

# MCS Services Ltd

AGM 27 November 2018



*Exceeding Client Expectations*

## Highlights

### Consolidated Business

Listing-era legacy issues resolved

Process enhancements towards ISO Quality Management, aiming for accreditation in 2019

Recently paid down Vendor Loan and extended for 2 years

Cost-management focus

### First Acquisition

August 2017

Modest size, more easily integrated

Self-funding over 1 year. New sectors

### Legacy Issues Closed

Bought back 18m Intiga-vendor shares for, effectively, \$58k

Dormant entities being wound up

### Strategic Focus

Value-accretive Acquisitions: to aid establishing ourselves in new geographies / sectors

Organic: Leverage expertise, brand and client relationships into new geographies and sectors

Differentiators

### Tendering Traction

Restructured and refocussed marketing and BDM team

Iconic Perth Stadium fully operational January 2018, major Retail Centres commenced June 2018

Other new wins, renewals, Alarm and CCTV expansion, regional growth

Obtained SA licence, applying for VIC and NSW

## FY18 Performance: Revenue & Profitability

	<b>FY18</b> \$'m	2H FY18 \$'m	1H FY18 \$'m	<b>FY17</b> \$'m	<b>FY16</b> \$'m (10 mth trading)
Revenue - Security	19.1	9.8	9.3	18.1	11.8
<b>Gross Profit</b>	<b>3.9</b>	<b>2.2</b>	<b>1.7</b>	<b>3.9</b>	<b>2.8</b>
<b>Underlying EBITDA</b>	<b>0.0</b>	<b>0.3</b>	<b>(0.3)</b>	<b>0.8</b>	<b>0.3</b>
Depreciation / Amortisation	(0.4)	(0.2)	(0.2)	(0.2)	(0.6)
Significant Items	(0.3)	-	(0.3)	(0.1)	-
Impairments / Writedowns	-	-	-	-	(5.6)
<b>Profit loss before tax</b>	<b>(0.7)</b>	<b>0.1</b>	<b>(0.8)</b>	<b>0.5</b>	<b>(5.9)</b>
Tax	-	(0.1)	0.1	(0.1)	0.1
<b>Net profit after tax</b>	<b>(0.7)</b>	<b>-</b>	<b>(0.7)</b>	<b>0.4</b>	<b>(5.9)</b>

FY18 result affected by first half performance, including costs of investing in Business Development and ISO-preparation

## FY18 Performance: Cashflow

	FY18 \$'m	FY17 \$'m	FY16 \$'m
Operational	0.2	0.2	0.3
Investing	(0.3)	(0.1)	(3.2)
Financing	(0.2)	(1.3)	3.9
Net	(0.4)	(1.1)	1.1
Closing Cash	<b>0.8</b>	<b>1.2</b>	<b>2.4</b>

Operational Cashflow affected by working capital expansion (growth in Accounts Receivable)

## FY18: Financial Position

	30 June 2018 \$'m	30 June 2017 \$'m	30 June 2016 \$'m
Cash	0.8	1.2	2.4
Other current assets	3.0	2.8	2.0
	3.8	4.0	4.4
Non current assets	0.2	0.2	0.5
<b>Total Assets</b>	<b>4.0</b>	<b>4.2</b>	<b>4.9</b>
Trade & Other Payables	(1.8)	(1.6)	(2.4)
Other – Leave Provisions	(0.8)	(0.6)	(0.6)
	(2.6)	(2.1)	(3.1)
Related Party Loan ( <i>since reduced and extended for 2 years</i> )	(0.3)	(0.3)	-
Other – non-current Leave Provisions	(0.2)	(0.2)	(0.1)
	(0.5)	(0.5)	(0.1)
<b>Total Liabilities</b>	<b>(3.1)</b>	<b>(2.6)</b>	<b>(3.2)</b>
<b>Net Assets</b>	<b>1.0</b>	<b>1.6</b>	<b>1.7</b>

## Strategy: Competitive Strengths

### **Market/Customers:**

- Leader in the Perth retail / events market
- Strong existing client base, blue chip customers
- Long-term contracts
- Established brand reputation and goodwill

### **Employees:**

- Direct employee model, few sub-contractors
- Compliance, training and recruitment
- Large staff pool:
  - Accredited, trained
  - mobilisation

