

14 January 2016

Australian Securities Exchange
Level 40, Central Park
152-154 St George's Terrace
Perth WA 6000

ASX ANNOUNCEMENT

MARKET UPDATE – MAJOR NEW CONTRACTS AND RETAIL SECURITY SECTOR EXPANSION

HIGHLIGHTS:

- **Company successfully lists on the Australian Securities Exchange after \$4.5M capital raising**
- **Major new contracts awarded in the Government Services and Healthcare Sector worth \$506k per annum**
- **Contract renewal and contract expansions in Sporting and Events Sector worth \$400k in 2016 and a potential \$2m over a 5 year term**
- **Award of 3 year Exchange Plaza contract worth \$720k**
- **New contract awarded for Floreat shopping centre**
- **Expansion into Retail Security Sector with key several service agreements concluded**
- **Integration of MCS Security and Intiga Security ahead of schedule with major synergies already realised**
- **Pipeline of contract tenders remains strong with outlook for margins to remain robust**
- **Company continues to focus on strong underlying organic growth and identification of strategic acquisitions of high quality security businesses throughout Australia**

MCS Services Limited (**ASX: MSG**) (**MCS** or the **Company**), one of the largest fully integrated security providers in Western Australia is pleased to provide this market update to its shareholders.

ASX Listing

The Company was reinstated to the ASX on 29 December 2015, with trading in its shares under the ticker code MSG.

The reinstatement to trading followed shareholder approval at a General Meeting on 28 October 2015 for the acquisition of MCS Security Group Pty Ltd (trading as MCS Security) and John Boardman Pty Ltd (trading as Intiga Security), completion of a \$4.5M heavily oversubscribed placement and satisfaction of all the terms and conditions for the acquisition of the integrated security businesses.

Major New Government Services and Healthcare Sector Contracts

The Company provides asset security services at several Western Australian Government facilities and Healthcare centres through WA. This expansion into regional WA is a growth opportunity the Company has focused on and will

continue to explore new opportunities. The Company is pleased to confirm that it continues to see growth in this sector and has been successful in a number of tenders in this sector.

The Company has been awarded an initial 2 year contract (option to extend for a further 2 years), by the Government of Western Australia, Department of Health for the provision of asset security services at the Hedland Health Campus in Port Hedland. This contract is forecast by management to increase gross revenue by \$336,000 over the next 12 months and by \$672,000 over the next 2 years.

In addition, the Company is about to commence work with the Town of Port Hedland Council with the provision of asset security services for events throughout the Pilbara regional city. This arrangement is ongoing and estimated to be worth \$100,000 per annum.

In the Perth Metropolitan region, the Company has been awarded an initial 2 year contract (option to extend), by the Government of Western Australia, for the provision of asset security services at a government facility in the Eastern Suburbs. This contract is forecast by management to increase gross revenue by \$70,000 over the next 12 months and by \$140,000 for the 2 year term.

The awarding of these 3 new contracts in the Government Services and Healthcare Sector, is forecast by management to increase gross revenue in this sector for the Company by approx. \$506,000 per annum.

Contract Renewal and Expansions in Sporting and Events Sector

The Company is a major provider of security and crowd management services to sporting facilities and events throughout the Perth Metropolitan area.

The Company is pleased to confirm that its contract to provide security and crowd management services for VenuesWest, the Government of Western Australia's statutory authority established to manage Western Australia's major state-owned sporting facilities, has been renewed at nib Stadium for a further 1 year, with 4 x 1 year options to extend. The Company has been providing services at nib Stadium for the past five years.

In addition, VenuesWest has extended the scope of the contract to include the provision of security and crowd management services at a further 6 of Western Australia's major state-owned sporting facilities including the Champion Lakes Regatta Centre, HBF Arena, HBF Stadium, WA Athletics Centre, Perth Motorplex and State Netball Centre.

The renewal of the nib Stadium contract and extension of services to cover the additional 6 sporting facilities, is forecast by management to increase gross revenue in this sector for the Company by approx. \$400,000 over the next 12 months and has a potential of being worth approx. \$2,000,000 over the 5 year term.

The awarding of this contract has now established the Company as one of the largest providers of security and crowd management services for major state-owned sporting facilities in Australia by number of venues.

