

Chairmans' address

Good morning everyone.

It is my pleasure to welcome you all to the 2019 Annual General Meeting of MCS Services Limited. The time is now 11am and as a quorum is present, I formally declare this meeting open.

My name is Matthew Ward and I am a non-executive Director of MCS. Unfortunately, Mr Bob Kucera, the Chairman of MCS Services and Mr Geoff Martin cannot be present with us today and send their apologies. Mr Kucera has asked me to preside at this meeting on his behalf.

First, I would like to introduce my fellow director Mr Paul Simmons, the CEO and Managing Director.

Also present today are key members of MCS' management team, Mr Mark Englebert, the Chief Financial Officer; and Mr Jonathan Asquith, the Company Secretary. We are also joined by Martin Michalik representing our auditor, Stantons.

As you would be aware from the Notice of Meeting, there are four items of business to be discussed when we move into the formal proceedings, but before that, I'll make some general observations about the last 12 months.

After the formal business, Mr Simmons and Mr Englebert will provide a presentation covering MCS's current business, including some reflections on trading and the outlook.

Each year, we aim to make MCS a better company both operationally and financially and some of the key highlights in FY19 are as follows:

- MCS was voted the 'Outstanding Guarding Company' in Australia at the Australian Security Industry Association Limited (ASIAL). This is a significant achievement and in tune with MCS' mantra of "Exceeding Client Expectations."

- MCS also recently achieved ISO certifications covering quality, health and safety. This is an important differentiator when tendering for work and we have noticed that more clients are demanding certification as a precursor to tender for jobs.

FY19 was a productive year for MCS from a financial perspective. First, the company delivered Underlying Net Profit before Tax of \$0.3 million; an improvement of \$0.6m compared with the previous financial year.

MCS delivered positive Operating Cash Flow and Net Cash Flow of \$1.3 million in FY19, which enabled it to retain its strong balance sheet with positive Net Cash. During the year, MCS also repaid a significant part of its outstanding debt.

Maintaining a strong balance sheet creates opportunities to value add and deliver benefits to shareholders. During the year MCS utilised some of its cash to buy-back 1.7 million shares in unmarketable parcels. This has the effect of increasing earnings per share by reducing the company's administration costs and also because there are now fewer shares on issue.

The one disappointment in FY19 was a charge for workers compensation insurance that was incurred prior to changing brokers and related to prior periods, FY16 and FY17. Despite this, MCS made further progress in establishing its 'platform for growth' as it continued to increase scale and diversify its operations. This was demonstrated by a 23% increase in revenue to \$23.6 million through continued organic growth. We expect growth to continue in FY20 and are targeting contracts in new verticals including health, education, infrastructure and resources; as well as in new geographies, where positive steps have been made. Notably, MCS is only interested in profitable growth that delivers shareholder value as opposed to 'profit-less growth for growth's sake'.

In terms of Capital Allocation, MCS is formally putting in place a buyback facility, which will enable it to selectively purchase up to 10% of the shares on issue in the market if it believes they are trading below fair value.

I'd like to thank the Management team, who are doing a great job maintaining existing contracts; winning new contracts; delivering for clients and employees; delivering ISO; astutely managing the company's working capital; and being recognised as leaders in the industry.

I would also like to thank our valued shareholders and hope we can 'exceed your expectations' as we believe we are only at the start of our journey.

About MCS Services

MCS Services provides security services at major commercial property sites and retail shopping centres throughout the Perth metropolitan area and regional country areas of Western Australia. These security services include mobile patrols and response vehicle services. In addition, MCS provides electronic security services including the design, supply, installation and commissioning of security alarms, CCTV, biometric and access control systems to commercial, industrial and domestic sectors.