

MCS Services Limited

Proposed Acquisition by Red Gum Resources Limited

Investor Presentation

October 2015

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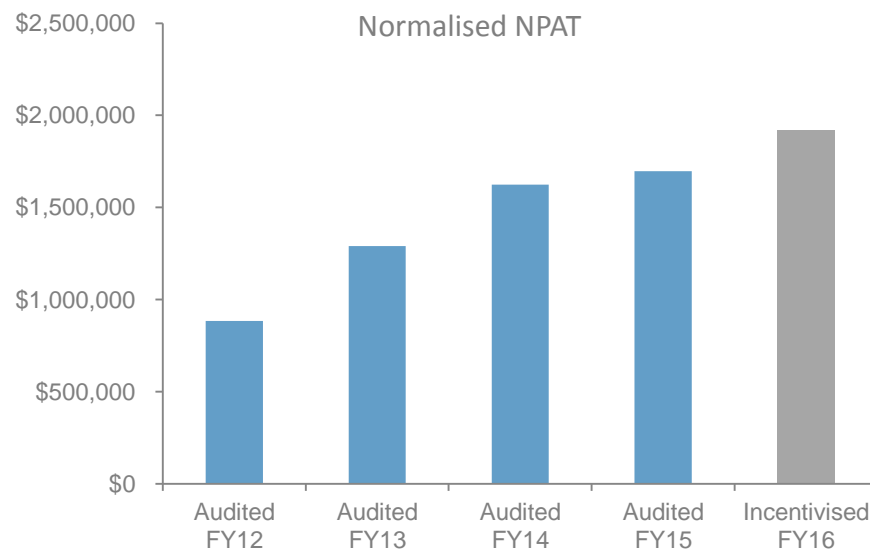
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Overview

- Red Gum Resources Limited is an ASX listed Company (ASX:**RGX**, **Red Gum**) with circa \$1.2m in cash
- RGX has entered into a binding agreement to acquire 100% of MCS Services Group Pty Ltd (**MCS**) and Intiga Security (**Intiga**) for a total consideration of \$6.9m (\$3.8m cash and \$3.1m in scrip) (**Transaction**)
- MCS and Intiga are both profitable and growing West Australian based security personnel companies
- MCS and Intiga have been working in joint venture over the last 6-12 months and the acquisition will formalise a merger between the two groups
- The businesses specialise in asset security at major commercial property sites and retail shopping centres, sports stadiums, construction sites and other ancillary sectors such as events
- The Transaction constitutes a change in nature and scale of activities, hence Red Gum will re-comply with Chapters 1 & 2 of the Listing Rules
- As part of the re-compliance process, Red Gum will be seeking to raise \$4.5m in new equity to fund the acquisition and for general working capital
- Red Gum to change its name to MCS Services Limited (**MCS Services**)

MCS Services – Key Highlights

- Established, profitable and growing business
- High proportion of tier one clients, multi-year contracted revenue and long term client retention
- High margin, cash generative business with the ability to pay dividends
- MCS Services to emerge with a Market Capitalisation of circa \$10.4m post completion
- Contracted revenue already in place for FY16 of \$14.2m
- Incentivised targeted **NPAT of \$1.92m** for FY16
- Implied FY16 PE Ratio of 5.4x
- Proposed Dividend Payout Ratio of 80% of NPAT
- Implied fully franked FY16 dividend yield of 14.8%¹
- Implied grossed up dividend yield of 21.1%
- Tender pipeline of circa \$50m of annualised revenue



¹ As per independent tax advice, fully franked dividend available on incentivised NPAT of \$1.92m

* Adjustments have been made to NPAT to represent the underlying profitability of MCS Services when being operated as a public company

Board & Management Team

PAUL SIMMONS

Chief Executive Officer

Paul has owned and operated MCS since 2005, and worked in the security and law enforcement industry for 35 years. He was previously a police officer in the UK, the State Security Manager for K-Mart and an equal partner in the privately owned Perth Security Services. Paul has built a strong network in the Perth security industry.

JOHN BOARDMAN

Chief Operations Officer

John has owned and operated Intiga since 2010. John was previously a member of the armed forces and since moving to Perth in 2007 has operated many successful businesses, including training company Worldwide Global Training (trading as TTS-100 and Sec24 training) which provided industry training to WA security companies.

