EVOLUTION CAPITAL

SMN | INITIATION REPORT | TECHNOLOGY HARDWARE & EQUIPMENT

Published on 16 March 2025

Cash Flow at 30,000 Feet

Structural Monitoring Systems Plc

Evolution Capital initiates coverage on Structural Monitoring Systems Plc (ASX: SMN) with a fair value of **A$0.64** per share, representing compelling upside to the current share price. Structural Monitoring Systems operates at the intersection of avionics and structural health monitoring, developing proprietary aerospace electronics and inspection technologies for high-reliability aviation applications. Through its AEM subsidiary, the company designs specialised avionics products for special mission aircraft, while its CVM™ technology enables continuous monitoring of aircraft structures to detect fatigue and cracking.

Following a multi-year restructuring and operational reset, SMN has re-emerged as a profitable, cash-generative aerospace technology platform with increasing exposure to higher-margin proprietary avionics products.

A Clear Earnings Inflection Point

FY25 and the first half of FY26 marked a decisive improvement in financial performance. In 1HFY26, **revenue increased 31% to A$16.5 million**, driven by 68% growth in the Avionics segment to A$10.0 million. Adjusted EBITDA reached **A$3.7 million** and **operating cash flow A$4.3 million**. Momentum continued into 2QFY26, with revenue of A$8.4 million, up 40% year-on-year and marking the fourth consecutive quarter of positive operating earnings. The Avionics segment remains the company's primary growth driver, supported by improving margins and operating leverage.

Improving Revenue Quality

SMN's strategic shift toward proprietary Special Mission avionics is reshaping its earnings profile. Certification barriers, a growing installed base and recurring aftermarket demand support the segment's profitability, while Contract Manufacturing has been repositioned to focus on higher-margin programs. CVM™ remains a longer dated but potentially significant catalyst. With technical validation progressing and FAA engagement underway, certification could enable initial airline deployment and broader OEM adoption.

Strengthened Balance Sheet

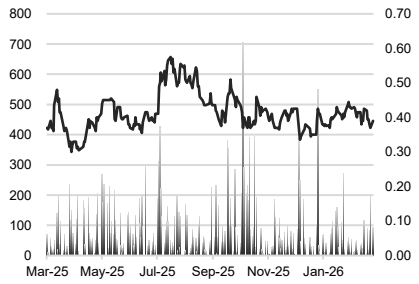
SMN closed 1HFY26 with **A$4.6 million in cash** and positive operating cash flow, alongside access to CA$6.0 million (approximately A$6.2 million) in undrawn financing facilities to support continued investment in growth initiatives. With improving earnings visibility, expanding margins and identifiable catalysts — including new avionics launches and CVM™ certification progress — SMN offers exposure to a niche aerospace platform transitioning into a scalable avionics business.

Key Near-Term Catalysts	
Sustained double-digit Avionics growth driven by Special Mission demand and installed base expansion	FY26
Gross margin expansion as proprietary product mix increases and manufacturing efficiencies improve	FY26
FAA certification progress for CVM™ (Boeing 737NG) enabling commercial revenue activation	FY26
Launch of new avionics products under the 5-Year Plan	FY27

Recommendation	**Spec BUY**
Price Target	**$0.64**
Share Price	**$0.41**
TSR (12m)	**56%**

Company Profile	
Market Cap	$64m
Enterprise Value	$60m
EV/EBITDA (adjust.)	8.12
SOI	156m
Free Float	~65%
Cash	$4.6m
ADV (3-month)	$34k
52-Week Range	$0.025-$0.054

Price Performance



%	1M	3M	12M
Absolute	-9.2%	-3.7%	6.8%
ASX/S&P200	-2.7%	0.1%	11.4%

Company Overview

Structural Monitoring Systems Plc (SMN) is an aerospace technology company focused on avionics and structural health monitoring for the aviation industry. Through its Canadian subsidiary Anodyne Electronics Manufacturing (AEM), the company designs and manufactures specialised avionics systems for special-mission and commercial aircraft, supported by contract electronics manufacturing. In addition, SMN develops CVM™ sensor technology used to monitor aircraft structures and detect fatigue and damage in service.

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Investment Case

Structural Monitoring Systems Plc (ASX: SMN) is entering a structurally improved phase, characterised by restored operating profitability, strengthening cash flow and a clearer strategic focus. After several years of operational restructuring and business realignment, the company has established a stable earnings base and a scalable operating model. The most recent half-year results confirm that this improvement is operationally embedded and financially measurable.

For the half year ended 31 December 2025, Group revenue increased 31% year-on-year to A$16.5 million. EBITDA rose to A$3.7 million, compared with A$0.4 million in the prior corresponding period. Operating cash flow totalled A$4.3 million and free cash flow reached A$3.5 million, demonstrating strong conversion of earnings into cash. Cash at bank stood at A$4.6 million at period end, reinforcing balance sheet stability and reducing funding risk.

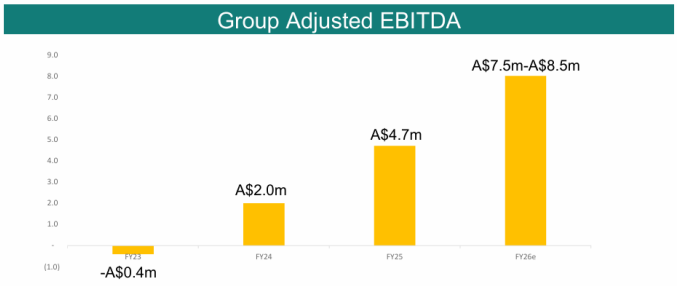
The primary driver of this performance is AEM Avionics, which has become the core earnings engine of the Group. Avionics revenue increased 68% year-on-year in H1FY26 to A$10.0 million, generating segment Adjusted EBITDA of A$3.7 million. Growth has been supported by increased production volumes, improved program mix and disciplined cost control. The segment benefits from proprietary products, specialised positioning in mission-critical aircraft systems and an expanding installed base that supports recurring aftermarket revenue.

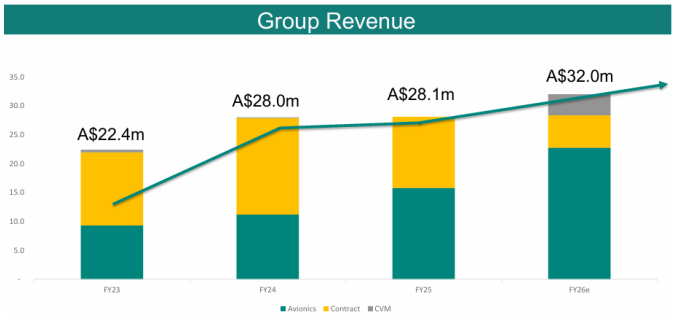
Table 1: H1FY26 and FY26 Projections

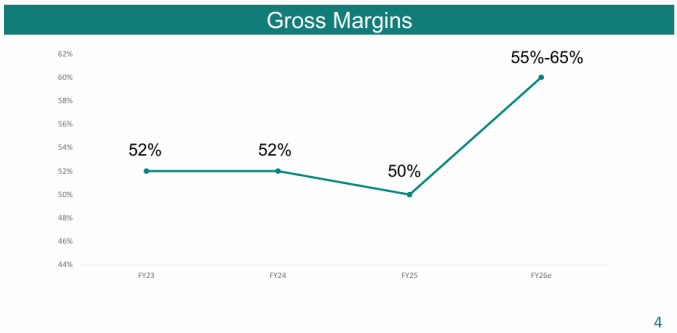
Commentary:

Projected H1FY26 primary financial KPIs will be positive
- H1FY26e Sales up 31% versus H1FY25
- H1FY26e Cash Flow and EBITDA are much improved versus H1FY25

	H1FY26 Forecast	H1FY26 Budget	H1FY25 Actual	Comments
Revenue	A$16.52m	A$14.34m	A$12.63m	H1FY26 forecast 15% higher than budget and 31% higher than H1FY25
Free Cashflow	A$0.53m	(A$1.76m)	(A$1.57m)	
EBITDA	A$2.90m	A$2.48m	(A$0.43m)	H1FY26 forecasted at 17% higher than budget and higher than H1FY25







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Source 1: AGM presentation, 23.12.2025

SMN has now delivered four consecutive operating profitable quarters, marking a clear shift from a turnaround profile to a period of operating consistency. Revenue growth is translating into margin expansion and cash generation, supported by a more focused product strategy and improved overhead absorption. The contract manufacturing segment has been repositioned selectively to support margins and capacity utilisation, while strategic emphasis remains on higher-margin proprietary Avionics programs.

The investment case rests on three core elements.

First, a structurally profitable Avionics platform with continued growth potential. The special mission aircraft market remains supportive, and the company's product roadmap targets further expansion in both existing and new markets. As volumes increase, the cost base provides operating leverage, supporting margin expansion.

Second, improving earnings quality and financial resilience. The company is generating positive free cash flow, strengthening its liquidity position and maintaining a solid net asset base. This provides flexibility to invest in product development, pursue selective acquisitions and scale operations without immediate reliance on equity markets.

Third, strategic optionality through CVM™. While current revenue contribution is limited, regulatory progress and OEM engagement represent identifiable medium-term catalysts. FAA certification and broader commercial adoption would introduce a new revenue stream that is not reflected in the current core earnings base.

Near-term catalysts include continued quarterly operating profitability, further Avionics contract wins, product launches over FY26–FY27 and progress toward regulatory milestones for CVM™. Sustained execution across these areas would reinforce earnings visibility and could support further valuation re-rating.

Structural Monitoring Systems has transitioned from a development-driven profile to a focused aviation electronics company with improving margins, positive cash generation and identifiable growth drivers. The investment opportunity now centres on the scalability of the Avionics platform, the durability of operating leverage and the potential incremental contribution from CVM™ over the medium term.

Inside SMN: Structure, Focus and Operating Logic

Structural Monitoring Systems (SMN) is organised in a way that deliberately integrates engineering, certification, manufacturing and commercial decision-making into a single operating system. While the Group is formally structured as a holding company, its economic centre of gravity sits almost entirely within its Canadian subsidiary, **Anodyne Electronics Manufacturing Corp. (AEM)**. AEM consolidates product development, production, sales, aftermarket services and regulatory functions and therefore represents the core driver of value, execution and cash flow within the Group.

