

ASX ANNOUNCEMENT

ASX: SMN

29 January 2021

**STRUCTURAL
MONITORING
SYSTEMS**
plc



SMS - December Quarter 2020 Further Company Update

Highlights:

- **AEM's platform performance continues to impress with top-line revenues totaling A\$4.455m for the December quarter and generated a normalised EBITDA of A\$752K.**
- **SMS Group cash reserves remain strong – closing cash on-hand at A\$1.293m (current cash at bank >A\$2.5m)**
- **SMS remains on track to first STC approval – with documentation expected to be filed with the FAA in the current quarter as previously disclosed.**

Structural Monitoring Systems Plc (“**SMS**” or “**the Company**”) (**ASX: SMN**) is pleased to provide the following Quarterly Update.

SMS Group – Summary of Financial Overview and Operational Highlights

Wholly-owned SMS subsidiary, Anodyne Electronics Manufacturing Corp (“**AEM**”), ended the quarter with gross revenue (unaudited management accounts) of A\$4.455m. The quarter closed with solid momentum, and revenues for the month of December were ahead of budget at A\$1.829m.

December quarter normalised EBITDA closed at A\$752K which was ahead of budget – an admirable result given the global climate as the Group continues with a vigilant expense control policy along with a higher margin product mix.

Cash generation through the quarter remained strong, with the Group closing cash balance of A\$1.293m at quarter end. Further, the strong sales by AEM in December increased trade receivables by a solid A\$1.33m. Subsequent to quarter end, with the collection of these receivables, the Group boosted total cash balances to in excess of A\$2.5m.

Looking forward, AEM's results are expected to track on-budget for the March quarter. Importantly, previously highlighted AEM-developed new products, currently in late-stage development and fully expected to launch in 2021, should add further momentum to overall performance - in terms of increased top-line revenue, broadened strategic global product mix and expanded profitability.

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WiFi Radome STC Update and Outlook:

As previously highlighted, installation of CVM™ sensors on the WiFi radome structure for a Delta Airlines (“Delta”) B737-800 series aircraft have commenced this week at Delta’s maintenance, repair and operations (“MRO”) facility in Victorville, California. The sensor kit installation is expected to take 5-7 days, and upon completion the sensors will be fully tested on-aircraft to verify their operation performance.

This installation process along with the on-going probability of detection (“POD”) testing being carried out by Delta Engineering (“DE”) and Sandia National Laboratories (“Sandia”), once completed will be submitted to the FAA for final review and approval. This formal submission of all documented Supplemental Type Certificate (“STC”) data for CVM™ deployment on 2ku Wi-Fi systems remains on target for Q1-2021.

Investor Outreach:

As always, current shareholders or potential new holders are encouraged to reach out with any operational questions etc. to our dedicated IR director, Steve Forman (s.forman@smsystems.com.au). With the near term approval of our first STC, combined with the anticipated slow but steady recovery in commercial aviation post pandemic, we believe that 2021 will be an exciting period for the Company and our shareholders. Investor outreach initiatives will be planned as we progress through the year and have more clarity from our progress with our potential commercial aviation partners.

A recording of the AGM including the Q&A session is available on the Company website at <https://www.smsystems.com.au/agm-2021/>

Appendix 4C Details:

SMS’s cash balance as 31 December 2020 was A\$1.293 million. The SMS Group is adequately funded to continue its current activities during these uncertain times and will continue to demonstrate appropriate financial restraint.

During the quarter:

- payments for pure Research and Development represent costs involved with the development of the Company’s CVM™ technology. Salary allocations of staff at AEM who are 100% focused on R&D activities are included in payments to staff.
- payments for Product Manufacturing and Operating Costs represent wholly-owned subsidiary AEM’s expenditure allocated to manufacturing and cost of goods sold.
- payments for Staff Costs represent salaries for manufacturing, R&D, 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.

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

As stated above, the Group cash balance as at 31 December 2020 was A\$1.293 million. Please refer to the attached Appendix 4C for further details on cash flows for the quarter.

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")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6.months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,866	7,633
1.2 Payments for		
(a) research and development	(122)	(261)
(b) product manufacturing and operating costs	(2,392)	(4,525)
(c) advertising and marketing	(332)	(414)
(d) leased assets	-	-
(e) staff costs	(920)	(1,849)
(f) administration and corporate costs	(648)	(982)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(4)	(8)
1.6 Income taxes paid	(139)	(351)
1.7 Government grants and tax incentives	6	6
1.8 Other	-	-
1.9 Net cash used in operating activities	(684)	(750)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(659)	(737)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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)	-	-
2.6	Net cash used in investing activities	(659)	(737)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	319
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	-	-
3.5	Proceeds from borrowings	611	611
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)	(85)	(139)
3.10	Net cash from financing activities	526	791
4.	Net increase in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,154	2,065
4.2	Net cash used in operating activities (item 1.9 above)	(684)	(750)
4.3	Net cash used in investing activities (item 2.6 above)	(659)	(737)
4.4	Net cash from financing activities (item 3.10 above)	526	791

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6.months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(44)	(76)
4.6	Cash and cash equivalents at end of period	1,293	1,293

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	1,310	2,167
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (credit card)	(17)	(13)
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,293	2,154

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.	Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	3,056	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	3,056	-
7.5	Unused financing facilities available at quarter end		3,056
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.		
	HSBC operating loan facility of CAD\$3million, secured at 2.45%		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from operating activities (item 1.9)	(684)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,293
8.3	Unused finance facilities available at quarter end (item 7.5)	3,056
8.4	Total available funding (item 8.2 + item 8.3)	4,349
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	6.36
<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	
<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.

29 January 2021

Date:

By the board

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

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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.