THOMAS PICKETT

Non-Executive Chairman

Thomas has a Bachelor of Laws and was admitted to the Supreme Court of Queensland in 1996. He also has significant experience in relation to finance and corporate governance. Thomas was previously a director of CuDeco Ltd (ASX:CDU) followed by in-house counsel at CuDeco Ltd. He is also a former Non-Executive Director of Discovery Resources Limited and Executive Chairman of Cannindah Resources Limited.

JOSH PUCKRIDGE

Non-Executive Director

Josh was formerly an executive Director of Discovery Resources Limited (now Aquis Entertainment Limited) and is currently a Non-Executive Director of TopTung Limited (ASX:TTW) and Naracoota Resources Limited (ASX: NRR). Josh has robust experience with funds management, mergers and acquisitions. He was previously a founding Director and Secretary of Windward Resources Limited (ASX:WIN).

MELISSA CHAPMAN

Non-Executive Director

Melissa is a certified practicing accountant and has worked extensively in Australia and the United Kingdom which included five years as Group Financial Controller for the Beny Steinmetz Group. Melissa is also the CFO and Company Secretary of Cape Lambert Resources Limited and has a Graduate Diploma of Corporate Governance.

Security Industry / Competitive Landscape

- Private security in Australia is a \$4.4 billion per annum business
- The security industry is broad ranging from Locksmiths to private investigators, MCS Services' key focus will be deploying personnel for their clients
- As at 6 January 2015, there were approximately 1050 businesses listed on the WA Police registry operating in the security industry in WA
- The market is highly fragmented, with 3 groups controlling 20% of the market – therein lies opportunities for growth and consolidation through acquisition
- WA's largest security company is Wilson Security with a turnover in excess of \$100m per annum (WA only)
- There are 52,000 registered security guards in Australia (compared to 44,800 police personnel) with security personnel growing exponentially (Australian Institute of Criminology)
- WA averages 226 security guards per 100,000 population
- MCS Services will emerge as one of the largest independent security personnel businesses in WA

MCS Services – The Business

- MCS Services group specialises in the provision of security personnel services to:
 - Major commercial property sites and retails shopping centres
 - Major sporting stadiums, entertainment venues and event sites
 - Construction and mining sites
- The Company has ancillary operations in the design, supply and installation of security cameras, CCTV and access control systems to the commercial and industrial sectors
- It expressly does not operate in the bar and nightclub sector
- MCS Services Group is a member of the Australian Security Industry Association
- On completion, the group will have circa 450 employees and contractors in Western Australia and will be one of the biggest independent security guard businesses in the state
- The Company operates a cost plus margin business which generates robust returns and requires minimal sustaining capital

Clients

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A large number tier one clients in a broad range of industries