This structure reflects SMN's operating philosophy. In regulated aviation markets, value creation is less about scale alone and more about the ability to design, certify, deploy and support complex systems reliably over long periods of time. Within targeted segments such as Military Transport and Special Mission aviation, SMN continues to develop and introduce new products at a steady and commercially relevant pace. In February 2026, the Company launched the new MTP138 radio, specifically targeting offshore operations and the European market, further expanding its Special Mission product portfolio.

SMN's organisation is therefore built around execution discipline, regulatory competence and lifecycle economics rather than rapid market expansion.

Organisational Design and Decision-Making

The division of responsibilities between the holding company and AEM is functionally clear. The holding level focuses on governance, capital allocation and capital markets communication, while operational authority resides almost entirely at AEM. This results in relatively short decision paths between engineering, operations and management, which is particularly important in environments where certification, quality assurance and design changes are tightly interlinked.

AEM is vertically integrated across the value chain. Engineering, Research & Development and product development operate in close coordination with certification and quality functions, ensuring that regulatory requirements are embedded from the earliest design stages. Manufacturing and supply chain activities are largely managed in-house, not primarily as a cost-minimisation exercise, but to retain control over quality, lead times and configuration changes. Aftermarket activities, including repair, maintenance and modification, are structurally embedded within the organisation and treated as part of the core business model rather than as ancillary revenue streams.

This integrated setup allows SMN to manage products across their full operational lifecycle. In markets characterised by long service lives, demanding operating environments and high switching costs, this capability is a key differentiator compared with suppliers that focus predominantly on initial equipment sales or outsource significant portions of post-delivery support.

Avionics-Centred Economics and the Role of Adjacent Activities

Within the Group, **Avionics** represents the economic core. This segment concentrates the majority of intellectual property, margin generation and cash flow. The market focus is intentionally narrow, targeting special mission and other high-consequence aviation applications where reliability, certification status and operational performance are more critical than unit price or scale. Demand in these segments tends to be structurally resilient, driven by mission requirements and regulatory standards rather than discretionary spending.

A core competitive strength lies in the Company's ability to design products around clearly defined customer requirements. AEM works closely with operators to ensure that functionality, integration capability and mission-specific features reflect real operational needs rather than generic platform specifications. In parallel, the architecture of its avionics systems allows software to be modified and updated efficiently, enabling feature enhancements, regulatory adjustments and customer-driven improvements without full hardware redesign. This flexibility strengthens customer relationships, shortens upgrade cycles and enhances the long-term value of the installed base.

Crucially, the Avionics business is managed with a lifecycle perspective. Initial product sales establish an installed base that supports recurring revenues through upgrades, retrofits, spares and aftermarket services over extended periods. This logic shapes both product design and commercial strategy and underpins the Group's emphasis on margin quality, installed base expansion and sustainable cash generation rather than purely headline growth.

Contract Manufacturing plays a deliberately secondary and selective role within the Group. It is not positioned as a standalone growth pillar, but as a complementary activity supporting capacity utilisation and fixed-cost absorption. Importantly, these customers typically require similarly complex, high-quality electronics and assemblies, ensuring strong alignment with AEM's core avionics capabilities.

Programs are retained only where margins and operational fit are attractive, maintaining focus on higher-return, IP-led activities.

CVM™ follows a different operating logic altogether. It is a trademarked and patented technology designed to detect potential cracks in aircraft structures, particularly in hard-to-reach areas, reducing aircraft downtime and labour costs associated with visual inspections. While organisationally embedded within AEM, its value creation is driven primarily by certification and regulatory milestones rather than near-term shipment volumes.

Progress is measured through technical validation, documentation approval and engagement with regulators and OEMs, including the Boeing 737NG Aft Pressure Bulkhead application. From an operating standpoint, CVM is best understood as a milestone-driven technology platform, with commercialisation timing dependent on external approval processes.

Capital Discipline and Operating Implications

SMN's operating model is governed by a strong focus on margin control, cash flow generation and working capital discipline. As a manufacturing-led aviation supplier, the business is inherently more capital-intensive than pure service or software models, with inventory build, production lead times and certification-related expenditure requiring upfront investment. Effective management of inventories, receivables and production planning is therefore central to execution.

At the same time, ongoing investment is unavoidable. Product development, certification efforts and targeted capital expenditure are integral to sustaining competitiveness and expanding the product portfolio. SMN's approach has been to phase these investments and link them closely to defined technical and regulatory milestones. This reduces the risk of prolonged capital commitment to projects with uncertain commercial outcomes and supports a more controlled progression from development to monetisation.

The Group's financing structure supports this operating logic. Available credit facilities and equipment leases are used primarily to manage working capital fluctuations and investment timing rather than to fund structural losses. In combination with the recent improvement in profitability and cash generation, this provides operational flexibility while limiting balance sheet risk.

Overall, SMN should be viewed less as a conventional growth story and more as a disciplined operating platform for regulated avionics markets. Its structure, focus and operating logic are designed to prioritise execution quality, lifecycle economics and capital efficiency, enabling selective and controlled growth in technically demanding niches.

Avionics for Defined Operational Needs

SMN's avionics business is deliberately structured around clearly defined operational requirements rather than broad, platform-based market coverage. The segment focuses on applications where system reliability, certification integrity and operational performance are mission-critical, and where purchasing decisions are driven by functional necessity rather than price or scale. A further structural advantage lies in the Group's high degree of vertical integration, which enables rapid prototyping, tight quality control and reliable on-time delivery while keeping material costs largely concentrated in raw materials and core components. This positioning underpins both the economic profile of the avionics segment and its role as the Group's primary value driver.

The core end markets are special mission aviation and other high-consequence operating environments, including utility operators such as heavy-lift providers, aerial firefighting (both helicopter and fixed-wing), law enforcement, customs and border protection, coast guard, surveillance and emergency medical evacuation. These operators typically face demanding mission profiles, extended duty cycles and challenging operating conditions. As a result, avionics selection tends to be conservative, with a strong preference for systems that are proven in service, fully certified and supported over long operating lives.

Product Strategy Anchored in Operational Reality

SMN's avionics products are developed with a strong emphasis on real-world use cases. Product definition begins with the operational environment rather than with abstract platform strategies. This approach influences system architecture, component choices and certification pathways from an early stage and reduces the risk of misalignment between technical design and customer requirements.

The portfolio is centred on communication and audio systems, loudspeaker Systems and avionics consoles designed for multi-mission and special mission aircraft. These systems are typically installed on aircraft operating across multiple roles, often under time pressure and in safety-critical contexts. Certification is therefore embedded as a structural design constraint rather than treated as a post-development requirement.

Compared with large diversified avionics suppliers, SMN's portfolio is intentionally narrow. However, it is deep in terms of relevance to its target operators. Product development is typically evolutionary, reflecting the conservative adoption behaviour of customers operating in regulated aviation environments and prioritising reliability over rapid technological change.

Figure 1: Avionics Segment

Source 2: AGM presentation, 23.12.2025

Installed Base and Lifecycle Economics

The economic logic of the avionics segment is closely linked to the stability and longevity of the installed base. Once deployed, avionics systems tend to remain in service for extended periods due to certification constraints, retraining costs and operational familiarity. This creates high switching costs and supports long-term customer relationships.

A significant portion of sales is also generated through the replacement of existing products originally installed and delivered with new aircraft. A representative example is the MTP136 aerial firefighting radio, specifically designed for both helicopter and fixed-wing aircraft operating in this critical mission environment. Such mission-focused products reinforce the installed base and support repeat demand as fleets modernise.

Revenue generation therefore extends well beyond initial equipment sales. Ongoing demand arises from replacement units, spare parts, repairs, upgrades and modifications driven by regulatory changes or evolving mission requirements. SMN's integrated aftermarket and AMO capabilities allow these needs to be addressed internally, supporting both margin quality and customer retention.

From an analytical perspective, this means avionics revenues are not solely dependent on new aircraft deliveries or fleet expansion. A meaningful portion of value is generated through recurring engagement with existing customers, where revenue visibility is typically higher and pricing pressure lower than in initial sales.

Competitive Positioning and Market Structure

SMN does not seek to compete head-on with global avionics suppliers across their full product ranges. Instead, it operates in narrowly defined segments where operational specificity, certification depth and service capability outweigh scale advantages. In special mission contexts, system performance under real-world conditions and long-term supportability are often more important than catalogue breadth. Importantly, the Group's special mission focus, technical expertise and mission-driven designs are complementary to those of larger global avionics suppliers and can integrate effectively alongside broader platform solutions.

This positioning allows SMN to avoid the most commoditised areas of the avionics market. While unit volumes are structurally lower, the trade-off is more favourable in terms of margins, customer longevity and repeat business. Competitive intensity is further reduced by the technical and regulatory barriers associated with entering these niches.

Growth Characteristics and Risk Profile
Growth in the avionics segment is expected to be incremental and application-driven rather than volume-led. New products typically address adjacent operational needs within existing customer groups, while geographic expansion follows certification progress and operator adoption rather than aggressive market entry.

The primary risks are execution-related. Delays in certification, slower-than-expected customer adoption or shifts in procurement cycles can affect timing. However, underlying demand drivers are relatively stable, and the focus on defined operational needs limits exposure to rapid technological displacement or price-driven competition.

Overall, SMN's avionics business is best understood as a focused, application-led platform serving operators with demanding mission profiles. The emphasis on certification, lifecycle support and operational relevance underpins both the segment's margin structure and its role as the Group's core engine of sustainable cash generation.

Revenue Shaped by Product Lifecycles

SMN's revenue profile is best understood through the lifecycle of its products rather than through simple shipment volumes or short-term order intake. In its core avionics business, value creation unfolds over extended periods, shaped by certification status, installed base dynamics and the operational realities of its customer base. This lifecycle-driven model underpins revenue visibility, margin quality and the Group's ability to compound returns without relying on aggressive volume growth.

