



28 November 2016

Australian Securities Exchange (**ASX**)

Level 40, Central Park

152-154 St George's Terrace

Perth WA 6000

Chairman Address and CEO Presentation

MCS Services Limited (ASX: **MSG**) (**MCS** or the **Company**) is pleased to provide the enclosed Chairman's Address and CEO Presentation and Address to be presented at today's Annual General Meeting of Shareholders.

The 2016 Annual General Meeting of Shareholders will commence at 10:30am today, following the formal portion of the Meeting, the Company's Chairman and CEO will address Shareholders.

Sincerely,

Josh Puckridge

Non-Executive Director and acting Company Secretary

MCS Services Limited

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MCS Services Ltd

CHAIRMAN'S ADDRESS – 2016 AGM of Shareholders



2016 was an exciting and challenging year for MCS Services as it realised its vision of transforming from a mining and exploration organization (as Redgum Resources Limited) into one of Western Australia's leading security providers.

The highlight of the year obviously was acquiring and combining MCS Security and Intiga Security, two dynamic and respected service companies in this sector, into a single ASX listed group.

This has created a powerful, experienced entity servicing major Retail, Commercial Property, sports and entertainment event clients.



Specializing in the provision of Uniformed Guards, event safety and security management and provision of client emergency response, electronic security planning, fitting and

consulting, MCS is one of WA's "Premier Players" in these fields.

Our reputation for quality service and competitive pricing with an underpinning of contracted major retail, Government, sports, healthcare and event oriented clients places the Company on a solid "cash flow" footing. This provides the

capacity to expand through organic growth, and a focused acquisition strategy, to broaden, grow and consolidate our place in providing security across Western Australia and all other Australian States and Territories.

HIGHLIGHTS:

The Company has fulfilled the principal objectives envisaged from the expected transformation, through the achievement of the following milestones:

CORPORATE

- The acquisition of MCS Security and Intiga Security by the acquiring entity, Redgum Resources (RGX), its re-quotation on the Australian Securities Exchange and the transformation of the new company into MCS Services Limited (MSG).
- Appointment of its independent Chairman and Board of directors.

OPERATIONAL

- Integration of staff and systems into a single head office structure.
- Single branding of MCS services to all major existing and potential clientele.

CLIENTS

- Retention, consolidation and strengthening of major client contracts.
 - Addition of 8 smaller Shopping Centre clients totaling some \$1 million per year of additional Retail Security revenue.
 - Expansion of security operations at a number of contracted Shopping Centers.
 - Expansion into the North West of Western Australia (Port Hedland).
 - Expansion into security provision for health care in 5 of Perth's metropolitan hospitals.
 - Active pursuit of a number of acquisition in both Western Australia and other Australian States and Territories
-

What these Highlights emphasize is our determination to build and grow MCS Services into **the company of choice** in the Security Sector. Our Vision supports this and our mission will pursue it for and on behalf of all shareholders.

SUMMARY AND OUTLOOK

2016 has been a transformational year for MCS Services.

Global uncertainty and economic downturns often have the reverse effect on the demand for security services, with growth in demand in areas traditionally serviced by Government or Policing Agencies. Similarly, as both State and Federal Governments seek to grow the tourism Industry by actively seeking entertainment and sporting events, demand in that sector is also expected to increase.

The underpinning strength of our long-term client base and the continued growth in the Retail Shopping Centre Sector bodes well for the Western Australian retail operation. And exciting opportunities are emerging for security in the WA Healthcare sector.



Similarly, the Event and Sports security and management area is flagging expansion, with increased activities and proposed State based teams in all major codes, particularly in women's sports. More games mean more demand for security and with opportunities around the future opening of the new Perth Stadium, expectations are high for future expansion.

We see many opportunities to leverage our strengths, including our management, systems, reputation and brand – into other sectors, such as Ports, Mining and Oil & Gas, through targeted strategic acquisitions.

We are actively pursuing a Western Australian company currently servicing the Port sector on the West Coast and in current discussion with other operators.

To enhance the Company's prospects in these new sectors,

- we are well advanced towards gaining the required ISO accreditation preferred by major Oil & Gas operators;
- we have gained "Preferred Supplier Status" for the provision of security services and products with a global mining services group supplying to the Oil, Gas and Mining industries, and are awaiting contract opportunities;

Additionally we are in discussion with potential clients, joint venture partners, and possible acquisition targets in the Northern Territory, Queensland and New South Wales. Again, as reflected in our strategic vision, expansion across Australia and the amalgamation of smaller players in a diverse and fragmented Security Industry will afford very real benefits through economies of scale and added revenue.

