

Market Announcement

25 September 2013

SMS Management & Technology Limited to acquire The Birchman Group Asia Pacific Pty Ltd

SMS Management & Technology Limited (“SMS”) (ASX: SMX) today announced that it had signed an agreement to acquire 100% of the issued share capital in The Birchman Group Asia Pacific Pty Ltd (“Birchman Asia Pacific”) for \$25 million, comprising of an up-front payment of \$12.5 million in cash, to be funded by debt, followed by two further payments conditional on profit performance over a two-year period.

Birchman Asia Pacific is an established IT solutions provider headquartered in Perth offering a full range of Business Consulting, Integration and Managed Services to enterprise and Government clients in Western Australia. Birchman Asia Pacific is an independent alliance partner of the Birchman Group in Europe, which is not part of this acquisition.

Key benefits to SMS of the Birchman Asia Pacific acquisition include:

- Significant IT solutions provider in Western Australia with 200 staff, firmly establishing SMS as one of the leading firms in that region;
- Extensive systems integration capability, with over 30% of revenues from application support, managed services and other multi-year agreements;
- One of the largest and most accredited Microsoft partners in Western Australia, adding a further centre-of-excellence to SMS’ existing Microsoft capabilities;
- Experienced executive and management team committed to growing the business within SMS;
- Annualised revenues in Western Australia of approximately \$32 million, diversified across Government, enterprise and resource sectors; and
- Expected to be EPS¹ accretive in FY14.

In making the announcement, SMS CEO Tom Stianos said,

“The acquisition of Birchman Asia Pacific accelerates our strategy to expand the existing business in Western Australia and now gives us the operating scale to position us as a leading IT solutions provider in that market.

It is no surprise that clients are targeting greater business efficiencies through IT initiatives. In WA, enterprise and Government have become much more sophisticated in these programs of work, are now seeking partnerships with trusted service providers who can do more than just one thing for them, and who are committed to delivering real outcomes. As one of Australia's largest listed IT services groups with almost 30 years of delivery excellence, SMS' end-to-end solutions are ideally placed to support these customers using local state-based teams.

Birchman Asia Pacific's business is a clear standout in WA. They have a talented management team operating with mature processes, development methodologies and a great customer service culture. We are confident their business will grow strongly within SMS, and their customers will benefit from the extended Asia Pacific reach that SMS now offers them."

Commenting on the acquisition, Birchman Asia Pacific co-founders, Frank Early and Phil Thistlethwaite said,

"With over 1,500 staff across the Asia Pacific region, SMS is highly regarded in our industry and we believe this acquisition is a strong vote of confidence in our business.

The acquisition accelerates our own strategic expansion plans that we set out for the Birchman business, albeit much faster. We believe our clients will greatly benefit from the extensive range of services and geographic presence that our combined business can now offer. With the support of SMS, we can address larger scale projects for our customers, positioning us well for expansion.

We look forward to being part of the SMS team and growing the business in WA, in particular the opportunity to enhance the combined Microsoft capabilities to be one of their principal solutions partners across Asia Pacific."

Further contingent amounts of up to \$5 million may be payable if profit exceeds agreed targets over the two-year earn-out period. The transaction is subject to certain conditions precedent being satisfied and is expected to complete in October 2013.

¹ Earnings per share (EPS) excludes depreciation, amortisation and other non-cash items

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About SMS

SMS Management & Technology Limited (SMS) [ASX:SMX] is a leading Asia Pacific consulting, technology and systems integration company employing over 1,500 professionals throughout Australia, Hong Kong, Vietnam and Singapore. Established in 1986, SMS is best known for delivery excellence. SMS helps its clients improve their business performance through the implementation of strategy and the delivery of business and technology projects. Industry expertise spans the financial services, ICT, government, defence, health, utilities, resources and infrastructure sectors. For further information refer to www.smsmt.com