Initial Sales as the Entry Point, Not the End Point
Initial product sales serve primarily as the entry point into a long economic relationship rather than as the primary profit pool. Avionics systems are typically installed on aircraft that remain in service for many years, often decades, particularly in special mission and government-related applications. Once installed, systems become embedded in the aircraft's certified configuration, making replacement or substitution complex, costly and operationally disruptive.

As a result, the initial sale establishes the installed base that drives future revenue streams. While upfront pricing reflects competitive dynamics and procurement processes, it is the downstream lifecycle that defines overall economic value. This is a structurally different revenue model from volume-driven avionics segments tied closely to new aircraft production cycles.

Installed Base, Mix and Recurring Revenue Streams
As the installed base grows, revenue increasingly shifts toward recurring and semi-recurring sources. These include replacement units, spare parts, repairs, maintenance and system upgrades, as well as modifications required by regulatory changes or evolving mission profiles. In special mission contexts, aircraft are often reconfigured over time, creating additional demand for avionics adjustments and enhancements.

The revenue mix therefore evolves as products mature. Early in a product's lifecycle, revenues are more dependent on new installations and fleet rollouts. Over time, a higher proportion of revenues is generated from aftermarket activity, where pricing pressure tends to be lower and margins more stable. SMN's integrated AMO and service capabilities allow it to capture this value internally rather than ceding it to third-party service providers.

This lifecycle progression also dampens cyclicality. Demand for maintenance, spares and mandated upgrades is less sensitive to short-term budget fluctuations or new aircraft deliveries, providing a stabilising effect on revenues and cash flow.

Product Evolution and ASP Dynamics
Average selling prices within the avionics segment are shaped less by pure inflation or volume leverage and more by product evolution and configuration complexity. New product introductions typically carry higher ASPs due to enhanced functionality,

certification scope or expanded mission capability. Over time, ASPs are supported by product variants, optional features and approved upgrades rather than by price increases on identical configurations.

Importantly, older products do not necessarily experience rapid price erosion. In regulated environments, long certification cycles and conservative operator behaviour limit the pace at which new technologies displace existing systems. This allows SMN to sustain revenue from mature products while gradually layering in higher-value offerings.

From a forecasting perspective, this implies that revenue growth is driven by a combination of installed base expansion, product mix and lifecycle services rather than by uniform unit growth. Understanding where individual products sit in their lifecycle is therefore more informative than headline shipment trends.

Implications for Revenue Quality and Forecasting Risk
A lifecycle-driven revenue model has clear implications for revenue quality. Visibility is generally higher once products are established in service, and margins benefit from recurring aftermarket activity. At the same time, growth tends to be incremental and application-led rather than step-change driven.

The main sources of variability relate to timing rather than demand. Certification milestones, customer adoption curves and the sequencing of retrofit or upgrade programs can shift revenue between periods without materially changing the long-term opportunity. This creates forecasting risk at the quarterly or annual level but supports durability over the medium term.

Overall, SMN's revenues are shaped by long product lifecycles, stable installed bases and recurring operational requirements. This structure favours consistency and margin resilience over rapid expansion and underpins the avionics segment's role as a predictable, cash-generative foundation within the Group.

CVM as a Certified Technology Platform

Comparative Vacuum Monitoring (CVM) represents SMN's structural health monitoring technology platform for fatigue and crack detection in metallic aircraft structures. Unlike conventional inspection methods that are deployed periodically, CVM is designed for permanent installation at defined structural locations and enables continuous monitoring of crack initiation and propagation. Its strategic significance lies less in the physical hardware and more in its certification status, regulatory integration and long-term embedding within aircraft structures.

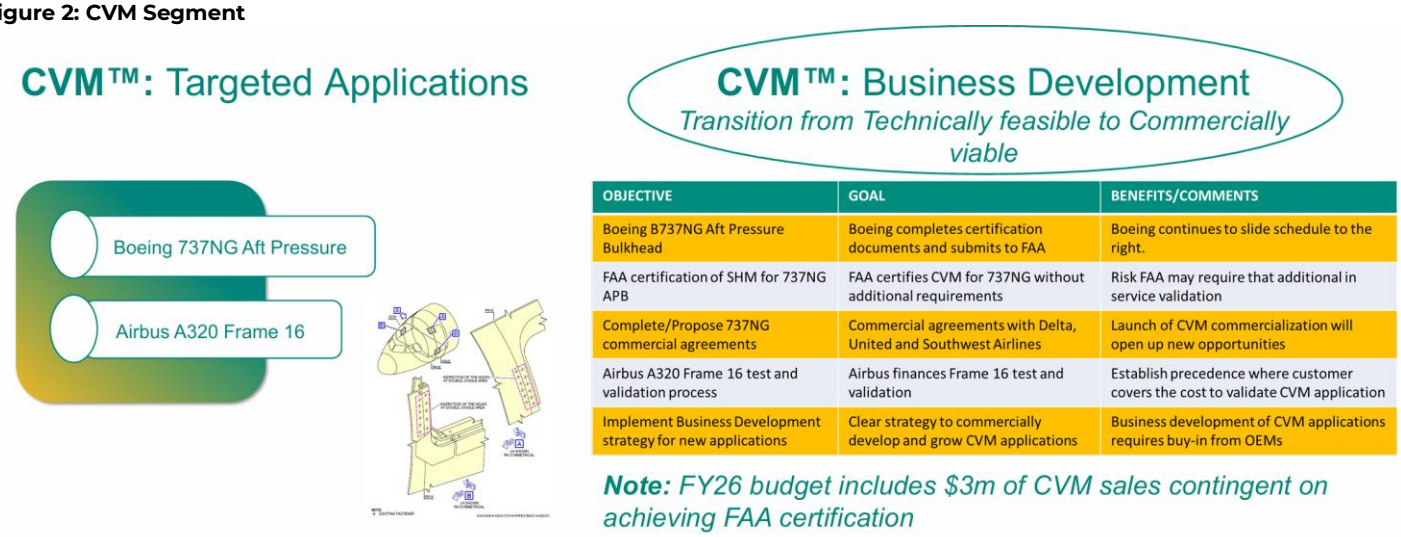
CVM has progressed beyond the conceptual and development stage. The technology has undergone certification processes and has been integrated into approved aircraft environments, establishing operational credibility. In aerospace, certification is not a procedural formality but a fundamental barrier to entry. The fact that CVM has achieved integration within certified configurations demonstrates that it has met the technical, documentation and compliance requirements necessary for use in regulated airframes.

However, CVM remains in an early commercial scaling phase. While technically validated and operationally deployed, penetration across fleets and platforms is still developing. Adoption in aerospace typically follows a gradual pathway. Even once a technology is proven in service, expansion requires aircraft-type-specific approvals, engineering validation and alignment with operator maintenance programs. Each additional aircraft platform or operator therefore represents a structured approval process rather than a simple commercial transaction.

This dynamic shifts the primary risk profile from technical feasibility to execution and timing. The technology itself has been validated; the current phase is characterised by incremental program expansion and regulatory progression. Revenue development is

therefore linked less to broad marketing efforts and more to certification milestones, engineering approvals and fleet integration decisions.

Figure 2: CVM Segment



Source 3: AGM presentation, 23.12.2025

CVM's integration model also differentiates it from portable inspection equipment. Once installed within an aircraft structure, it becomes part of the certified configuration and structural monitoring logic. Aircraft operating in government, defence and special mission roles often remain in service for decades, and structural monitoring systems embedded in these platforms benefit from this extended lifecycle. Replacement or substitution would require renewed certification and structural validation, creating meaningful switching friction.

The next stage of development is centred on platform expansion and deeper fleet penetration. This includes broadening the range of aircraft types on which CVM is approved, increasing adoption within already certified fleets, and embedding the system more formally within structural integrity and fatigue management programs. Over time, as installed base grows, the economic profile can evolve from initial installation revenue toward recurring engagement driven by structural monitoring requirements and ongoing system support.

CVM's current position can therefore be described as technically validated, certified in operational environments and in the early phase of commercial scaling. The remaining challenges are predominantly linked to adoption velocity, regulatory sequencing and operator integration cycles rather than to technological uncertainty.

Within SMN's broader structure, CVM extends the Group's exposure from cockpit and communication systems to airframe integrity and structural safety. This expands the company's technological footprint within high-consequence aerospace environments and positions CVM not as a standalone product, but as a certified platform embedded in long-life, regulated aircraft ecosystems.

Operating in High-Consequence Markets

SMN operates in segments of the aerospace market defined not by volume scale but by consequence sensitivity. These environments — including special mission aviation, government and agency operators, and structurally demanding aircraft platforms — are characterised by extended asset lifecycles, regulatory oversight and mission-critical performance requirements. Procurement decisions in such markets are driven primarily by reliability, certification pedigree and operational assurance rather than by price competition.

The broader aerospace maintenance ecosystem provides an important structural backdrop. The global aircraft Maintenance, Repair and Overhaul (MRO) market is widely

estimated to exceed $90 billion annually and is expected to grow at a mid-single digit compound annual rate over the coming decade (Grand View Research, 2023). Other industry analyses project the global aviation MRO market to surpass $120–150 billion by the early 2030s, supported by fleet expansion and utilisation growth (Business Research Insights, 2024).

This structural expansion is underpinned by long aircraft service lives. More than half of commercially operated aircraft are typically retired between 20 and 30 years of age (IATA *Aircraft Decommissioning Study*, 2018). Against this backdrop, Boeing expects the global commercial fleet to continue expanding structurally over the long term, driven by passenger traffic growth and replacement demand (Boeing *Commercial Market Outlook 2025–2044*, 2025). As fleets grow and age simultaneously, structural inspection, fatigue monitoring and avionics maintenance become increasingly central to lifecycle economics.

High-consequence aviation segments differ materially from mainstream commercial aviation in their risk tolerance. Aircraft deployed in firefighting, surveillance, defence support or other mission-critical roles operate under demanding duty cycles and elevated structural stress profiles. In these contexts, failure carries operational, regulatory and reputational consequences. As a result, operators exhibit conservative adoption behaviour, favouring systems with established certification status and in-service validation.

