



**STRUCTURAL
MONITORING
SYSTEMS** plc

ASX Announcement

ASX: SMN
31 July 2024

Appendix 4C and Quarterly Update

June 2024 Appendix 4C and Quarterly Update

Highlights

- SMS (“the Group”) recorded a maiden quarterly profit before tax of \$0.51m for the quarter ended 30 June aided by the launch of the new MTP136D forest service radio product
- The Group recorded EBITDA of \$1.21m for the June quarter, an increase of 123% on the prior year. This can be attributed to the continued strong performance of the AEM Avionics and Contract manufacturing businesses
- The Group recorded gross revenue for the quarter of \$7.97m up 34% on the prior year. Both the AEM Avionics and Contract Manufacturing business segments continue to perform strongly, experiencing growth across all key metrics contributing to achieving this excellent result
- SMS Group recorded a positive cashflow from operating activities of \$1.01m for the year.
- The SMS board and management team finalised the budget and plan for 2024/2025 and will be reporting on this in the coming weeks
- AEM saw its new modern MTP136D forest service radio receive critical Federal Communication Commission (FCC) and Innovation, Science and Economic Development Canada (ISED) certifications
- AEM also submitted a new MTP136D Supplemental Type Certificate (STC) application for the AS350/H125 aircraft to Transport Canada
- The board and management team continues to identify and grow key international markets and expand partnerships to facilitate growth in these high value markets
- The AEM team continues to work towards completion of the final testing procedures required to finalise the certification of the Company’s CVM™ Smart Sensors for the Aft Pressure Bulkhead (APB) inspection – Boeing Service Bulletin **737-53-1418** with an updated anticipated timeline supplied by Boeing
- The new SMS investor website and domain was successfully launched during the period further integrating the SMS and AEM businesses from a digital and operational perspective



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Structural Monitoring Systems Plc (“SMS” or “Company”) (ASX: SMN) is pleased to provide the following Quarterly Update summarising group performance and prior releases lodged during the quarter ending 30 June 2024.

SMS Group – Summary of Financial Overview and Operational Highlights

Unaudited Financial results for the quarter, Q4 and the year, FY2024 are set out as follows:

CONSOLIDATED AUD\$000'	JUNE QUARTER			ANNUAL		
	FY2024	FY2023	%	FY2024	FY2023	%
Gross revenue	7,968	5,943	34%	27,951	22,381	25%
EBITDA/(LBITDA)	1,214	544	123%	1,954	(275)	811%
Profit/(loss) before tax	512	(142)	462%	(1,010)	(3,332)	70%

As forecast in our ASX announcement dated 6 June 2024, the Group recorded a maiden quarterly profit in the June quarter. Q4 Profit before tax was \$0.51m aided by the commercial launch of the new MTP136D forest service radio product. Unaudited financials for the full year, FY2024 show a loss before tax of \$1.01m, a 70% reduction on the prior year loss of \$3.33m.

Quarter 4 EBITDA was \$1.21m, an increase of 123% on the corresponding quarter in the prior year as a result of growing revenues from the AEM businesses and ongoing cost controls at a corporate level.

FY2024 EBITDA of \$1.95m represents a significant improvement in financial performance for the Group.

Quarter 4 Gross revenue was \$7.97m, an increase of 34% on the corresponding quarter in the prior year. FY2024 Gross revenue of \$27.95m is up 25% on the prior year.

The Group closed the year with a positive cash flow from operating activities of \$1.01m.

The June quarter represents a significant performance milestone for the Group and a more detailed analysis of financial performance across each business segment, as well as an outlook for FY2025, will be provided in forthcoming announcements to the market.

The SMS/AEM CVM team is closely monitoring progress of the certification plan for the Aft Pressure Bulkhead at Boeing, now that all of the required tests have been completed – and we believe satisfactorily. As we reported in our most recent update the next critical milestone is the Boeing Technical Design Review which we have been told is scheduled for this Thursday August 1. We have also confirmed a meeting with the Director of the Boeing Airframe Services team at their Seal Beach headquarters on August 9 at which stage we expect to be discussing the next, and final, steps towards submitting the Boeing draft service bulletin to the FAA for approval, as well as their priorities for other applications.

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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 June 2024 quarter. Avionics revenue for the quarter and the year to date are set out as follows:

	JUNE QTR			ANNUAL		
	FY2024	FY2023	Change %	FY2024	FY2023	Change %
	\$000'	\$000'		\$000'	\$000'	
Revenue	4,154	2,626	58%	11,132	9,317	19%

During the period AEM saw its new modern MTP136D forest service radio receive critical Federal Communication Commission (FCC) and Innovation, Science and Economic Development Canada (ISED) certifications.