### **Operations:**

- Economies of scale
- Proven ability to manage large numbers of Guards
- Established rostering and management processes

### **Management**

- Extensive experience and relationships
- Proven business-builders
- Focus on customer satisfaction and retention
- Close involvement with operations
- Strong company culture

## Strategy: Growth Opportunities

### Organic growth

Pipeline of new work and renewals

- Mining, Oil & Gas, Retail, Industrial, Commercial, Marine, Health Care
- Existing Retail customers inviting our tenders for Eastern States locations
- Never lost a major existing contract

### Organic growth

Reputation and scale:

- Able to tender for large retail, sports, health care and events
- Tender strength is in quality / reliability, then price
- Accreditations / Licences
- Rapidly working towards OHS and ISO accreditations used in Mining, Oil & Gas sectors

### Acquisition Growth

Acquire complimentary businesses in:

- Eastern States and regional retail
- Marine / Industrial
- Ancillary (maintenance, cleaning, traffic management)

### Acquisition Growth

Key:

- Price
- Profitability, margins, low capex
- leverage into new sector / geography / accreditation
- Ease of integration
- Cultural fit

## Growth Opportunities: Brand Leverage

AMPCAPITAL

Charter  
Hall

JONES LANG  
LASALLE

VICINITY  
CENTRES

lendlease

CBRE

Domain  
stadium

savills

HILLARYS  
BOAT HARBOUR

PERTH STADIUM



nib Stadium

PERTH CONCERT HALL

Government of **Western Australia**  
Department of **Health**

### Opportunity

Key clients operate in all major States

Proven capabilities, systems, customer-focus, long term relationships

Many clients have renewed a number of times

### Diversification

Across Retail, Events, increasingly Healthcare, Education, Commercial, Marine



## Growth Opportunities: Geographic



### **Metro Perth**

85% of major shopping centres.  
Significant number of smaller shopping centres

Both major sports stadia

Covert, Alarm and CCTV, schools, marine

Opportunities to leverage into new verticals

### **NorthWest WA**

Strong base in Retail, Education, Healthcare. Established rapport with Police, local Govt, proven operations team

Organic growth opportunities in Ports, Mining

### **MidWest WA**

Retail base

Organic growth opportunities in Local Government, Infrastructure, ports, mining

### **Other States**

Opportunities to leverage core Retail and Events brand through acquisition or organic growth

### **Northern Territory**

Retail base

May seek opportunities through acquisition

## Operational Performance: Constant Improvement

### **Safety and Quality**

Aiming for ISO 9001, 4500 and 14001

ISO / HSEQ Manager

Training, client-assurance, insurance savings

### **Systems and Efficiency**

ISO systems: processes, training, reporting

Payroll: efficiency and accuracy

Finance: position for growth

Rosters: on-line

Performance: guard-audits, radio

Security: trackers

### **Training & Development**

On-line and on site

Upskilling future leaders

### **Client Satisfaction**

Contracts renewed

Regular Meetings, actively seek Feedback

### **Business Development**

Specialist Teams

Restructured and Refocussed

## Outlook

### FY18 Achievements

- All customer contracts maintained
- Refocussed marketing and BDM team, in pursuit of pipeline
- Strategic Plan
- Robust balance sheet:
  - To further fund growth and acquisitions
  - No Bank Debt
  - Vendor Loan recently reduced and extended for 2 years
- Capital Management
  - Bought back Intiga-vendor shares for \$0.058m
  - Pleasing uptake of DRP

### Outlook

- Opportunities for Acquisitions: where strategic and value accretive
- Organic growth: Pipeline of work
- Cost-Focus: Efficiency and Effectiveness:
- Brand: Increase market's knowledge



## Summary

### Board of Directors

Chairman	Bob Kucera
Non Executive Director	Mathew Ward
Non Executive Director	Geoff Martin

### Senior Management

CEO	Paul Simmons
CFO	Mark Englebert
Company Secretary	Jonathan Asquith

### Substantial Shareholders

P&M Simmons	17.3%
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### Corporate Snapshot

ASX Code	MSG
Share Price	\$0.016 (26/11/17)
Number of shares on Issue	189 million
Market Capitalisation	\$3m (26/11/17)
Cash (30 June 18)	\$0.8m
Debt (30 June 18)	\$0.28m

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# Q & A

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