Major New Commercial Property Contract

The Company is a major provider of security at major commercial property sites. MCS has been awarded a 3 year contract to provide security personnel at Exchange Plaza. This contract is forecast by management to increase gross revenue by \$240,000 and by \$720,000 over the 3 year term.

Retail Sector Contracts

MCS specialises in providing security personnel at retail shopping centres and continues to service its strong retail client base as set out in the prospectus (see ASX Announcement dated 26 October 2015).

The Company has been awarded an initial 1 year contract to provide security services at Floreat Shopping Centre which is worth approx. \$78,000. This contract compliments the security services already provided at other shopping centres managed by the same group, which includes Cockburn Central, Belmont Forum, Mirrabooka Square, Wyatt Grove, Harvest Lakes and Carramar Shopping Centres, where the Company has provided security services since 2008.

Expansion into Retail Security Sector

The Company specialises in asset security at major commercial property sites and retail shopping centres. The Company is pleased to announce that it has made two key appointments to strengthen its position in the Retail Security Sector with the establishment of a new division in Loss Prevention Management. This new division provides crime prevention strategies, retail theft protection, covert officers and tracking services to our clients in the Perth Metropolitan area.

The Company has already secured a 12-month sub-contracting service agreement with a global security provider for the provision of these services at several sites in Perth, and has further secured service agreements with two major independent retailers for multiple sites in Western Australia. As a result of the significant growth already achieved for this new division in the Retail Security Sector, the Company has appointed an experienced manager for the division and is making several new staff appointments to meet its client's demands.

This new division is forecast by management to generate \$500,000 in gross revenue for the Company over the next 12 months.

Integration of MCS Security and Intiga Security

The Company is well advanced with the integration of the MCS Security and Intiga Security businesses. All management and administration (including finance, human resources, payroll, IT and support services) is now serviced through a single office facility located in the Town of Joondalup.

This integration has already realised significant synergistic benefits with further costs savings forecast in the coming months.

The integration of the MCS Security and Intiga Security businesses is now forecast to be completed by the end of February 2016, approx. 3 months ahead of schedule.

Pipeline of Contract Tenders

The Company has identified several key contract tenders in the Government and Healthcare, Retail, Commercial and Mining and Construction Sectors that it is pursuing and which are forecast to be awarded in 2016. The Company is seeing significant growth opportunities in the Retail and Commercial Property Sectors and despite the impact of lower commodity prices on mining and construction projects, has been approached to tender for three major mining and oil and gas projects in Western Australia

The Company has noted that contracts in the security sector are generally being awarded at comparable margins to those achieved 2014/15 and it has not experienced any material changes in margins for contracts that it has renewed to date.

The Company has further been approached by a number of national retailers and commercial property groups, requesting that the Company tenders on opportunities in New South Wales, Queensland and Victoria. The Company is currently reviewing these opportunities.

Organic Growth and Strategic Acquisitions

The Company is well capitalised and profitable and has strong underlying organic growth opportunities particularly in Western Australia in the Retail and Commercial Property Sectors, as well as Mobile Patrols, Alarm Monitoring and Electronics, Alarms and CCTV. MCS also aims to offer additional complementary services to its existing clients such as maintenance and cleaning.

At the same time the Company continues to review and consider strategic acquisitions of high quality businesses throughout Australia that will complement its existing business in Western Australia and generate strong returns for its shareholders.

Yours faithfully



Paul R. Simmons
Chief Executive Officer
MCS Services Limited

About MCS Services Limited

MCS Services Group is an Australian Securities Exchange listed (ASX: MSG) and one of the largest fully integrated security providers in Western Australia, employing over 500 operational staff and supervisors.

MCS Services Group specialises in asset security at government offices and facilities, major commercial property sites, and retail shopping centres, sports stadiums, construction sites and other ancillary sites and major events throughout Western Australia.

MCS Services Group is an established, profitable and growing business that is focussed on both strategic acquisitions of high quality security businesses that will complement its existing operations, and strong underlying organic growth to generate positive returns for our shareholders.

MCS Services Group commenced trading on the Australian Securities Exchange on 29 December 2015.