



## Appendix 4C and Quarterly Update

### Highlights:

- **AEM full-year 2019/20 sales at record \$A18.973 million (+10.8% vs full-year 2018/19)**
- **AEM normalised full-year EBITDA at \$A4.134 million, also a record, (+26.6% vs full-year 2018/19)**
- **AEM forward orders for current quarter (ie Q1FY2021) already visibly strong at \$A3.452 million**
- **The SMS Group grew cash reserves through the year – closing cash on-hand at \$A2.113 million**
- **Both SMS and AEM operational platform have been, at worst, only marginally impacted by Covid-19 to date**
- **AEM financials and operations post multiple-records, while SMS track to critical STC attainment is essentially unchanged, and remains in line with prior communicated date targets**

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.

### SMS Group – Summary of Financial Overview and Operational Highlights

Wholly-owned SMS subsidiary, Anodyne Electronics Manufacturing Corp (“**AEM**”), logged another very solid month in June, recording \$A1.853 million in revenue to close the 2020 financial year at \$A18.973 million total revenue, an increase of 10.8% over FY2019.

AEM achieved final normalised EBITDA of \$A4.134 million for the full financial year, an increase of 26.6% over FY2018/19. Cash generation through the final quarter was very strong, with AEM’s closing cash on-hand balance registering \$A1.399 million, (i.e. \$A1.190 million in net cash generated in the June quarter alone). Total year-end SMS Group cash at bank thus stood at \$A2.113 million.

Looking forward, AEM will continue to focus on the development of new-generation product solutions - primarily focused on the global rotorcraft markets. R&D spend (currently circa-10% of sales) will thus rise to circa-13% of sales over the upcoming financial year, as AEM continues to add to its pipeline of new products under development - targeting several of the largest global aerospace OEMs. The SMS Board and executive management are highly optimistic in regards to the significant growth opportunities these new product solutions will provide - particularly given the scale of the addressable markets for these products globally.

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AEM's actual, ready-for-shipment sales orders for the full forthcoming Q3-2020 (i.e. Q1-FY2021) already stand at \$A3.452 million - significantly ahead of forward orders recorded at the same time last year. The positive effect of entirely new product lines will begin to impact revenue through the remainder of calendar 2020, and into 2021 – favourably impacting the already impressive top-line platform performance.

### **Appendix 4C Details:**

SMS's cash-at-bank as at 30 June 2020 was \$A2.113 million. The SMS Group is adequately funded to continue its current activities during these uncertain times and will continue to demonstrate appropriate financial restraint.

As announced 24 March 2020, the Company's Board and CEO carefully reviewed the SMS Group's cashflow outlook for the remainder of the calendar year, in light of the timeframe remaining in 2020 to CVM™ commercialization, and with due regard to the constantly evolving COVID-19 situation. As a matter of prudence, all SMS Board and Executive/senior staff moved to an equity-only compensation structure, and agreed to material compensation cuts that will remain in place - if necessary - for the remainder of the calendar year, to ensure that the cash burn at the corporate level is limited to essential outgoings only (ie regulatory related expenses, ASX and audit fees, patent maintenance, and so forth). With the proviso that there will be only limited disruption to AEM's ongoing business operations, as expected, the Group will be able to self-fund all core operational activities throughout and well into 2021.

During the quarter:

- payments for Research and Development of \$A98k represented costs involved with the development of the Company's CVM™ technology and salary allocations of staff at AEM who are 100% focused on R&D activities.
- payments for Product Manufacturing and Operating Costs represent wholly-owned subsidiary AEM's expenditure allocated to manufacturing and operating.
- payments for Staff Costs represent salaries for manufacturing, administration, sales and general management activities.
- payments for Administration and Corporate Costs represent general costs associated with running the Company, including ASX fees, legal fees, audit, etc.

The aggregate amount of payments to related parties and their associates included in the June quarter cash flows from operating activities was \$nil.

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As stated above, the Group cash balance as at 30 June 2020 amounted to \$A2.113 million. Please refer to the attached Appendix 4C for further details on cash flows for the quarter.

### **Further Summary - CVM™ Commercialisation Update and Outlook:**

The Company's direct FAA contacts have indicated that the required official feedback to Delta Engineering's ("DE") initial response pack related to the approved Issue Paper ("IP") has already been prepared and internally submitted within the FAA.

Concurrently, the required pre-validation CVM™ installation on a Delta Air Lines ("Delta") aircraft has been discussed in detail (a requirement for the completed STC), and the necessary production of CVM™ installation kits is now well underway, with an anticipated completion date of the total kits by no later than August 31st. Similarly, several Delta aircraft have already been short-listed for the installation, and a final decision for the selected aircraft is expected within the next few days.