Regulatory frameworks further shape market dynamics. Structural health monitoring systems such as CVM must satisfy aircraft-type-specific airworthiness approvals and, where applicable, supplemental type certification pathways before integration. Each new aircraft platform or configuration therefore requires structured engineering documentation and regulatory acceptance. While this slows initial adoption, it also increases switching friction once a system is embedded in an approved configuration. The cost and complexity of re-certifying alternative systems create durable competitive barriers.

Demand in high-consequence markets is therefore less cyclical than in volume-driven production environments. Revenue is supported not only by new aircraft installations but also by sustained maintenance programs, regulatory inspection requirements and structural life-extension initiatives. Industry forecasts consistently highlight that fleet utilisation and aging aircraft will remain key drivers of MRO activity over the coming decade (Boeing Commercial Market Outlook, 2024; Grand View Research, 2023).

Within this context, SMN's positioning aligns with structurally stable demand drivers. Both its avionics portfolio and the CVM structural monitoring platform operate in segments where safety compliance, certification integrity and long-term operational reliability govern purchasing decisions. While adoption cycles may be gradual, once systems are certified and integrated, replacement risk is structurally reduced.

Operating in high-consequence markets therefore shapes not only SMN's growth trajectory but also its revenue durability. The combination of regulatory barriers, conservative procurement behaviour and long asset lifecycles supports stable customer relationships and embedded technology positions within certified aerospace ecosystems.

International Direct Peers

Qualitative Differentiation

The international peer group does not represent a homogeneous set of aerospace suppliers. Instead, it reflects three structurally distinct business models within the aerospace supply chain: (i) IP-driven component platforms with strong aftermarket exposure, (ii) diversified subsystem and integration suppliers embedded in aircraft platforms, and (iii) manufacturing-focused suppliers operating primarily within program-based production contracts.

These categories differ not only in scale but also in how value is created, how products are differentiated and how customer relationships are structured.

The first category is represented by TransDigm and HEICO, which operate primarily as technology and IP-driven component platforms. Their portfolios consist of highly specialised aerospace components that are certified for specific aircraft platforms and become embedded in the aircraft configuration over long service lives. These products typically include items such as actuators, ignition systems, cockpit components, sensors, communication hardware or other niche mechanical and electronic systems.

TransDigm's strategy is built around acquiring proprietary aerospace components with strong aftermarket characteristics. Many of its products are sole-source or sole-approved parts used on both commercial and military aircraft. Once these components are integrated into aircraft platforms, replacement demand continues throughout the operational life of the aircraft, often spanning decades. Typical examples include engine control components, aircraft safety systems, pumps, valves and cockpit hardware that require certified replacements during maintenance cycles.

HEICO follows a similar economic logic but with a broader mix of product categories. The company is particularly well known for its FAA-approved PMA replacement parts, which allow airlines to purchase certified alternatives to original OEM components at lower cost. In addition to replacement parts, HEICO also develops specialised avionics equipment, power electronics and satellite communications components used in both commercial aviation and defence programs. The company therefore combines aftermarket exposure with engineering-driven product development.

The second category consists of diversified subsystem suppliers such as Ducommun and Astronics. These companies operate closer to the aircraft production process and typically supply integrated assemblies, electrical systems or structural components directly to aircraft manufacturers or major Tier-1 suppliers.

Ducommun provides a mix of structural aerostructures, electronic assemblies and engineered subsystems used across commercial aerospace, defence and space programs. Its products include composite aircraft structures, missile launch systems, radar components and electronic control assemblies. The company is deeply embedded in long-term aerospace programs and works closely with OEM customers such as Boeing, Airbus and defence contractors.

Astronics is positioned somewhat differently within this category. Its focus lies on aircraft electrical systems, cabin electronics and passenger power solutions. Products include in-seat power systems, aircraft lighting, power distribution units and avionics test equipment used by airlines, maintenance organisations and aircraft manufacturers. While these systems involve significant engineering content, demand remains closely tied to aircraft production cycles and airline capital spending.

The third category consists of manufacturing-driven aerospace suppliers such as CPI Aerostructures and Air Industries Group. These companies primarily produce structural components and assemblies under long-term production contracts, typically supplying larger aerospace primes or defence contractors.

CPI Aerostructures manufactures structural assemblies, wing components and aircraft structures used in both military aircraft and rotorcraft platforms. **Air Industries** focuses on precision machined components and landing gear assemblies for defence aircraft and helicopters. In both cases, products are typically produced according to customer specifications and integrated into larger aerospace systems.

Because these companies operate primarily as program-based manufacturers rather than proprietary technology platforms, their competitive positioning depends more strongly on manufacturing capability, program execution and customer relationships than on proprietary product IP.

Against this backdrop, SMN occupies a distinctive position within the peer set. Through its avionics platform, particularly via AEM, the company develops specialised communication and audio systems for special mission aviation environments such as aerial firefighting, government operations and specialised commercial aviation.

Products such as mission communication radios, intercom systems and aircraft audio management platforms are designed for highly specific operational requirements and are often integrated into aircraft operating in demanding environments. This focus on specialised mission-critical systems places SMN closer to technology-driven avionics suppliers than to pure manufacturing providers, despite the company's significantly smaller scale.

Financial Comparison

For comparability purposes, all financial metrics of international peer companies have been converted into Australian dollars (AUD). US-dollar denominated figures were translated using an exchange rate of USD/AUD 1.41. This standardisation allows for a consistent comparison with Structural Monitoring Systems' reported financials, which are presented in AUD, and avoids distortions arising from currency differences across the peer group.

Table 2: International Peers

Competitor	TRANSDIGM GROUP INCORPORATED (XNYS:TDG)	HEICO CORPORATION (XNYS:HEI.A)	ASTRONICS CORPORATION (XNAS:ATRO)	DUCOMMUN INCORPORATED (XNYS:DCO)	CPI AEROSTRUCTURES, INC. (XNYS:CVU)	AIR INDUSTRIES GROUP (XNYS:AIRI)
MCap (m)	96,720	56,744	3,218	2,645	84.03	22.04
Revenue (m)	12,845	6,528	1,121	1,110	114.21	77.70
Revenue Growth (%)	14%	20%	15%	4%	-6%	7%
Gross Margin (%)	59%	40%	21%	25%	21%	16%
EBITDA	6,903	1,875	54.99	126.19	10.15	3.66
NPAT (m)	2,857	1,058	-22.56	44.41	4.65	-1.97
EBITDA Margin	54%	29%	5%	11%	9%	5%
P/B ratio	-7.08	9.19	8.91	2.75	2.30	0.43
EV	135,521	59,491	3,443	2,625	96.92	41.99
EV/EBITDA	19.63	31.72	62.62	20.80	9.55	11.46
EV/Revenue	10.55	9.11	3.07	2.37	0.85	0.54
Cash	3,564	310.20	12.69	52.17	7.76	1.13
Borrowings	42,365	3,057	238.29	32.41	20.64	21.08
Equity	-13657.26	6,174	361.10	962.37	36.57	50.85

Source: *Company filings (Form 10-K/10-Q), annual reports and investor presentations. Financials based on the most recently reported audited fiscal year and latest interim updates where available. TTM metrics calculated on a last twelve months basis using the latest reported results. Enterprise value calculated as market capitalisation plus interest-bearing debt less cash and cash equivalents.*

Scale and Diversification

The peer group exhibits substantial dispersion in scale. TransDigm ($12.8bn revenue) and HEICO ($6.5bn) operate at a fundamentally different order of magnitude than Ducommun and Astronics (both ~$1.1bn), and far above CPI ($114m) and Air Industries ($78m).

Scale in aerospace implies not only revenue size but diversification across platforms, customer programs, procurement leverage and capital market access. SMN, at $32m revenue, is structurally a small-cap business. This partially explains its valuation discount but does not fully account for its margin structure.

Growth
Growth rates vary meaningfully across the group. HEICO leads at 20%, reflecting compounder dynamics. TransDigm grows at 14%, driven by pricing and aftermarket expansion. Astronics shows 15% growth but lacks profit stability. Ducommun grows at 4%, CPI declines at -6%, and Air Industries grows 7%.

SMN's 11% revenue growth places it in line with TransDigm and well above Ducommun, CPI and Air Industries. Growth alone does not determine valuation, but it affects multiple sustainability and market perception.

Profitability and Margin Structure
The hierarchy of EBITDA margins illustrates structural economics. TransDigm's 54% EBITDA margin stands alone. HEICO at 29% represents high-quality earnings. SMN's 23% margin is notably close to HEICO and materially above Ducommun (11%), CPI (9%), Astronics (5%) and Air Industries (5%).

Gross margins reinforce this positioning. SMN's 56% gross margin is close to TransDigm's 59% and significantly above the manufacturing-driven peers. In aerospace, sustained high gross margins are typically a proxy for IP intensity, regulatory barriers and aftermarket exposure.

The fact that a small-cap business demonstrates such a gross margin profile is economically significant.

Earnings Quality
NPAT levels further differentiate the group. TransDigm ($ 2.86bn) and HEICO ($ 1.06bn) generate substantial bottom-line earnings. Ducommun is profitable ($ 44m), CPI modestly profitable ($4.65m), while Astronics and Air Industries report negative NPAT.

Astronics' negative earnings highlight why EV/EBITDA distortions occur when EBITDA is compressed. It is therefore less useful as a valuation anchor and more as a cyclical reference point.

Capital Structure and Financial Risk
Balance sheet structures differ markedly. TransDigm's extreme leverage contrasts with HEICO's stronger equity base. Smaller manufacturing peers such as Air Industries carry relatively high borrowings compared to EBITDA ($21.1m borrowings vs $3.66m EBITDA), increasing financial risk.

SMN, by comparison, holds $4.59m in cash against $0.89m in borrowings, implying a net cash position. Subsequent to the reporting date, the company repaid its remaining term loan, further strengthening the balance sheet. While net cash in microcaps is rarely fully capitalised in valuation, it reduces downside risk and supports financial flexibility.

Valuation
Valuation bands clearly segment the group. TransDigm trades at 19.6x EV/EBITDA and HEICO at 31.7x, reflecting premium compounder status. Ducommun trades at 20.8x despite materially lower margins, suggesting defensive characteristics or different EBITDA definitions. CPI (9.6x) and Air Industries (11.5x) occupy the lower end of the spectrum.