PERTH CONVENTION AND EXHIBITION CENTRE
WESTERN AUSTRALIA



Long Term Contracts

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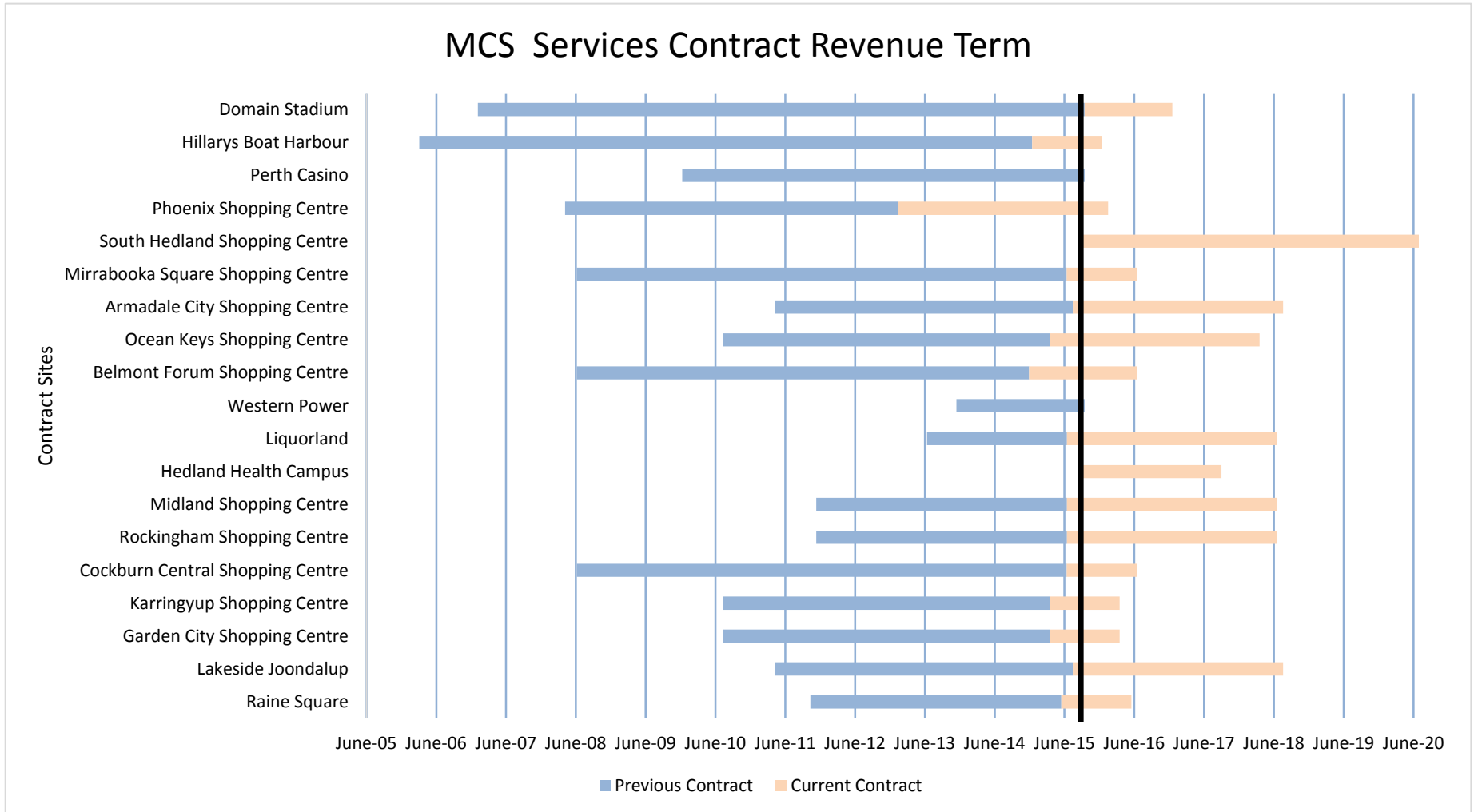


Chart depicts 80% of Gross Revenue

Tender Pipeline

	Type	Expected Revenue (annualised)	Expected Award Date
Contract 1	Local Council	\$1,100,000	Oct '15
Contract 2	Office Building	\$1,200,000	Nov '15
Contract 3	Port	\$788,000	Oct '15
Contract 4	Local Council	\$600,000	Oct '15
Contract 5	Hospital	\$630,000	Nov '15
Contract 6	Oil and Gas (Construction Period)	\$39,000,000	Feb '16
Contract 7	Oil and Gas (Production Period)	\$3,520,000	Feb '16
Contract 8	Power Station	\$480,000	Oct '15
Contract 9	Shopping Centre	\$685,000	Oct '15
Contract 10	Fertilizer Plant	\$800,000	Dec '15
Contract 11	Secure Data Centres (IT)	\$490,000	Oct '15
Contract 12	Government Department	\$400,000	Oct '15
Contract 13	Sports Stadiums	\$400,000	Oct '15
Total		\$50,093,000	