Additionally, as reported earlier, Sandia and SMS/AEM technical staff have further progressed the work on preparing supporting data and further analysis of past SMS CVM™ program data to satisfy some of the IP data requirements. Thus, the technical work focused on the additional accumulated B737-NG center wing-box data (derived from the Company's prior multi-aircraft Delta B737-NG CVM installation Program). This data has now been collected, collated and provided up to, and including, 2020 collection points all the way from the Programme's inception date, and can be considered complete.

### **2ku Wi-Fi Program Specifics:**

All necessary work requirements to date have proceeded as planned along the STC approval path for the 2ku Wi-Fi system. Reiterating - the programme is on-schedule, and is currently well into Stage III, and Stage IV in parallel, while a good amount of the Stage IV effort has already been submitted to the FAA.

Over the past month, SMS and DE personnel have completed all required documents and analyses, and submitted all information required by the FAA to proceed, as planned, through the STC process. SMS is now awaiting imminent routine feedback from the FAA re the Certification Plan, the Issue Paper, and the Test Plan. SMS submitted the important *Failure Modes and Effects Analysis* ("FMEA") a few weeks ago, and continues to compile supporting historical data for the Organisation Designation Authorisation ("ODA") and the FAA, as required.

Again restating, production of CVM™ sensors and associated peripheral parts is well underway, in anticipation of the inaugural 2ku Wi-Fi installation on a Delta B737-800 aircraft. The potential installation facilities have been narrowed down to a select few, and with all candidate aircraft conveniently parked at present, the current timeframe presents an opportunity to efficiently complete this pivotal first installation, and the required subsequent STC inspection process.

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## **CVM™ Commercialisation Summary:**

As communicated previously, despite an overwhelmingly challenging global operating environment, SMS - and the Company's key strategic counterparties - remain well on-track to deliver a highly significant commercial milestone within the time parameters that have been previously communicated, pending a reasonable (and expected) response time from the FAA. This continues to envisage Stage IV of the IP - and full required ancillary testing - completed in the current quarter, *with full STC-approval expected shortly thereafter in Q4-2020.*

***This announcement is authorised by the Board.***

### **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.

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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")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12.months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	5,726	19,271
1.2 Payments for		
(a) research and development	(98)	(382)
(b) product manufacturing and operating costs	(2,329)	(10,990)
(c) advertising and marketing	(72)	(835)
(d) leased assets	(3)	(17)
(e) staff costs	(803)	(4,699)
(f) administration and corporate costs	(737)	(1,803)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	3
1.5 Interest and other costs of finance paid	(5)	(43)
1.6 Income taxes paid	-	(89)
1.7 Government grants and tax incentives	-	1
1.8 Other (settlement of legal claim)	(368)	(368)
<b>1.9 Net cash from operating activities</b>	<b>1,311</b>	<b>49</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(101)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12.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 (provide details if material)	-	-
<b>2.6</b>	<b>Net cash used in investing activities</b>	-	<b>(101)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	395	926
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	(7)	(7)
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 (repayment of ROU lease)	(80)	(317)
<b>3.10</b>	<b>Net cash from financing activities</b>	<b>308</b>	<b>602</b>
<b>4.</b>	<b>Net increase in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	517	1,562
4.2	Net cash from operating activities (item 1.9 above)	1,311	49
4.3	Net cash used in investing activities (item 2.6 above)	-	(101)
4.4	Net cash from financing activities (item 3.10 above)	308	602

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12.months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(23)	1
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,113</b>	<b>2,113</b>

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	2,553	957
5.2	Call deposits	-	-
5.3	Bank overdrafts	(440)	(440)
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>2,113</b>	<b>517</b>

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	-
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

*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.*

7. <b>Financing facilities</b> <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>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	3,196	440
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-
7.5 <b>Unused financing facilities available at quarter end</b>		2,756
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.	<div style="border: 1px solid black; padding: 5px;"> <p>HSBC operating loan facility of CAD\$3million, secured at 2.45%</p> </div>	

8. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from operating activities (item 1.9)	1,311
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,113
8.3 Unused finance facilities available at quarter end (item 7.5)	2,756
8.4 Total available funding (item 8.2 + item 8.3)	4,869
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	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?	
<p>Answer: n/a</p>	
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?	
<p>Answer: n/a</p>	
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?	
<p>Answer: n/a</p>	
<i>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.</i>	



**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.

30 July 2020

Date: .....

By 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.