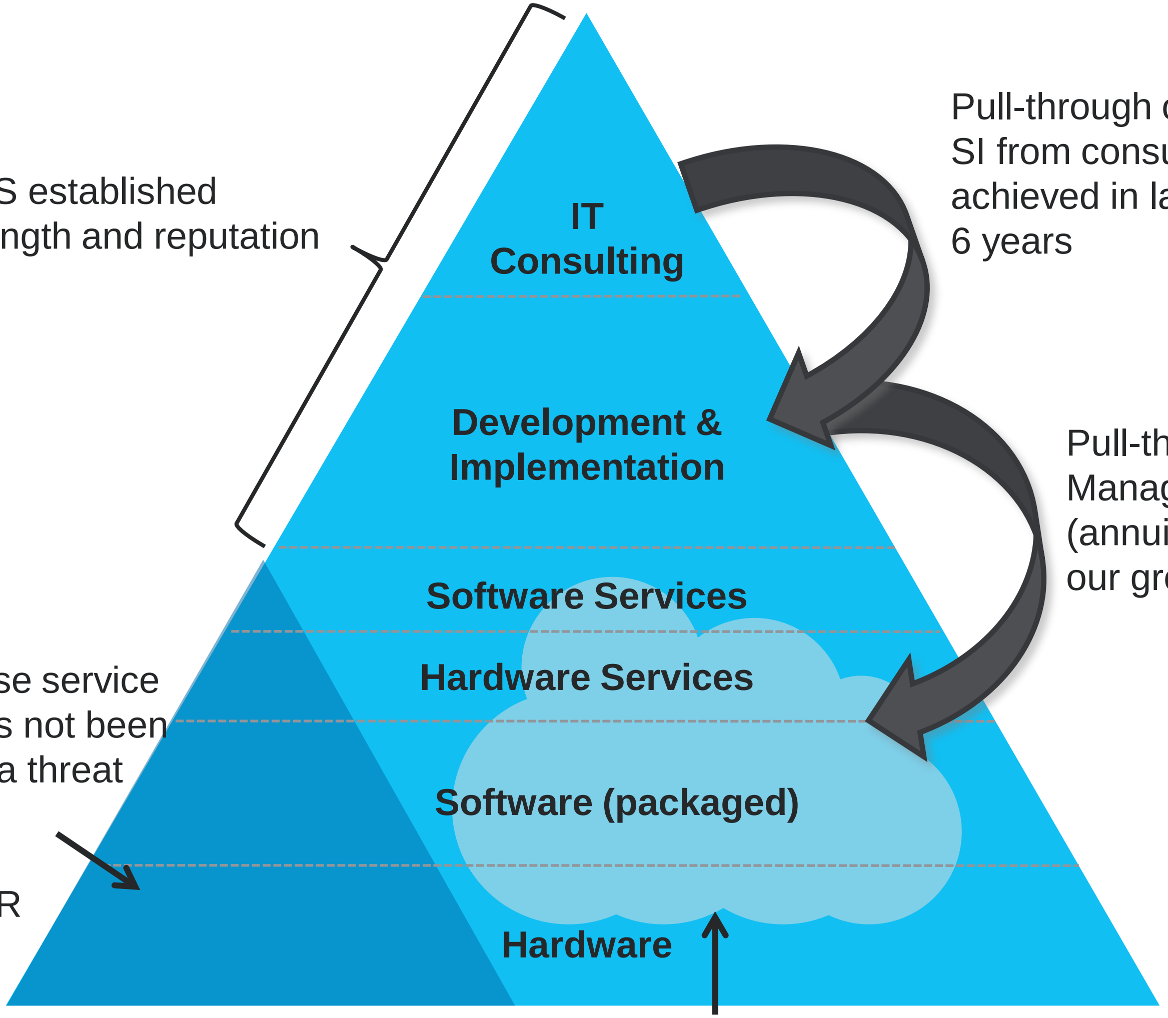


IT Consulting	$4.8b
Development & Implementation	$7.1b
Software Services	$2.1b
Hardware Services	$4.4b
Software (packaged)	$11.1b
Hardware	$17.6b
	$47.1b

Managed cloud services $1b market, 20% CAGR - allows SMS to contest without investment in data centres

SMS Ideally Positioned to Pull-Through Services

SMS established strength and reputation



Pull-through of SI from consulting achieved in last 6 years

Pull-through of Managed Services (annuity) next step in our growth

IT outsourcing addresses these service segments - has not been of interest nor a threat to SMS

- $9b
- 3.4% CAGR

Managed cloud services $1b market, 20% CAGR - allows SMS to contest without investment in data centres