SMN trades at 8.35x EV/EBITDA, below even CPI and Air Industries, despite superior margins. On an EV/Revenue basis, SMN trades at 1.88x compared to HEICO at 9.11x, TransDigm at 10.55x and Ducommun at 2.37x.

The market currently appears to classify SMN closer to small-scale manufacturing suppliers than to IP-driven avionics specialists. The discount is likely driven by scale, liquidity, track record and perceived execution risk rather than margin quality.

Should SMN demonstrate sustained scalability of its proprietary product mix and margin durability, convergence toward higher-margin peer valuation bands remains structurally plausible.

ASX Peers

The Australian market does not offer a direct civil aerospace avionics or aftermarket IP comparable. The ASX peer group therefore serves primarily as a capital markets reference set for small- and mid-cap industrial businesses with a unique technology overlay, rather than a product-aligned comparison. The relevant analytical focus is how the Australian equity market prices margin structure, revenue growth, balance sheet strength and earnings visibility in niche industrial companies with their own proprietary products.

Within this cohort, margin dispersion is meaningful. **XRF Scientific** operates at a 48% gross margin and 25% EBITDA margin on revenue of $62.6m and trades at 15.53x EV/EBITDA. Its business model combines recurring consumables exposure with specialised industrial solutions, producing stable earnings and strong operating leverage. The market clearly assigns a premium multiple to this combination of margin quality and perceived durability.

Maxiparts presents a different economic profile. While it reports a 57% gross margin, EBITDA margin stands at only 13% on revenue of $28.1m, implying a heavier operating cost structure and lower structural operating leverage. Despite this, the company trades at 30.0x EV/EBITDA. The valuation appears influenced by market dynamics and earnings expectations rather than purely by current margin quality.

VEEM reflects a more manufacturing-driven engineering model. With a 22% gross margin and 14% EBITDA margin on revenue of $68.6m, its profitability profile is materially below that of SMN and XRF. In addition, VEEM carries $13.7m in borrowings, introducing higher balance sheet leverage relative to earnings. Nonetheless, it trades at 9.53x EV/EBITDA, materially above SMN's 7.62x multiple.

The Environmental Group operates at a 30% gross margin and 10% EBITDA margin on revenue of $117.8m. Its earnings profile reflects project-based engineering exposure with moderate differentiation but limited structural pricing power. The company trades at 6.95x EV/EBITDA, close to SMN's level despite significantly lower gross and EBITDA margins.

SMN reports a 56% gross margin and a 23% EBITDA margin on revenue of $32.0m, positioning it at the top of the ASX cohort in terms of margin architecture. Revenue growth of 11% exceeds that of XRF (9%), VEEM (7%) and Maxiparts (0.4%), while the balance sheet shows a net cash position, with $4.59m in cash against $0.89m in borrowings (repaid after reporting date).

From a financial perspective, SMN combines one of the highest gross margins in the group, one of the strongest EBITDA margins and above-average growth, yet trades at the lowest EV/EBITDA multiple. This indicates that the market is currently anchoring valuation more heavily to scale and perceived earnings visibility than to structural profitability.

The ASX comparison therefore reinforces a consistent conclusion: the Australian market is demonstrably willing to assign premium multiples to high-margin niche industrial companies when earnings stability is established. SMN's discounted valuation relative to peers appears driven by company-specific factors such as scale, liquidity and early-stage earnings visibility rather than by inferior economic characteristics.

Table 3: ASX Peers

Competitor	XRF SCIENTIFIC LIMITED (XASX:XRF)	MAXIPARTS LIMITED (XASX:MXI)	VEEM LTD (XASX:VEE)	THE ENVIRONMENTAL GROUP LIMITED (XASX:EGL)	STRUCTURAL MONITORING SYSTEMS PLC (XASX:SMN)
MCap (m)	251.75	110.53	85.85	83.71	63.80
Revenue (m)	62.60	28.06	68.60	117.80	32.00
Revenue Growth (%)	9%	0.4%	7%	11%	11%
Gross Margin (%)	48%	57%	22%	30%	56%
EBITDA	15.50	3.67	9.50	12.20	7.20
NPAT (m)	10.60	0.17	3.00	-0.53	2.40
EBITDA Margin	25%	13%	14%	10%	23%
P/B ratio	4.10	3.71	1.58	1.83	2.71
EV	240.71	110.11	90.55	84.84	60.10
EV/EBITDA	15.53	30.00	9.53	6.95	8.35
EV/Revenue	3.85	3.92	1.32	0.72	1.88
Cash	12.07	2.13	9.00	4.39	4.59
Borrowings	1.03	1.71	13.70	5.52	0.89

Source: *Company filings and ASX disclosures. Financials based on FY25 audited results and interim 1H FY26 updates where available. TTM metrics calculated on a last twelve months basis (FY25 + 1H FY26 – 1H FY25). Enterprise value derived as market capitalisation plus interest-bearing debt less cash and cash equivalents.*

Valuation

Structural Monitoring Systems PLC (SMN) has moved through a decisive strategic transition over the past several years. What was previously perceived largely as a development-stage technology story centred on CVM™ has evolved into a more balanced and operationally grounded aerospace electronics platform. Today, the company's earnings base is anchored by a profitable Avionics division, supported by a stabilised Contract Manufacturing business, while CVM remains a structured long-term growth option rather than the sole investment thesis.

In FY25, SMN generated approximately A$28 million in revenue, reflecting a stabilisation phase following earlier restructuring and cost realignment initiatives. More importantly, the December 2025 half-year results provided tangible evidence that the business has entered a new operating phase. Revenue increased 31% year-on-year to A$16.5 million, driven predominantly by strong demand in Avionics. Within that segment, Adjusted EBITDA reached $3.8 million, underscoring the inherent margin strength of the proprietary product portfolio. Crucially, operating cash flow for the half totalled A$4.3 million, confirming that profitability improvements are translating into cash generation rather than accounting-driven earnings.

The balance sheet remains conservative. Cash at the half-year stage stood at roughly $4.6 million, alongside modest borrowings and access to additional undrawn credit facilities. Subsequent to the reporting period, the company repaid its remaining CAD$0.8 million term loan with the Royal Bank of Canada, further reducing financial leverage. Net leverage is therefore limited, providing flexibility to support ongoing product development, certification milestones and working-capital requirements without material financial strain.

Looking ahead to FY26, revenue expectations are centred around A$32 million, implying continued growth in Avionics and steady contributions from Contract Manufacturing. Management's emphasis has shifted toward disciplined execution, margin optimisation and capital efficiency rather than expansion at any cost. As product mix improves and fixed costs are absorbed across a larger revenue base, EBITDA margins are expected to expand further.

These operational trends — accelerating Avionics growth, improving profitability, strengthening cash conversion and a solid balance sheet — provide the quantitative and strategic foundation for the valuation framework set out below.

Valuation Approach

Structural Monitoring Systems is valued using a Discounted Cash Flow (DCF) model covering the forecast period FY26–FY37. Given the company's transition into a structurally profitable aerospace electronics platform with expanding margins and improving free cash flow visibility, a DCF framework provides the most appropriate valuation methodology. The model captures the operating leverage embedded in the Avionics segment, the stabilised earnings base from Contract Manufacturing and the incremental contribution from CVM™, while explicitly incorporating working-capital dynamics, capital expenditure and amortisation profiles.

The Weighted Average Cost of Capital (WACC) applied in this valuation is **12.68%**, reflecting SMN's small-cap risk profile, aerospace exposure and modest financial leverage.

Table 4: WACC

WACC	
Beta	1.4
Rf	4.70%
EMRP	6.00%
Re	13.10%
Rd	6.80%
Corporate Tax Rate	30%
Target Leverage	5%
WACC	12.68%

The cost of equity is derived using the Capital Asset Pricing Model (CAPM). The equity beta of **1.4** is calculated based on five years of weekly returns relative to the ASX 200 index. This approach captures SMN's historical volatility across different market cycles and provides a statistically robust estimate of its systematic risk compared with the broader Australian equity market. The risk-free rate is set at 4.7%, aligned with long-term Australian government bond yields, and the equity market risk premium (EMRP) is assumed at 6.0%, in line with standard Australian market practice. The cost of debt (Rd) is assumed at 6.80%, reflecting prevailing borrowing conditions for small-cap industrial companies with limited but non-zero leverage. A corporate tax rate of 30% is applied. Although SMN currently operates with low net debt, a conservative target leverage ratio of 5% is incorporated into the capital structure to reflect a normalised long-term financing assumption rather than a purely cash-based balance sheet. Applying this leverage assumption and adjusting debt costs for tax effects results in a blended after-tax WACC of **12.68%**.

This discount rate appropriately balances the company's improving operational stability against residual risks related to aerospace programme concentration, certification timelines and small-cap market dynamics.

Revenue model and operational assumptions

Structural Monitoring Systems generates revenue from three interlinked operating segments:

1. **Avionics**, which represents the core proprietary electronics portfolio and provides high-margin, repeat OEM revenue,

2. **Contract Manufacturing**, which delivers stable production income and operational leverage, and

3. **CVM™ Smart Sensors**, which represents long-term structural growth through aircraft health monitoring adoption.

Each segment is modelled bottom-up using explicit volume, pricing and penetration assumptions, aligned with historical disclosures and industry benchmarks.

For FY26, total group revenue is modelled at **$31.75 million**, broadly consistent with management's communicated expectations for the year and reflective of the current run-rate implied by recent reporting. The FY26 base therefore represents a guidance-aligned starting point rather than an optimistic acceleration scenario.

Avionics

The Avionics division represents the core earnings engine of the group and provides the structural margin foundation of the business. Revenue is generated from proprietary radios, integrated audio systems, mission consoles and speaker/public address systems supplied primarily to special mission aircraft OEM programs and retrofit installations, complemented by a growing repair and aftermarket service base.

For FY26, total Avionics revenue is modelled at approximately $19.75 million, reflecting production across the division's established product portfolio. This includes approximately 250 radios, 145 audio systems, 45 mission consoles and around 470 speaker/public address systems, in addition to initial revenue from repair services.