These certifications keep the radio on track towards formal acceptance by the United States Forest Service (USFS), and towards a pending Supplemental Type Certificate (STC).

AEM also submitted a new MTP136D Supplemental Type Certificate (STC) application for the AS350/H125 aircraft to Transport Canada.

Pending their approval, the new STC will significantly streamline the process for operators and installers to have AEM's new forestry radio installed on the special mission industry workhorse, AS350/H125 helicopter.

The MTP136D remains on track for its United States Forest Service (USFS) testing and approval, which represents a major milestone which will allow the installation and use of the AEM's new forestry radio by US operators.

During the period, representatives from AEM attended the Police Aviation Conference (PavCon) 2024. The conference was held at Airborne Technologies in Wiener Neustadt, Austria, from 27-29 May 2024. AEM products were on display at the tradeshow and AEM's Sales and Marketing department attended the event to strengthen and build new relationships with key contacts in the European market.

CVM™ Smart Sensor Solutions Update

The AEM team continues to focus on satisfying the final testing requirements in order to finalize the certification of the Company's CVM™ Smart Sensors for the Aft Pressure Bulkhead (APB) inspection – Boeing Service Bulletin **737-53-1418**.

The Company announced on 6 June 2024 that Boeing was undergoing evaluations of the final testing, which was completed in May, with an update on the evaluation process expected following the August 1 meeting of the Structures Technical Design Review.

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An updated timeline for this process was released earlier this month which is again listed below.

CVM™ anticipated timeline

May 2024 – Circulation of draft copy of proposed new service bulletin to the four largest US carriers (South West, United, Delta, American) **COMPLETED**

June 2024 - Completion of Low-Stress Coord Sheet Test Requirements **CONFIRMED**

July 17 2024 –Cert Plan resubmitted to FAA (& send to EASA)

Aug 1 2024 - Boeing Structures Technical Design Review Meeting

Aug 15 2024 – FAA acceptance of Cert Plan

Aug 30 2024 –Cert Plan Deliverables completed

Sep 3 2024 –CVM deliverables to routed to Boeing ODA for approval / recommend approval

TBD – Submit CVM deliverables to FAA (Service Bulletins & Compliance Report)

TBD – FAA Approval of Deliverables

TBD – SB Release with AMOC

As previously reported, Boeing has declined to confirm expected dates for the last three steps of the process outlined above and we continue to expect a more certain milestone plan after the Technical Design Review on the meeting scheduled for August 1.

As also previously stated, we remain confident in achieving a positive outcome, and in the meantime are actively engaged with Delta, United, Southwest and American who are the largest potential customers for this application while concurrently progressing two further potential applications for our sensors.

During the reporting period, representatives from AEM attended the MRO Americas 2024 in Chicago from 8-10 April 2024 to promote our CVM™ sensors.

The CVM™ sales and engineering teams were in attendance at this key industry event, where they showcased and demonstrated CVM™ Smart Sensor Solutions - including the APB application - to major US airline decision makers, engineering teams and Maintenance Repairs and Overhaul (MRO) personnel.

Group Chief Technical Officer, Mr Trevor Lynch-Staunton P.Eng, also presented at the ILA Berlin Air Show and attended the EWSHM conference which took place in Potsdam Germany in June.

The focus was on Structural Health Data Acquisition & Diagnostic, which covered current Structural Health Monitoring solutions and applications, as well as trends and future applications.

CVM™'s installation and installation training partner, TESTIA, presented a new co-authored paper titled: An Exploration of Leveraging CVM™ Sensors to Monitor Structures Across Various Industries - Part 1: Mining, Infrastructure and Marine. The paper was co-written by TESTIA's Aswin Haridas and Holger Speckmann, and AEM's Trevor Lynch-Staunton, and Dennis Roach.

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While the CVM™ business segment continues to be challenged by the final certification item required by Boeing, we remain confident and are observing increasing interest from our US airline customers despite the ongoing delays and look forward to providing you with a further update in the very near future.

CVM™ recorded no material revenue in the quarter.

AEM Contract Manufacturing Update

Contract manufacturing revenue for the quarter and the year are set out as follows:

	JUNE QTR			ANNUAL		
	FY2024	FY2023	Change %	FY2024	FY2023	Change %
	\$000'	\$000'		\$000'	\$000'	
Revenue	3,813	3,214	19%	16,452	12,691	30%

Corporate Update

On 28 June the Company issued 553,845 CDIs to various management staff under the Employee Incentive Plan. The CDIs are escrowed until 20 November 2024 being 12 months from grant date. The issue was made in recognition of the significant efforts made by senior staff across the Group during the year.