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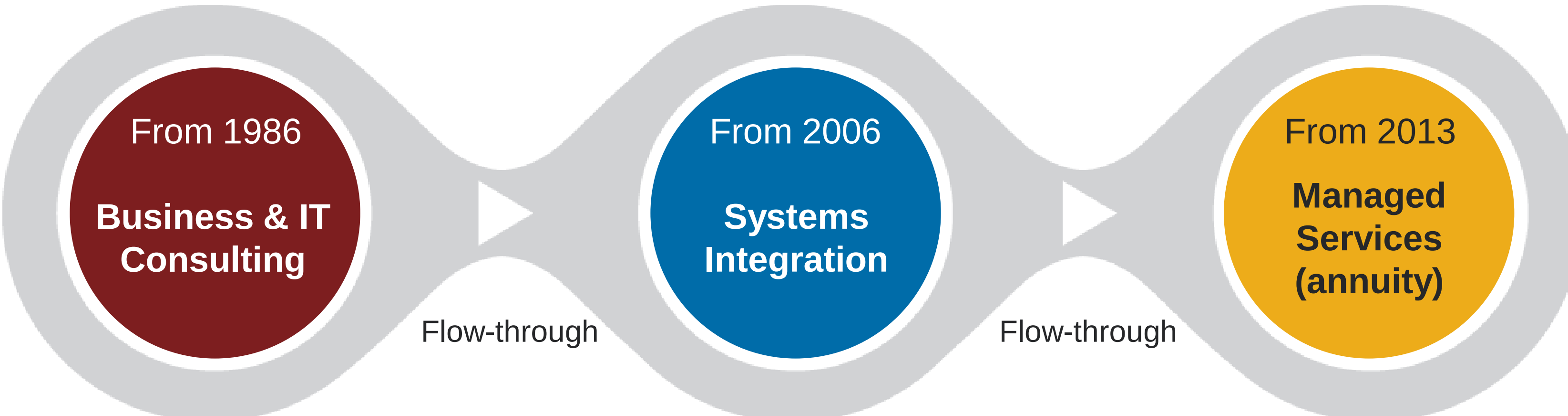
Evolution of SMS Business Leverages our Strength



Profit Contribution	Business & IT Consulting	Systems Integration	Managed Services (annuity)	Contract resources
Pre 1999	90%	-	-	10%
2008	68%	19%	-	13%
2013	49%	41%	2%	8%
2014 Target	39%	39%	16%	6%
Medium-term Target	30%	30%	35%	5%

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Regional Coverage Provides Platform for Growth

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SMS Capabilities

Providing clients a broad range of solutions

Consulting
- Project & Portfolio Services
- Business Process Optimisation
- People and Performance
- Customer Experience
- Strategy and Advisory

Systems Integration
- Information Management, BI
- CRM & Knowledge Management
- Applications Development
- Systems Integration

Managed Services
- Business Cloud
- Application Management
- Infrastructure Management
- Networks & Comms
- Infrastructure Consulting