Unit volumes are assumed to increase gradually over the forecast horizon, reaching 311 radios, 180 audio systems, 62 consoles and approximately 584 speaker systems by FY37. This implies a long-term unit growth rate of roughly 2% per annum, which is deliberately conservative relative to both recent operational momentum and management's strategic ambitions for the Avionics segment. The assumption is primarily anchored in the structural expansion of the global aircraft fleet rather than market share gains. Long-term industry forecasts suggest that the global aircraft fleet is expected to expand by roughly 2–3% per year across commercial and specialised aviation markets, providing a stable underlying demand base for avionics equipment, retrofits and replacement systems (Oliver Wyman Global Fleet Forecast, 2024).

Average selling prices are modelled conservatively and increase only modestly over time. Radio ASPs rise from approximately $28,560 in FY26 to $35,511 by FY37, while audio systems increase from $35,000 to $43,518 over the same period. Consoles and public address systems follow a similar inflation-linked trajectory. The implied price increase of roughly 2–2.3% annually reflects standard cost escalation mechanisms typical in aerospace supply agreements as well as gradual improvements in product specification and system integration.

Importantly, the assumed ASP levels remain conservative when benchmarked against publicly available avionics equipment pricing. For example, certified aircraft communication radios typically range from approximately $20,000 to more than $60,000 per unit depending on configuration and certification level, while modern aircraft audio panels commonly retail between $15,00 and $40,000 in the general aviation market. Mission-specific avionics systems used in special mission aircraft typically command materially higher pricing due to certification requirements,

environmental hardening and integration complexity. As a result, the ASP assumptions embedded in the model should be viewed as conservative relative to broader avionics market pricing.

In addition to equipment sales, repair and maintenance services represent a steadily growing revenue stream as the installed base expands. Repair revenue is therefore expected to increase from approximately $2.0 million in FY26 to $5.7 million by FY37, reflecting the recurring nature of avionics maintenance cycles and the long operational lifespan of aircraft systems.

The interaction of moderate volume expansion, disciplined price escalation and a gradually expanding repair base results in Avionics revenue increasing from $19.75 million in FY26 to $33.37 million in FY37, implying a CAGR of approximately 4.8%. The resulting growth profile is therefore steady and structurally supported by fleet expansion and installed-base economics rather than cyclical production volatility.

Contract Manufacturing

The Contract Manufacturing segment provides electronic manufacturing services primarily linked to aerospace customers. Revenue in FY26 is modelled at **$12.00 million**, broadly consistent with the annualised run-rate implied by recent reporting periods. Over the forecast horizon, revenue increases to **$16.61 million by FY37**, equating to approximately 3% annual growth.

This growth rate reflects the continuation of existing contracts with inflation-based price adjustments rather than structural volume expansion. The model assumes that current programs remain in place and that pricing increases broadly track input cost inflation. No large-scale new program wins are embedded. This conservative approach positions Contract Manufacturing as a stabilising contributor rather than a primary growth engine.

CVM™ Smart Sensors

The installed fleet increases from 250 aircraft in FY27 to 2,217 aircraft by FY37. This ramp reflects gradual adoption following regulatory progression and OEM integration.

Global commercial aircraft fleet growth is projected at approximately 2–3% annually over the next decade (Oliver Wyman Global Fleet & MRO Forecast, 2024), while structural health monitoring and aircraft health monitoring markets are expected to grow at high single-digit rates due to predictive maintenance adoption (IMARC Aircraft Health Monitoring Market Report, 2024).

The model therefore assumes that CVM penetration grows moderately within a structurally expanding fleet environment, without assuming dominant market capture.

Revenue per aircraft is assumed at approximately $10,200 in FY27, increasing to $12,434 by FY37, reflecting approximately 2% annual uplift. This pricing assumption is benchmarked against industry estimates for aircraft health monitoring systems and predictive maintenance platforms, which typically range between USD 6,000 and USD 15,000 per aircraft annually depending on scope and integration level (MarketsandMarkets Aircraft Health Monitoring Systems Report, 2023). The model adopts a mid-to-lower range assumption within this spectrum, ensuring conservatism.

CVM revenue therefore increases from $1.53 million in FY27 to $13.78 million in FY37. Even at the end of the forecast period, penetration remains limited relative to the global addressable fleet, reinforcing the disciplined nature of the base case.

Table 5: SMN Revenue Model

SMN Revenue		FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36	FY37
Avionics Revenue		**19.75**	**20.68**	**21.66**	**22.70**	**23.79**	**24.94**	**26.15**	**27.44**	**28.80**	**30.24**	**31.76**	**33.37**
Radios	*Units*	*250*	*255*	*260*	*265*	*271*	*276*	*282*	*287*	*293*	*299*	*305*	*311*
	ASP	*28560*	*29131*	*29714*	*30308*	*30914*	*31533*	*32163*	*32806*	*33463*	*34132*	*34814*	*35511*
	Revenue (m)	*7.14*	*7.43*	*7.73*	*8.04*	*8.37*	*8.70*	*9.06*	*9.42*	*9.80*	*10.20*	*10.61*	*11.04*
	%	*22%*	*21%*	*19%*	*16%*	*15%*	*15%*	*14%*	*14%*	*14%*	*14%*	*14%*	*14%*
Audio	*Units*	*145*	*148*	*151*	*154*	*157*	*160*	*163*	*167*	*170*	*173*	*177*	*180*
	ASP	*35000*	*35700*	*36414*	*37142*	*37885*	*38643*	*39416*	*40204*	*41008*	*41828*	*42665*	*43518*
	Revenue (m)	*5.08*	*5.28*	*5.49*	*5.72*	*5.95*	*6.19*	*6.44*	*6.70*	*6.97*	*7.25*	*7.54*	*7.85*
	%	*16%*	*15%*	*13%*	*12%*	*11%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*
Consoles	*Units*	*45*	*46*	*48*	*49*	*51*	*52*	*54*	*55*	*57*	*59*	*60*	*62*
	ASP	*28000*	*28560*	*29131*	*29714*	*30308*	*30914*	*31533*	*32163*	*32806*	*33463*	*34132*	*34814*
	Revenue (m)	*1.26*	*1.32*	*1.39*	*1.46*	*1.54*	*1.61*	*1.69*	*1.78*	*1.87*	*1.96*	*2.06*	*2.17*
	%	*4%*	*4%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*
Speaker/ Public Address Systems	*Units*	*470*	*479*	*489*	*499*	*509*	*519*	*529*	*540*	*551*	*562*	*573*	*584*
	ASP	*9100*	*9282*	*9468*	*9657*	*9850*	*10047*	*10248*	*10453*	*10662*	*10875*	*11093*	*11315*
	Revenue (m)	*4.28*	*4.45*	*4.63*	*4.82*	*5.01*	*5.21*	*5.42*	*5.64*	*5.87*	*6.11*	*6.36*	*6.61*
	%	*13%*	*13%*	*11%*	*10%*	*9%*	*9%*	*9%*	*9%*	*9%*	*9%*	*9%*	*9%*
Repairs	(m)	2.00	2.20	2.42	2.66	2.93	3.22	3.54	3.90	4.29	4.72	5.19	5.71
Contract Manufacturing Revenue		**12.00**	**12.36**	**12.73**	**13.11**	**13.51**	**13.91**	**14.33**	**14.76**	**15.20**	**15.66**	**16.13**	**16.61**
CVM™ Revenue		**0.00**	**2.55**	**7.28**	**13.80**	**18.29**	**20.34**	**22.61**	**23.53**	**24.48**	**25.46**	**26.49**	**27.56**
Approval Flag		*0*	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*
Aircraft		*0*	*250*	*700*	*1300*	*1690*	*1842*	*2008*	*2048*	*2089*	*2131*	*2173*	*2217*
Revenue per Aircraft		*10000*	*10200*	*10404*	*10612*	*10824*	*11041*	*11262*	*11487*	*11717*	*11951*	*12190*	*12434*
Total Revenue		**31.75**	**35.59**	**41.68**	**49.60**	**55.59**	**59.19**	**63.09**	**65.72**	**68.47**	**71.36**	**74.38**	**77.55**

Operating Leverage, Margin Expansion and Capital Intensity

The projected margin expansion is driven primarily by operating leverage and product mix evolution rather than aggressive revenue assumptions. While the cost base increases in absolute terms as the business scales, it grows materially slower than revenue, resulting in structurally improving profitability and cash generation.

Gross margin expansion is supported by the evolving revenue mix across the company's three operating segments. Avionics products represent the highest-margin component of the business and are expected to maintain gross margins of roughly 62–67% over the forecast period, reflecting proprietary product design, certification barriers and recurring aftermarket demand. Contract Manufacturing operates at structurally lower margins of around 48%, consistent with its role as a manufacturing support platform rather than a proprietary product business. In contrast, the CVM platform is expected to generate the highest margins once commercialised, with gross margins projected to expand from approximately 65% in early years to around 76% in outer forecast periods as production volumes increase and the technology moves from development to scalable deployment.

As the contribution from proprietary avionics and CVM increases over time, the overall revenue mix shifts toward structurally higher-margin activities. As a result, the blended group gross margin is expected to expand from approximately 57% in FY26 to around 66% in the outer forecast years, supporting the modelled expansion in group profitability.

Employee expenses increase from $7.84 million in FY26 to $10.85 million in FY37. However, relative to revenue, personnel costs decline from approximately 24.7% in FY26 to 14.0% in FY37. This reflects the operational structure of the business, where a significant portion of personnel costs relates to engineering, certification, quality assurance and program management functions that behave largely as fixed costs once the core platform capability is established. As production volumes increase and additional avionics units are delivered through the same engineering and compliance infrastructure, these costs are progressively absorbed across a larger revenue base.

Administrative expenses increase moderately from $2.41 million to $3.48 million, declining from 7.6% to 4.5% of revenue over the forecast period. This reflects the expectation that corporate overhead functions — including finance, regulatory compliance and group administration — scale efficiently without requiring proportional expansion as the company grows.