Overall, we presently expect existing contracts to provide a continued and increasing level of underlying revenues in FY17. At the same time, the company will actively seek to maximize benefits for all shareholders through increased revenue from organic growth, management of overall costs and securing new contracts via our current and future "pipeline" tenders, acquisitions and Australia-wide expansion.

Finally, I would like to thank our Chief Executive Officer Paul Simmons, his senior management team, each and every one of our valued employees and my current fellow Director, Mr. Josh Puckridge.

Sincerely,

The Hon. RC (Bob) Kucera, APM JP



CEO ADDRESS

INTRODUCTION

Good morning ladies and gentleman. My name is Paul Simmons, and I am the Chief Executive Officer of MCS.

I welcome all shareholders to our first AGM as a listed security company.

I would like to firstly thank our Chairman, The Hon Bob Kucera, for his address and for his valued guidance and encouragement over the past year.

Our first year as a listed company has been demanding and challenging but also rewarding:

- The transition from two privately owned businesses, MCS Security and Intiga Security, into a single publicly listed company saw a considerable change in operating methodologies, reporting structures and identifiable accountabilities. I can say quite proudly that the transition has been a success;
- The merger of the two businesses has seen the “MCS Security” brand promoted extensively. All customers have welcomed the merger, and all customers were successfully transitioned across;
- Our presence within the sector has been enhanced by our Listing and merger, providing increased opportunities for organic and acquisition growth.

OPPORTUNITIES FOR THE SECURITY INDUSTRY AND OUR COMPANY

Security is a growing business and we are a leader within our chosen sectors in WA.

We are looking at two focuses of growth, organic and acquisition, to take advantage of opportunities to become leaders in other sectors and geographic markets.

Firstly, there has been an increase in opportunities for us to service Local Councils with patrols of specific locations, general security of their assets and for by-law enforcement in locations suffering from anti-social behaviour. We are currently 4 weeks into a 12 week trial providing a Local Council with a security presence in their main shopping precinct. If successful – and results to date suggest it will be – we look forward to a long-term contract and the opportunity to extend this model into other Local Council areas.

Secondly, many major Shopping Centres have obtained approval for substantial extensions and redevelopments of their Centres. From experience, this will lead to increased work for us during the staged construction phase and then a sustained increase in core contracted hours on completion of their expanded Shopping Centres.

Thirdly, Healthcare providers are increasingly recognising the need for on-site security – particularly on wards treating patients presenting with the effects of drugs and alcohol.

Further, we are in acquisition discussions with a Retail security business in the Eastern States which provides concierge-style security to high-end boutique retailers. This would give us a platform, with immediate staffing levels and office structure, to launch our operations onto the eastern seaboard, initially to expand in our specialist areas of shopping centres and stadium and events – including servicing our existing WA clients who have many more sites and venues in the Eastern States.

We are also concentrating on advancing our business in three main areas:

- oil and gas,
- mining and
- Ports and Harbours.

The mining and oil & gas sectors within WA are transitioning from construction to production phases, with operators looking for proven contractors to oversee their steady-state operations going forward.

We are now a listed Preferred Supplier for security services with a n international facility management company, who have been recently awarded a 10 year \$2.5 billion dollar contract to supply accommodation services for Rio Tinto mining villages throughout the Pilbara iron-ore region of Western Australia. We are awaiting contract opportunities from Sodexho. We already operate in the Pilbara region in Retail and Healthcare security so our brand, staff availability and service quality are already well known in the region.

The WA Oil & Gas area in WA's North West is also entering it's production stage and we are expecting to shortly receive notification of our further advancement in the selection process to a major international oil & gas company operating in the North West. We are rapidly moving towards compliance with ISO9001 and HSE regulations.

And, finally, we are in advanced discussions for the acquisition of a WA-based security company specialising in Ports and Harbours. Such a strategic acquisition will allow us to further leverage into the Ports, Marine and Oil & Gas sector.

FUTURE

There is an exciting future ahead for our Company.

I retain absolute focus on our key aims:

- to service existing clients to the highest standards, to retain their work in the long term, and continue our benchmark of having never lost a contract
- to leverage our proven capabilities in workforce recruitment, training, retention and management by expanding into servicing new sectors;
- to similarly position ourselves for expansion into Mining and Oil & Gas
- to maximise the utilisation of our Head Office team by driving a greater volume of work through our Company;
- and to acquire strategic footholds in new sectors and geographic markets.