M & T Resources
- Contracting
- Permanent Recruitment

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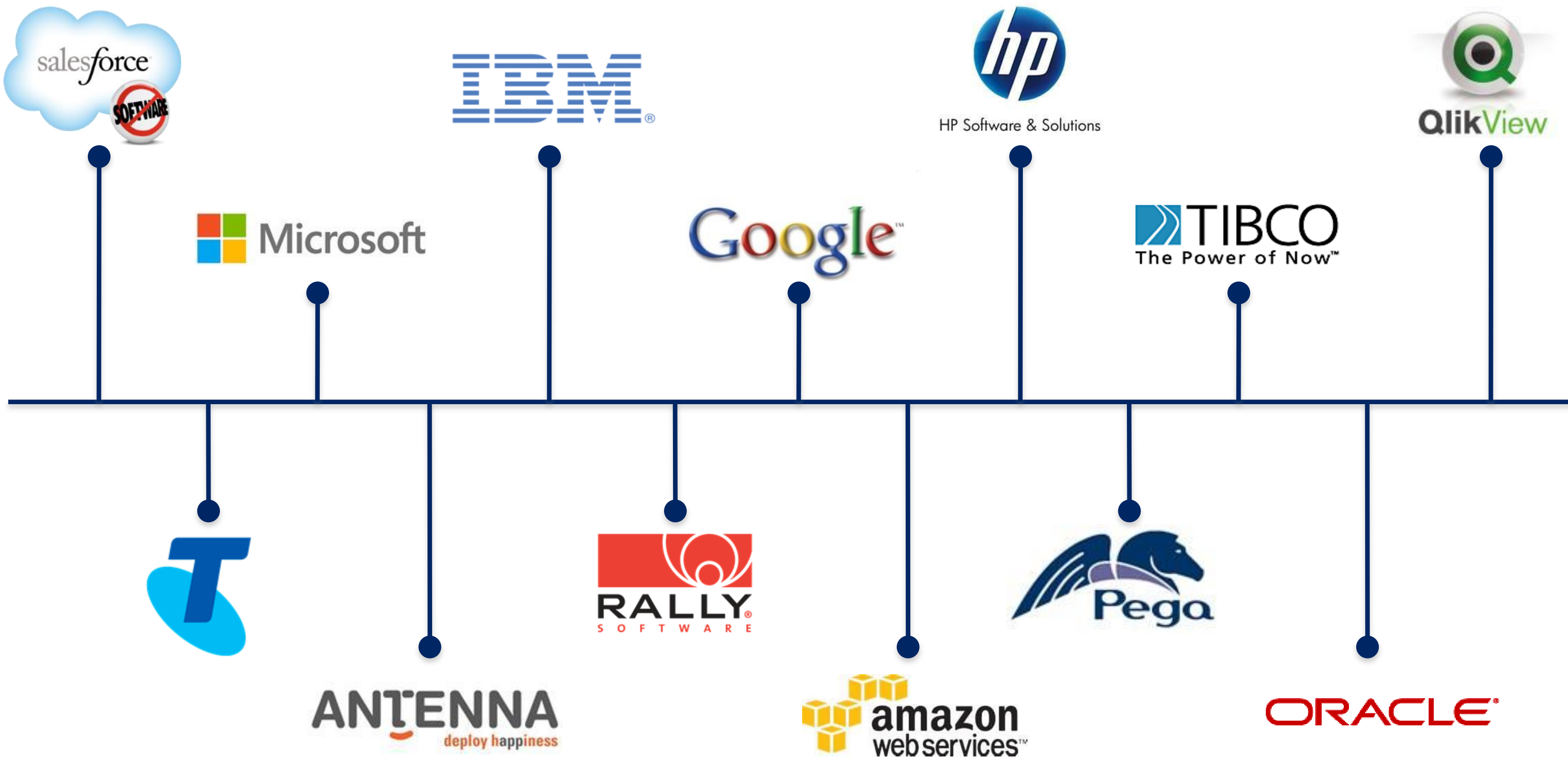
Our Key Strategic Partners

Leading innovation together with SMS



SMS Business Model Addresses Market Themes

Consulting		Systems Integration		Strategic Partners
Provides Industry Knowledge & Business Insights	+	Provides Technical Capability	+	Access to Products & Technology

Mobility

- Enterprise Mobility Strategy
- Mobile Workforce Enablement
- Enterprise & Customer Apps

Business Innovation

- Conceptual Design
- Business Structure
- Enterprise Control Room
- New Technologies

Efficiency

- Cloud Computing
- Business Process Improvement
- ICT as a Service

Customer

- Customer Insights
- Customer Centric Transformation
- Customer Experience Improvement

Digital Transformation

- Social Media & Collaboration
- New Business Models
- Productivity Enablement

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Growth Strategy

- Organic growth (in step with pick-up in business sentiment)
  - Use “market sweet spot” and reputation for delivery and quality
  - Cross-sell service offerings
  - Operational leverage to capitalise on cyclical recovery
- Extend services into new segments through acquisitions
- Expand Managed Services and Business Cloud offering
- Increase dual-shore facilities to improve affordability of onshore services
- Build Asian business through:
  - Supporting Australian clients growing operations in Asia
  - Targeting multi-national enterprises with high demand for SMS capability
  - Building on foundations established with Asian clients in last two years
- Leverage technology partners

Contents

Summary of Key Results

Operational Performance

Group Financial Results

SMS and the Market

Indicium Acquisition

Dividend and Outlook

Indicium Acquisition

- Vendor-independent IT managed services focussing on Business Cloud and Infrastructure Management
- Predominantly 3 to 5 year contracts
- Fastest growing segment of our market
- Completion Date: 4 July 2013
- Consideration: $22m
- Payment in three tranches:
  - Up-front payment of $12.1m (80% cash, 20% shares*)
  - 2 year earn-out. Payments contingent on achieving EBIT targets
  - Incentive for over-achievement of EBIT targets