The SMS Board's 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) according to the timeline supplied above.

The Company also launched a new SMS investor-relations focused [website](#) and domain during the period further integrating the related entities.

SMS Executive Chairman Ross Love commented:

"The June quarter has again seen solid progress for SMS, notwithstanding the continuing delays in final Boeing approval for the Aft Pressure Bulkhead CVM™ application which we have outlined above and in prior announcements during the quarter.

"Recording a maiden profit before tax in excess of half a million dollars rounds off a much-improved year for the Group in which significant growth in both revenue and profitability has been achieved.

"The contract manufacturing business segment continues to perform very solidly with the team focused on manufacturing products that deliver high value back to the company.

"Our Special Missions Avionics segment continues to experience ongoing growth, especially in relation to the Forest Radio product, which is now certified in Canada and on track for formal acceptance in the United States.

"As we have communicated previously, we remain confident about the progress of the CVM™ certification and its ability to meet the demands of both the FAA and the market, albeit remaining adherent to the timelines imposed by Boeing in relation to this process.



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“As outlined above we expect to update the market further on this following the meeting scheduled with Boeing and our team for August 1.

“I would like to take this opportunity to thank you again for your ongoing support and I look forward to providing you with further important updates in the coming weeks and months.”.

Appendix 4C Details

SMS consolidated cash-at-bank as at June 30 was \$1.26m.

Payments of \$4.06m represents expenditure allocated to product manufacturing and operating costs.

Payments for staff costs of \$2.61m represents salaries for manufacturing, administration, sales and general management activities.

Payments for administration and corporate costs of \$0.66m represent general costs associated with running the parent entity including ASX fees, legal fees, audit etc as well as general and administrative overheads in operating AEM.

The aggregate amount of payments related to parties and their associates included in the June quarter cash flows from operating activities was \$285,658 in respect to fees paid to directors and interest on repayment of a loan.

Cashflows from financing activities for the quarter included repayment of a director's loan of US\$100K made earlier in the year. The loan was unsecured and incurred an annual interest rate of 5%.

As stated above, the Group cash balance as at March 31, 2024, was \$1.26m.

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\$0.9021)

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")

30 June 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	7,941	27,328
1.2 Payments for		
(a) research and development	(84)	(271)
(b) product manufacturing and operating costs	(4,063)	(11,572)
(c) advertising and marketing	(334)	(886)
(d) leased assets	-	-
(e) staff costs	(2,610)	(10,590)
(f) administration and corporate costs	(663)	(2,135)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(259)	(752)
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	(72)	1,006
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(105)	(217)
(d) investments	-	-
(e) intellectual property ⁽¹⁾	(156)	(1,157)
(f) other non-current assets	-	-

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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 (repayment of term deposit)	-	-
2.6	Net cash provided by/(used in) investing activities	(261)	(1,374)
(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	-	(89)
3.5	Proceeds from borrowings	295	1,434
3.6	Repayment of borrowings	(253)	(473)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (repayments of ROU leases)	(277)	(1,141)
3.10	Net cash provided by/(used in) financing activities	(235)	731
4.	Net increase/(decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,887	961
4.2	Net cash provided by/(used in) operating activities (item 1.9 above)	(72)	1,006
4.3	Net cash provided by/(used in) investing activities (item 2.6 above)	(261)	(1,374)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash provided by/(used in) financing activities (item 3.10 above)	(235)	731
4.5	Effect of movement in exchange rates on cash held	(59)	(64)
4.6	Cash and cash equivalents at end of period	1,260	1,260

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	1,260	1,887
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,260	1,887

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	286
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	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	5,203	5,159
7.3i	Term loan	1,170	1,170
7.3ii	Other (equipment leases)	3,801	3,329
7.4	Total financing facilities	10,174	9,658
7.5	Unused financing facilities available at quarter end		516
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 7.55% variable, no maturity date, reviewed annually.</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>RBC C\$500K equipment lease finance facility. A drawdown of C\$69,759 has been made to date. The term is 3 years at a fixed interest rate of 7.63%.</p> <p>The Company had a loan of US\$100,000 from a director of the Company which was repaid during the quarter. The loan was unsecured at 5% fixed and had no fixed date for repayment.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash provided by/(used in) operating activities (item 1.9)	(72)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,260
8.3	Unused finance facilities available at quarter end (item 7.5)	516
8.4	Total available funding (item 8.2 + item 8.3)	1,776
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	25
	<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.

31 July 2024

Date:

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.