Looking at the immediate future:

- We are now moving into the 2nd half of the year which is always our highest generating period due to extended Christmas trading hours, Easter trading and summer Events and sports;
- Our trial period with a Local Council in Perth seeking to address social issues on its main shopping street is progressing effectively. We are hopeful this will lead to a long term contract, and allow us to leverage this service to other Local Councils;
- Our ad-hoc work providing security to 5 Healthcare campuses in WA is progressing effectively, and, we are awaiting news on a pending tender for the security for a total of 20 Healthcare campuses throughout WA. If successful, this could generate up to 1.75 million dollars of revenue per year
- We have recently been confirmed as the security provider for another eight smaller suburban shopping centres in WA which will generate a revenue of approximately \$500K pa;
- We are working very closely with local authorities and law enforcement in the Pilbara who are seeking to address security issues in the area.

We however remain aware of the need to protect our brand. We were recently asked to express interest in early-stage discussions for the provision of security at an offshore detention centre. We assessed the politically sensitive nature of the operation having regard to the likely sensitivities of our existing Blue Chip customer base and decided to decline the invitation to pursue.

CHALLENGES

There have been, and always will be, many challenges for our Company.

Sham contracting is an increasing problem in the security sector. It has been evident within the cleaning company sector for some time and there is strong evidence that it is happening with some security service providers too – with some security providers submitting tenders clearly unsustainable without having resort to such practices. For those unaware of this illegal practice, it involves security companies contracting Guard staff under an ABN, having the Guard invoice them for the hours they have worked. The Guards risk not being paid Award or EBA rates, having no superannuation or Leave entitlements, and potentially being under-insured in the event of workplace incidents. We, and other respected security providers, are addressing this through the Security Agents Institute of WA and the Police Licensing - Commercial Agents Division.

The efficiency of our Head Office structure is a difficult area to maximise at all times. Workloads within the office, especially rostering, fluctuate on a regular basis. Our Head Office staff will become really stretched shortly – and will continue as such, over the next 3-4 months during our busiest periods. The cyclical nature of the industry and our determination to provide a quality 24/7 service to our clients makes it essential to provide a fully integrated head office structure. Nevertheless, I believe we have the capacity to add a 20% increase in revenue with no increased overheads other than uniform and insurance costs.

ONWARDS

I thank all our Guards and head office staff for their tireless work this year. And my senior management team for focussing on driving the business forward for the benefit of shareholders, employees, clients and partners.

I would like to take this final opportunity to thank each and every one of you for your support of MCS during its first year and look forward to many profitable years to come.

Thank you.

Paul Simmons
Chief Executive Officer
MCS Services Limited

MCS Services Ltd

ASX: MSG

Exceeding Client Expectations

CEO Presentation of the 2016 Annual General Meeting of Shareholders



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MCS Services Limited: Corporate Structure



Board of Directors

Chairman	Bob Kucera
Non Executive Director	Josh Puckridge

Senior Management

CEO	Paul Simmons
COO	John Boardman
CFO	Mark Englebert
Company Secretary	Melissa Chapman

Substantial Shareholders

Paul & Maureen Simmons	16.12%
Microequities Asset Management	10.06 %
John Boardman	9.11%