Sales and marketing expenses increase from $0.95 million in FY26 to $2.33 million in FY37, remaining broadly stable at approximately 3% of revenue throughout the forecast period. This assumption is consistent with the company's historical cost structure, where commercial activity is focused on specialised aerospace markets with a relatively small number of institutional customers rather than large-scale distribution networks. In such markets, customer acquisition typically occurs through long-term OEM relationships, certification-driven procurement processes and repeat orders from existing operators rather than broad marketing campaigns. Maintaining sales and marketing at roughly 3% of revenue therefore reflects the historical operating profile while allowing for additional commercial support as the CVM platform moves toward broader market adoption.

Depreciation and amortisation increase from $2.46 million to $4.98 million, reflecting the growth in capitalised intangible assets over the forecast period. In the model, property, plant and equipment (PPE) are depreciated on a straight-line basis over four years, capitalised intangible assets are amortised over ten years, and right-of-use (ROU) assets are depreciated over five years, broadly reflecting the expected economic useful life of the underlying assets. Importantly, the increase in depreciation and amortisation remains proportional to asset growth and does not offset the structural operating margin expansion embedded in the business model.

NPBT increases from $3.14 million in FY26 to $28.07 million in FY37, reflecting strong operating leverage as the business scales. Earnings growth significantly outpaces the increase in operating expenses, highlighting the impact of a largely fixed cost base across engineering, certification, compliance and corporate infrastructure.

Between FY26 and FY37, NPBT expands by $24.93 million, while operating expenses — including employee, administrative and sales and marketing costs — increase by approximately $5.46 million. This demonstrates that incremental revenue can be absorbed without proportional cost expansion.

Profitability therefore improves materially over the forecast horizon. EBIT increases from $3.92 million in FY26 to $28.42 million in FY37, while NPAT rises from $2.24 million to $20.21 million. Over the same period, EBITDA margin expands from around 20% in FY26 to approximately 43% by FY37, while NPAT margin increases from roughly 7% to about 26%, reflecting improving operating leverage and product mix.

This earnings growth translates into strong cash generation. Operating cash flow rises from $3.90 million in FY26 to materially higher levels in outer years, while free cash flow increases significantly over the forecast period.

Capital expenditure remains contained. PPE additions are stable at approximately $0.50 million annually, reflecting incremental tooling and equipment upgrades. Capitalised development expenditure increases over time as the company continues investing in avionics products and CVM platform expansion, while overall capital intensity remains moderate relative to earnings growth.

The balance sheet strengthens materially as cumulative free cash flow increases cash balances over time, with borrowings remaining minimal following repayment of the remaining term loan.

The model assumes:

- Gradual fixed-cost absorption across engineering and administration
- Stable commercial investment discipline
- Moderate and controlled capital expenditure
- Strong incremental conversion of earnings into free cash flow

Margin expansion is therefore supported by operating scale effects and disciplined capital allocation rather than optimistic cost assumptions. The resulting profile reflects a business transitioning from mixed manufacturing exposure toward higher-margin proprietary aerospace platform economics.

Working Capital and Balance Sheet

Structural Monitoring Systems operates within a working-capital structure typical of specialised aerospace electronics suppliers, characterised by moderate receivable cycles, elevated inventory buffers and stable supplier relationships.

Days Sales Outstanding (DSO) are modelled at 60 days in FY26, broadly consistent with historical receivables patterns and payment structures typical for aerospace OEM customers. Over the forecast horizon, DSO improve gradually to approximately 50 days, reflecting increasing scale, improved billing discipline and a higher share of recurring avionics product revenue.

Days Inventory Outstanding (DIO) are initially modelled at 360 days, reflecting the certification requirements, long component lead times and safety-stock buffers typical in aerospace manufacturing. As production planning improves and the product portfolio matures, inventory efficiency increases materially, with DIO declining toward approximately 160 days by FY37. While inventory levels remain structurally higher than in most industrial sectors, this range is consistent with working-capital dynamics observed across aerospace electronics suppliers where regulatory requirements and long production cycles necessitate larger inventory buffers.

Days Payables Outstanding (DPO) increase gradually from 45 days to approximately 70 days over the forecast period. This reflects improved supplier terms as purchasing volumes expand and supplier relationships mature, bringing payment cycles closer to broader aerospace industry norms.

Employee provisions are modelled at approximately 8% of payroll, consistent with the company's historical provisioning levels.

Overall, the company remains strongly cash generative throughout the projection period. Operating cash flow comfortably funds capitalised development expenditure, maintenance capex and moderate growth investment without reliance on additional

equity in the base case. Leverage remains conservative, with a 5% target gearing assumption embedded in the WACC framework, supporting long-term balance sheet flexibility.

DCF Results

Applying a Weighted Average Cost of Capital (WACC) of 12.68% and a long-term growth rate of 2.5%, the present value of explicit free cash flows over the forecast period FY26–FY37 amounts to $56.85 million. The terminal value, calculated using a Gordon Growth framework and discounted to present value, contributes an additional $42.92 million. This results in an Enterprise Value of $96.85 million.

After incorporating net cash of approximately $2.92 million, the implied Equity Value amounts to $99.77 million. The valuation fully reflects dilution from outstanding options and performance rights. Based on a fully diluted share count of 156.19 million shares, the resulting intrinsic value equates to **$0.64 per share**.

Table 6: DCF Table

DCF	
Cumulative PV	56.85
LT Growth Rate	2.5%
FY37 FCF * (1+g)	18.32
Terminal Value	179.88
PV of TV	42.92
Net Cash	-2.92
Enterprise Value	96.85
Equity Value	99.77
Diluted SOI	156.19
Fair Valuation	**$0.64**

Importantly, more than half of total enterprise value is derived from explicitly forecast cash flows rather than terminal assumptions, reflecting the company's transition into a free-cash-flow-generative aerospace electronics platform rather than a purely long-duration growth asset.

Sensitivity Analysis

The valuation remains robust under reasonable variations in discount rate and terminal growth assumptions.

Table 7: Sensitivity Analysis

		Beta				
	$0.64	1.2	1.3	**1.4**	1.5	1.6
EMRP	4.0%	1.05	0.99	0.93	0.87	0.83
	5.0%	0.87	0.81	0.76	0.71	0.67
	6.0%	0.74	0.69	0.64	0.60	0.56
	7.0%	0.64	0.59	0.55	0.51	0.47
	8.0%	0.56	0.51	0.47	0.44	0.41

		LTG				
	$0.64	1.5%	2.0%	**2.5%**	3.0%	3.5%
WACC	11.50%	0.71	0.72	0.75	0.77	0.79
	12.00%	0.66	0.68	0.70	0.72	0.74
	12.26%	0.64	0.66	0.67	0.69	0.71
	12.50%	0.63	0.64	0.65	0.67	0.69
	13.00%	0.59	0.60	0.61	0.63	0.64

Across a WACC range of 11.5% to 13.0% and a terminal growth range of 1.5% to 3.5%, the implied equity value per share ranges between approximately $0.59 and $0.79, with the base-case valuation of $0.64 per share positioned within the lower-to-mid range of conservative assumptions (WACC 12.26%, LTG 2.5%).

Under a more optimistic cost-of-equity scenario (Beta 1.2; EMRP 4%), the valuation increases toward approximately $1.05 per share. Conversely, under a more conservative scenario (Beta 1.6; EMRP 8%), fair value compresses toward approximately $0.41 per share.

This sensitivity range remains moderate relative to comparable small-cap aerospace and defence suppliers and reflects the improving cash flow visibility embedded in the business model. The analysis confirms that intrinsic value is driven predominantly by operational execution, particularly Avionics revenue growth, CVM commercialisation timing, and sustained gross margin discipline, rather than purely financial assumption changes.

With an intrinsic value of **$0.64 per share**, the DCF framework captures both the operational transformation already underway and the conservative assumptions embedded in the base case. The valuation reflects disciplined revenue modelling, moderate terminal growth and a discount rate appropriately calibrated to small-cap aerospace risk.

Overall, SMN represents a structurally improving aerospace electronics supplier with expanding operating leverage, strengthening balance sheet dynamics and increasing free cash flow generation. The valuation remains grounded in conservative near-term assumptions while preserving exposure to longer-term commercial upside from CVM deployment and continued expansion of the Avionics portfolio.

FY26–FY28: Priorities and Milestones

Structural Monitoring Systems is currently progressing through FY26 with restored profitability, improving cash generation and clearer revenue visibility. The company's medium-term priorities over FY26–FY28 reflect a transition from operational turnaround toward structured, margin-led growth. The central objective over this period is not simply revenue expansion, but disciplined execution, operating leverage and strategic positioning within aerospace electronics.

In FY26, the focus is execution and margin consolidation. With group revenue expected at approximately A$32 million, management's priority is to convert top-line growth into sustained gross margin performance and positive free cash flow after development investment. Avionics remains the primary growth engine, supported by core product lines including radios, integrated $io systems, consoles and public address systems. Given that manufacturing capacity is largely in place and headcount growth is expected to remain modest, incremental revenue should increasingly translate into operating leverage. Contract Manufacturing is positioned as a stabilising contributor rather than a growth driver, with emphasis on margin discipline and selective program retention. FY26 therefore represents a year of operational consistency: protecting gross margins within guidance, maintaining cost control, and continuing targeted capitalised development to strengthen the product platform without eroding cash discipline.

FY27 shifts the focus toward scaling and validating strategic optionality. By this stage, a larger installed Avionics base should begin to support a more meaningful contribution from recurring repair and aftermarket activity, improving revenue visibility and margin resilience. Operating leverage becomes more visible as fixed costs are absorbed across higher revenue levels. In parallel, CVM progresses as a potential value inflection point. While not assumed to be a core earnings contributor in the base case, regulatory or commercial milestones would materially enhance the company's growth profile and valuation framework. Financially, the emphasis in FY27 is on EBITDA margin expansion,

disciplined R&D investment with clear return expectations, and preservation of balance sheet flexibility.

By FY28, the company's priorities evolve toward strategic positioning and capital allocation. If Avionics growth and recurring revenue continue to expand, SMS increasingly resembles a higher-margin, niche aerospace electronics platform rather than a recovery-stage manufacturer. At this stage, management's decisions around reinvestment, potential bolt-on acquisitions, geographic expansion and CVM commercialisation become central to long-term value creation. Sustained free cash flow generation would enhance optionality, allowing the company to strengthen its competitive position while maintaining financial prudence.