* Based on 20 trading day VWAP up until Completion Date

Contents

Summary of Key Results

Operational Performance

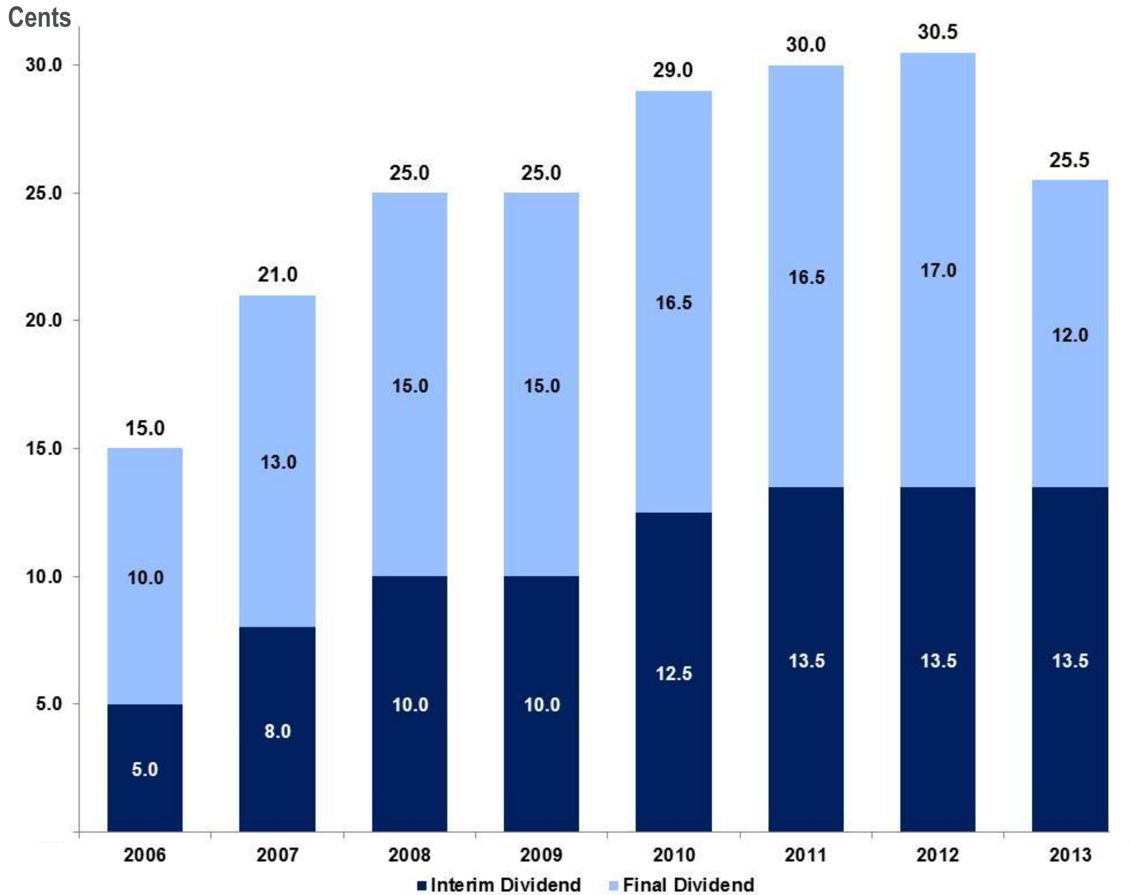
Group Financial Results

SMS and the Market

Indicium Acquisition

Dividend and Outlook

Dividend History



	2006	2007	2008	2009	2010	2011	2012	2013
Payout Ratio	**80%**	**75%**	**65%**	**68%**	**69%**	**68%**	**68%**	**83%**
Basic EPS (cents)	**18.8**	**28.1**	**38.2**	**36.7**	**41.9**	**44.3**	**44.8**	**30.6**

- **Payout ratio balances commitment to reliable return with acquisition ambitions**
- **Final dividend 12.0cps fully franked**
- **Record date:** 4 October 2013
- **Payment date:** 25 October 2013

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FY14 Outlook

- A rebound in client demand during 1H FY14 is unlikely due to:
  - Client focus on cost control and capital project deferrals
  - Reduced level of business activity in previous 6 months
- Clients have new initiatives in the pipeline but economic sentiment has caused reluctance to commence before now
- A stronger 2H FY14 will depend on sales during 1Q and will be confirmed at the AGM
- Healthy balance sheet provides capacity to pursue EPS accretive acquisitions
- Targeted recruitment being tempered with focus on consultant utilisation
- SMS well positioned to benefit from eventual pick-up in client demand
  - Operational leverage will accelerate earnings post the cyclical recovery
  - Confident of mid/long terms prospects

In Summary

- 2013 has been a tough year
- Expect 1H 2014 to remain challenging
- Management taking steps to protect short-term earnings
- Sound financial position
- Investing in fast growing segments of the market
- Potential acquisitions continue to be assessed
- Well placed for uplift in client demand
- Anticipate mid-term improvement (to be confirmed post 1Q sales results)
- Confident of the long term prospects for the business and the industry

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