Corporate Snapshot

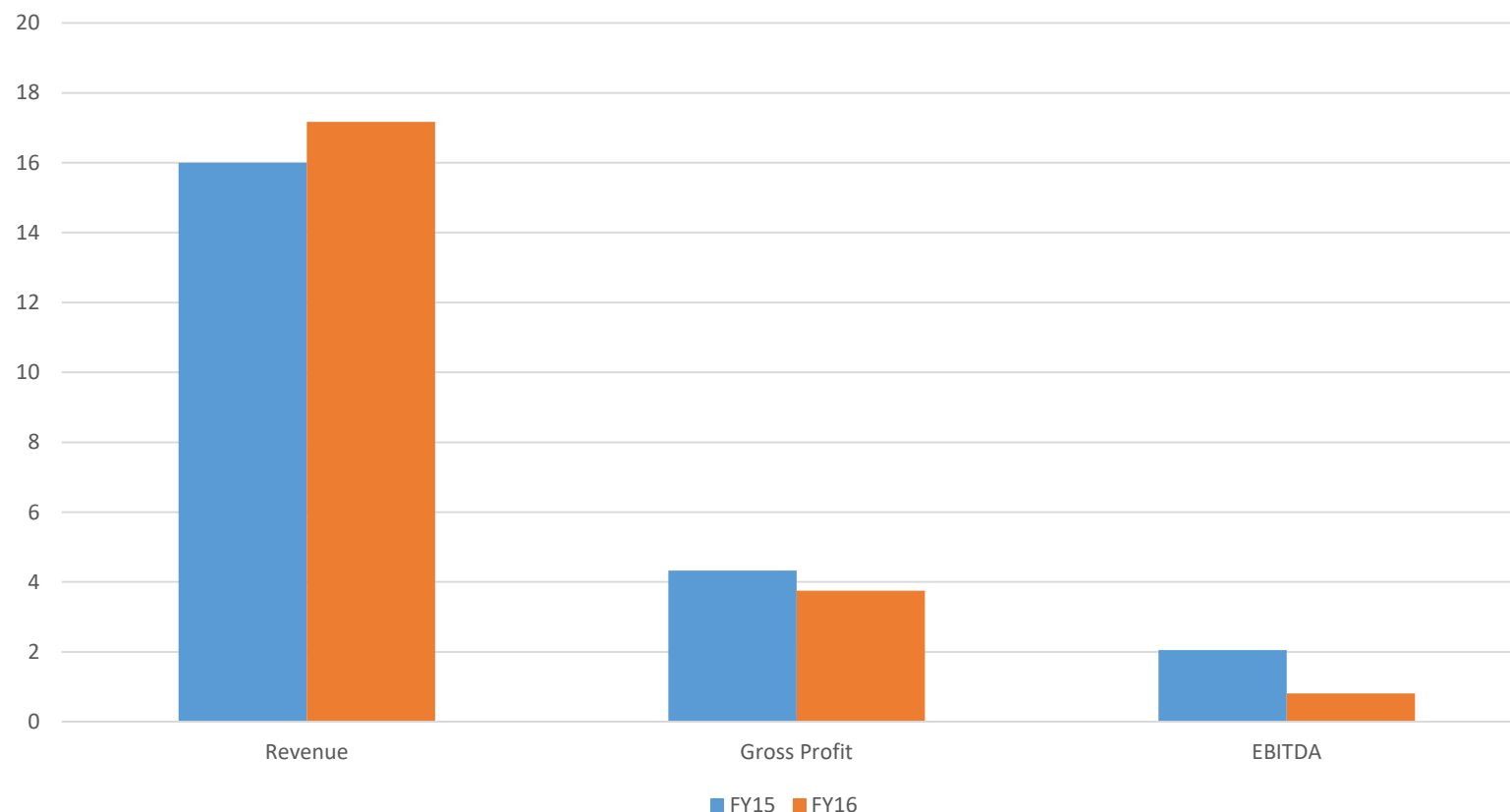
ASX Code	MSG
Share Price	\$0.03.5c (25/11/16)
Number of shares on Issue	201 million
Market Capitalisation	\$7m
Revenue (FY16 Audited)	\$11.8m
Cash (FY16 Audited)	\$2.35m

MCS Services Limited: FY16 Group Results

	FY16 \$'m
Revenue - Security	11.83
Underlying EBITDA - Security	0.81
Underlying EBITDA – Corporate / Other	(0.56)
Depreciation / Amortisation - Security	(0.14)
Depreciation / Amortisation - Other	(0.57)
Impairments / Writedowns / Consideration Reversal	(5.53)
Profit loss before tax	(5.99)
Tax benefit	0.08
Net profit after tax	(5.91)

MCS Security / Intiga: FY2015 v FY2016 Segment Results

Comparison: 12 month periods



- Revenue up 7% year-on-year
- FY16 results as shown include unaudited pre-transaction data for July-Oct 2015.
- FY16 gross margin and EBITDA impacted by (once every 3 years) Guard-pay CPI increase
- FY16 EBITDA also impacted by increased insurance premium (potential to reduce in FY17) and by (new) corporate overheads
- FY15 EBITDA as shown includes notional allowance for 2 x vendor salaries

MCS Security / Intiga: Results since acquisition 1 Nov 2015



	Dec '15 (2 months) \$'m	March '16 \$'m	June '16 \$'m	Total FY16 (8 months) \$'m	Sept '16 \$'m	Balance FY17 \$'m	Rolled FY17 (12 months) \$'m	Note
	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	
Revenue - Retail	2.82	4.00	4.03	10.85	4.07	11.75	15.82	Some seasonality: Xmas, NY, easter for retail); summer for events and sports
Revenue – Sports, Events, Other	0.27	0.31	0.40	0.98	0.31	0.97	1.28	
Revenue - Total	3.09	4.31	4.43	11.83	4.38	12.72	17.10	
Gross Profit	0.78	0.97	1.06	2.81	1.02	3.21	4.23	Higher GP % for Events
Insurance	(0.12)	(0.18)	(0.19)	(0.49)	(0.18)	(0.56)	(0.74)	Flexes to WC claim levels
Office Overheads	(0.42)	(0.50)	(0.59)	(1.51)	(0.55)	(1.68)	(2.23)	Approx 80% re office staff
	0.24	0.29	0.28	0.81	0.29	0.97	1.26	
Corporate Overheads	(0.11)	(0.17)	(0.12)	(0.40)	(0.12)	(0.22)	(0.34)	Audit, ASX, ASIC, Board
EBITDA	0.13	0.12	0.16	0.41	0.17	0.75	0.92	
Depn, Interest & Impaired	(0.04)	(0.05)	(0.10)	(0.19)	(0.05)	(0.15)	(0.20)	FY17 forecast is base-line forecast only, without allowance for acquisitions or material organic growth
Profit (loss) before tax	0.09	0.07	0.06	0.22	0.12	0.60	0.72	