Across FY26–FY28, the strategic trajectory is clear: first consolidate, then scale, then position. The key investment consideration over this period is whether sustained execution and margin discipline can translate current operational momentum into a structurally stronger aerospace electronics business with improving profitability, resilience and strategic flexibility.

Risks

Customer Concentration Risk
The Group remains materially exposed to a single major customer, which accounted for approximately 37% of FY25 revenue. While the relationship is supported by established licensing and supply arrangements, the loss, delay or renegotiation of this contract could materially impact revenue, earnings and cash flow.

CVM™ Certification and Commercialisation Risk
The commercial success of the CVM™ structural health monitoring technology depends on regulatory approvals (including FAA certification) and OEM adoption. Delays in certification timelines, changes in regulatory requirements, or slower-than-expected airline uptake could defer anticipated revenue streams and reduce long-term growth optionality.

Revenue Mix Transition Risk
The strategic shift from contract manufacturing to higher-margin proprietary avionics products introduces execution risk. Failure to sustain avionics growth or unexpected declines in contract manufacturing volumes could create short-term earnings volatility during the transition period.

Working Capital Intensity
The business operates with relatively high inventory levels due to aerospace supply chain requirements and long procurement lead times. Elevated inventory and receivables increase working capital requirements and may pressure cash flow if demand softens or customer payments are delayed.

Foreign Exchange Risk
AEM operates primarily in Canada and the United States while the Group reports in Australian dollars. Exposure to CAD/USD and USD/$ movements may introduce earnings volatility. Although partial hedging strategies are in place, sustained currency movements could impact margins.

Dependence on Special Mission Avionics Markets
Growth in the avionics division is supported by demand in special mission aircraft (including aerial firefighting and government applications). Changes in government budgets, procurement cycles, or demand volatility in this niche market could affect sales momentum.

Execution Risk on New Platform Investment
The Company has committed capital to develop new avionics platforms targeting OEM customers. Delays in product development, certification challenges, or slower OEM adoption could impact expected returns on invested capital.

Key Personnel and Leadership Risk
The Group's performance is closely linked to specialised aerospace management and engineering expertise. Loss of key executives or technical personnel may affect strategic execution, product development timelines and customer relationships.

Litigation and Governance Risk
Ongoing legal proceedings involving a former director remain unresolved. Although the Company denies the allegations and continues to defend the proceedings, legal costs and reputational impact may present short-term uncertainty.

Capital Structure and Dilution Risk
Outstanding listed options (SMNOA) may result in equity dilution if exercised. While potential exercise would strengthen the balance sheet, it may dilute existing shareholders depending on timing and share price performance.

Appendix

Financials

VALUATION DETAILS	
Share Price (A$)	$0.41
Market Cap (A$m)	63.80
Enterprise Value (A$m)	60.09
Fair Value/Share (A$)	$0.64

FINANCIAL STATEMENTS (A$m)	FY25	FY26E	FY27E	FY28E
Income Statement				
Revenue	28.06	31.75	35.59	41.68
EBITDA	3.89	6.38	8.89	12.47
EBIT	1.55	3.92	6.37	9.81
Net Income	0.17	2.24	4.07	6.59
Balance Sheet				
Cash & Cash Equivalents	2.13	1.70	2.44	4.91
Trade and other receivables	2.79	5.22	5.85	6.85
Inventories	14.89	13.56	14.28	16.16
Other Assets	14.87	15.47	17.40	19.69
Total Assets	34.69	35.94	39.98	47.61
Total Debt	7.51	5.93	5.35	4.82
Other Liabilities	3.65	4.24	4.79	6.35
Total Liabilities	11.16	10.17	10.14	11.17
Shareholders' Equity	23.53	25.77	29.84	36.44
Cash Flow Statement				
Net Income	0.73	3.14	5.65	9.16
Add: Depreciation & Amortisation	2.33	2.46	2.53	2.66
Less: Change in Net Working Capital/Other	-2.00	-1.71	-2.47	-4.00
Cash Flow from Operations	1.07	3.89	5.71	7.82
Cash Flow from Investing	-1.63	-1.77	-3.35	-3.83
Equity Raised (net)	8.13	0.00	0.00	0.00
Net Borrowings/Other	-6.68	-2.56	-1.62	-1.52
Cash Flow from Financing	1.45	-2.56	-1.62	-1.52
Unlevered Free Cash Flow	-0.56	2.12	2.37	3.98

PER SHARE DATA	FY25	FY26E	FY27E	FY28E
Shares Outstanding (m)	155.6	156.2	180.5	180.5
Normalised EPS (A$)	0.001	0.014	0.023	0.037
Dividends per Share (A$)	0.00	0.00	0.00	0.00
Payout	0%	0%	0%	0%
Franking	0%	0%	0%	0%

RATIOS	FY25	FY26E	FY27E	FY28E
Liquidity				
Current Ratio	4.19	4.12	4.21	4.13
Quick Ratio	3.75	3.79	3.77	3.42
Solvency				
Debt to Equity	0.32	0.23	0.18	0.13
Debt to Assets	0.22	0.16	0.13	0.10
LT Debt to Assets	0.17	0.13	0.10	0.08
Profitability				
Net Margin	0.6%	7.1%	11.4%	15.8%
EBITDA Margin	13.8%	20.1%	25.0%	29.9%
ROA	0.5%	6.2%	10.2%	13.9%
ROE	0.7%	8.7%	13.6%	18.1%
Growth				
Revenue	0.4%	13.2%	12.1%	17.1%
EBITDA	95.62%	64.11%	39.49%	40.22%
NPAT	-117%	1197%	81%	62%
Valuation				
P/E	n/a	28.4	15.7	9.7
P/B	2.7	2.5	2.1	1.8
EV/EBITDA	15.5	9.4	6.8	4.8
EV/Sales	2.1	1.9	1.7	1.4

Board & Management

Neville Bassett Non-Executive Chair	Appointed Non-Executive Chairman in December 2025. Chartered Accountant with more than 30 years of experience in corporate advisory, financial management and ASX-listed company governance. Extensive background in capital raisings, IPOs, mergers and acquisitions across multiple sectors. Currently serves as Non-Executive Chairman and Director of several ASX-listed companies. Former Chairman of the Royal Flying Doctor Service (Western Operations) and awarded Member of the Order of Australia (AM) for services to aviation emergency medical operations. Fellow of Chartered Accountants Australia & New Zealand.
Anthony Faillace Non-Executive Chair	Appointed in August 2025. Founder and Chief Investment Officer of Drake Management LLC, a New York-based multi-strategy investment firm with global investment mandates. Former Managing Director and Senior Portfolio Manager at BlackRock and previously held senior investment roles at PIMCO, contributing to emerging markets and global macro strategy. Brings deep capital markets expertise and institutional investor perspective. Holds a Bachelor of Science from the University of Texas at Austin and an MBA from the Kellogg School of Management.
Sam Wright Non-Executive Director & Company Secretary	Director since 2020 with over 20 years of experience in corporate governance, public company administration and capital markets advisory. Managing Director of Straight Lines Consultancy, advising ASX-listed companies across compliance, IPOs, M&A and investor relations. Holds multiple director and company secretary roles across ASX-listed entities. Member of the Australian Institute of Company Directors and the Governance Institute of Australia.
Brian Wall Non-Executive Director	Appointed in 2022. Former Chief Executive Officer of Anodyne Electronics Manufacturing Corp (AEM), SMS's wholly owned subsidiary. Over 35 years of leadership experience across aerospace, manufacturing and industrial sectors, including roles at Cintas and The Pattison Group. Led AEM through operational restructuring and repositioned the business toward higher-margin special mission avionics. Brings operational depth and sector-specific industry relationships.
Heinrich Loechteken Non-Executive Director	Appointed in November 2022. Extensive experience in aviation finance, aircraft leasing and corporate restructuring. Former senior executive at JLPS Ireland, MC Aviation Partners, International Lease Finance Corporation and AerCap. Deep expertise in financial optimisation and transaction structuring across global aviation markets. Holds a Diplom-Kaufmann (MBA equivalent) from the University of Münster, Germany.
Rick Freeman Chief Executive Officer, AEM	Appointed in September 2025 as CEO of AEM. Aerospace executive with more than 20 years of senior leadership experience. Former CEO of IDD Aerospace (Safran Group subsidiary), where he led a significant operational turnaround, growing revenues and restoring strong EBIT margins. Brings OEM sales expertise, operational scaling capability and strategic execution experience within regulated aerospace environments. Focused on accelerating growth in special mission avionics and expanding OEM partnerships.
Gord Gooding Chief Financial Officer, AEM	Finance executive with over 25 years of C-suite level financial leadership across manufacturing and operationally intensive industries, including four years within the aerospace sector. Oversees financial management, cost control, budgeting and long-term strategic financial planning at AEM. Brings deep expertise in capital allocation, working capital optimisation, margin improvement and financial governance within regulated environments. Supports disciplined execution of growth initiatives and operational scaling across the avionics division.

Evolution Capital Ratings System

Recommendation Structure	• **Buy:** The stock is expected to generate a total return of >10% over a 12-month horizon. For stocks classified as 'Speculative', a total return of >30% is expected. • **Hold:** The stock is expected to generate a total return between -10% and +10% over a 12-month horizon. • **Sell:** The stock is expected to generate a total return of <-10% over a 12-month horizon.
Risk Qualifier	• **Speculative ('Spec'):** This qualifier is applied to stocks that bear significantly above-average risk. These can be pre-cash flow companies with nil or prospective operations, companies with only forecast cash flows, and/or those with a stressed balance sheet. Investments in these stocks may carry a high level of capital risk and the potential for material loss.
Other Ratings	• **Under Review (UR):** The rating and price target have been temporarily suppressed due to market events or other short-term reasons to allow the analyst to more fully consider their view. • **Suspended (S):** Coverage of the stock has been suspended due to market events or other reasons that make coverage impracticable. The previous rating and price target should no longer be relied upon. • **Not Covered (NC):** Evolution Capital does not cover this company and provides no investment view.

Expected total return represents the upside or downside differential between the current share price and the price target, plus the expected next 12-month dividend yield for the company. Price targets are based on a 12-month time frame.

Disclaimer & Disclosures

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