Potential Growth Opportunities

- Existing clients retail and commercial asset expansions
 - A number of existing clients will be significantly expanding the size of their shopping centres (e.g Garden City shopping centre, Karrinyup Shopping Centre)
 - MCS Services will be able to grow with the client and provide more guards
- Metropolitan Perth Expansion
 - Commitment to grow MCS Service's metropolitan footprint where a number of targets have been identified and tendered for
 - Key targets are additional shopping centres, high rise office buildings and prominent Perth event venues
- Regional WA Expansion
 - Identified a number of high margin regional opportunities within WA
 - Areas include Broome, Port Hedland, Onslow, Barrow Island and other towns in the Pilbara Region
- Interstate Expansion
 - Assess potential organic and acquisition opportunities interstate, in particular within Queensland, South Australia and the Northern Territory
- New Verticals
 - Assess potential bolt-on acquisitions in complimentary verticals such as cleaning and maintenance services

Transaction Summary and Capital Raising

- Red Gum proposes to acquire MCS and Intiga for a total combined consideration of \$6.6m, comprising \$3.8m of cash and \$2.8m in scrip (i.e. 56.0m shares)
- A further contingent consideration 'ratchet' of 6m shares to the value of \$0.3m will be issued to the vendors on the achievement of a FY16 NPAT of \$1.92m
- Performance Shares can be issued in 3 milestones:
 - 20m shares on the achievement of an NPAT of at least \$3.5m within 24 months of completion
 - 10m shares on the achievement of an NPAT of at least \$5.0m within 24 months of completion
 - 10m shares on the achievement of an NPAT of at least \$7.5m within 36 months of completion
- Red Gum intends to raise \$4.5m in new equity capital through the issue of 90.0m new shares at 5 cents per share.
- Completion of the acquisition is conditional on shareholder approval, the lodgement of a prospectus and raising the required funds.
- The indicative capital structure of the Company post completion of the acquisition and capital raising could be as follows:

	NO OF SHARES	LISTED OPTIONS	MARKET CAP VALUE \$M	CASH	%
RGX – shares on issue	55.6m	5.4m*	\$2.8m	\$1.2m	26.8%
Acquisition Shares**	62.0m	-	\$3.1m	-	29.9%
Capital raising	90.0m	-	\$4.5m	\$4.5m	43.3%
Total	207.6m	5.4m	\$10.4m	\$5.7m	100.0%

* Various exercise prices (out of the money) and expiry dates

** Assumes contingent consideration shares are issued on achievement of FY16 NPAT of \$1.92m

Key Financial Metrics

Financials	AUDITED FY13	AUDITED FY14	AUDITED FY15	INCENTIVISED FY16
Revenue	\$15,078,678	\$16,021,724	\$16,503,154	-
Normalised NPAT	\$1,289,503	\$1,624,203	\$1,696,562	\$1,920,000

Key Metrics	FY15	FY16
Market Cap (at 5c)	\$10.4m	\$10.4m
NPAT ¹	\$1.70m	\$1.92m
Implied PE ratio	5.9x	5.4x
Proposed dividend payout ratio	80%	80%
Implied dividend payout amount	\$1.36m	\$1.53m
Implied fully franked FY16 dividend yield ²	13.4%	14.8%
Implied grossed up dividend Yield	-	21.1%

¹ Based on Incentivised FY16 NPAT

² As per independent tax advice, fully franked dividend available on incentivised NPAT of \$1.92m

Use of Funds

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SOURCE OF FUNDS	A\$
RGX Cash	\$1.2m
Capital Raising Proceeds	\$4.5m
Payment cash consideration to vendors	(\$3.78m)
Total cash on completion	\$1.92m
USE OF FUNDS	
Working Capital	\$1.32m
Estimated costs of acquisition and raising	\$0.6m
Total	\$1.92m

Timetable

EVENT

2015

Announce Acquisition	Mon 3 August
Lodgement and Dispatch NOM	Tues 29 September
Investor Roadshow	Week beginning 19 October
Lodgement of Prospectus	Mon 26 October
Red Gum Shareholder Meeting (suspension from trading)	Wed 28 October
Completion of Capital Raising	Monday 2 November
Shares anticipated to commence trading	Mid November

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Investment Opportunity - Summary

- High growth, profitable, cash generative business
- Incentivised NPAT target implies a potential for a low PE Ratio and high franked dividend yield
- Highly experienced management with an excellent industry track record
- Enviable track record of high client retention and business growth over a number of years
- Significant tender pipeline with potential for further multi-year contract wins
- Clear strategic growth strategy for its existing business and other verticals