MCS Security: 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

MCS Security: Existing Market Segments and Selected Clients

MCS Services Ltd
Exceeding Client Expectations

Geography



Retail & Other

AMPCAPITAL 

Charter Hall 


Lend Lease


HILLARYS
BOAT HARBOUR



Government of **Western Australia**
Department of Health

savills

 JONES LANG
LASALLE® 
VICINITY
CENTRES

coles
liquor

Town of
Port Hedland

CBRE

nib Stadium

CROWN
PERTH

telethon
7



Domain
stadium


PERTH CONCERT HALL

WESTERN
FORCE

Strategic Growth: Oil and gas, mining, eastern states, ancillary services

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 an 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
- Security training
- Ancillary retail (maintenance, cleaning)

Acquisition Growth

Key:

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

Strategy Rationale

Fragmented Market

- Operators seeking benefits of larger group or succession planning
- Few competitors pursuing a roll-up strategy

Diversification

- Diversified end-user
- Diversified sector: retail, sports, events, healthcare, Marine, Oil & Gas, Mining
- Diversified across states

Financial Returns

- Recurring revenue base and solid growth
- Long term contracts
- Strong free cash flow to fund organic and acquisition growth
- Utilise back office efficiencies

Enhanced Product Offering

- Integrated service offering for national clients
- Access to specialist technology
- Critical mass to offer specialist services

Employees

- Long-term contracts with key employees
- Enhanced professional development opportunities
- Attract, retain and incentivise top talent

Synergies

- National client service offering
- Cross-selling between geographic markets and service capabilities
- Central finance, HR and OH&S

Currently Under Review

Port / Industrial Security

- WA-based, family owned
- Forecast \$2m pa turnover, incl 2 recently awarded long-term contracts. Pipeline potential
- Forecast \$350k EBITDA after integration into existing MCS processes and retaining Vendor as Manager
- Preliminary due diligence undertaken
- Share price accretive. Transaction multiple approx. x 2. Cash and incentivised equity component.
- Allows MCS to leverage target's expertise and accreditations into further Port / Industrial / Oil & Gas sector

Australian eastern states retail security

- Specialises in concierge-style security in high-end stores
- Revenues of \$4m pa
- Security licence held in VIC
- Pricing to be determined upon completion of preliminary due diligence

Australian eastern states retail & events Security

- Broadly similar business to existing MCS:
- Security Licences held in Qld, NSW
- Allows MCS to:
 - expand into Eastern States with immediate scale
 - Leverage that foothold into servicing existing MCS retail clients' eastern sites
- Pricing to be determined upon completion of preliminary due diligence

Strategy Timeline

2015

- Merger of MCS and Intiga businesses
- ASX Listing

2016

- MCS / Intiga operational integration
- Assess potential acquisition targets:
 - marine/ ports sector
 - Eastern States retail / events
- Organic Growth:
 - Retail, Healthcare, Government, Oil & Gas, Mining
 - Mining/ oil and gas sector accreditations being sought

2017

- Implementation of acquisitions
- Further leverage into new opportunities / segments / customers
- Further drive overhead efficiencies

Summary and Outlook



FY16 Achievements

- MCS and Intiga operational merger, including staffing, management and head office
- All customer contracts maintained
- Aiming to build robust balance sheet to further fund growth and acquisitions
- Ready to declare maiden dividend

Outlook

- Continuing acquisition strategy:
 - value accretive acquisitions and organic growth opportunities
- Integrating new businesses:
 - target group-wide cost synergies and operational efficiencies
 - Leverage into new opportunities (markets, customers, accreditations)
- Increase market's knowledge of brand

MCS Services Ltd

Exceeding Client Expectations

Contact Details:

Chief Executive Officer:	Paul Simmons
Chief Operating Officer:	John Boardman
Chief Financial Officer:	Mark Englebert

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