

30th November, 2022

**Chairman's address to Annual General Meeting**

Good morning Ladies and Gentlemen, and welcome to this the 2021/2022 Annual General Meeting of shareholders for MCS Services Group. May I firstly acknowledge that we meet on the land of the Noongar Wadjuk People and I pay my respect to their elders past and present.

This year has seen us continue a positive but ever-changing corporate journey. We have maintained market share of our valued blue-chip clients and consolidated several additional smaller customers across the entire security spectrum.

With the impact of the "Covid" epidemic being felt across the entire Security Industry we enjoyed a first half profit from our "Covid" activities based around the Government quarantine activities. However, this reduced as the pandemic activities wound down in the second half of the financial year.

The downturn in profitability was somewhat offset by the acquisition of other Government contracts, particularly in the health sector, and via concierge duties contracted in the Perth CBD.

The positive cash flow allowed us to build a cash buffer to actively pursue an acquisition strategy, resulting in the purchase of Highways Traffic, an established traffic management highway escort service, with major contracts in both the Government and Mining sectors.

We believe that this will make the Company stronger and enable it to spread overheads across a broader revenue base.

We therefore expect to return to full Profitability during the second half of FY 2023.

Servicing Quarantine Hotels necessitated establishing two separate work forces, both in keeping with our ISO certification, and in the case of the Quarantine facility, providing specialist training and protective equipment so that the Hotel Staff were isolated from our major work force, servicing our blue chip and longstanding clients.

This paid dividends, in that we successfully completed all the stringent contract demands required by both the State and Federal Governments, without any breaches of "Covid" or quarantine protocols. A laudable result and an outstanding example of sensible, measured management.

This strategic approach was difficult to manage with increasing demands on staff rostering and the provision of personnel affecting our overall profit percentages. With the closure of quarantine services, however, this allowed us to bring most of our personnel back, to service mainstream clientele, putting an end to many of the staff shortages that other sectors of the industry were experiencing.

Similarly, we acquired a larger and more varied workforce associated with the Traffic Management programs. This will allow us to integrate rostering systems, payroll, and employees, as we consolidate both operations.

Our CEO, Paul Simmons, since being appointed to the Board as an additional Executive Director, has recruited another Senior executive as Company Operations Manager, to allow Paul to pursue opportunities on the



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Eastern Seaboard, and in South Australia. With the strategic direction set by the Board aimed at building and expanding our operations in those States where we currently hold operating licenses. This was not possible during the Covid pandemic.

It will also allow our CEO and other Senior personnel to have a much close liaison and personal contact with shareholders.

As always, any further acquisitions will be based on delivering a positive return to shareholders, but we are also mindful of broadening the scope of company activity whilst obviously pursuing opportunities to expand MCS organically, within our established industry.

Our entry into the technology side of the industry has proven successful and we are also looking to expand that sector of our operations, particularly in the alarm, monitoring, CCTV, and covert operations.

During the year we were able to operate debt free, and complete finally, all the legacy issues remaining from the merger of Intiga services at the time of the original listing on the ASX in 2015.

MCS is pleased to report that we have recently recovered more than \$110K in settlements from a legal practice and one director involved in the original listing. We continue to actively pursue a previous vendor and another director on unrelated issues.

So, it has been a successful year even though our profitability was affected by the conclusion of the quarantine contracts. We are confident that we can capitalize on the return to relative normality and with the additional revenue that our Highways Traffic and Technology based divisions will provide. With an eye to the future. I would like to thank our entire executive staff. In particular, our CEO Paul Simmons, and our CFO Mark Englebert for their commitment and absolute professionalism.

My thanks to our Administrative team, and especially our "on the ground" day to day operational staff, who accepted the challenges we have faced, and provided very real examples of the company motto. **"Exceeding client expectations"**.

To my fellow directors, thank you for your support, advice, and guidance throughout this challenging but satisfying year.

Finally, thank you to our valued shareholders, many of whom have weathered the vagaries of Covid, and the roller coaster ride it brought. I look forward confidently to this coming year, and we will, I am sure, exceed not only our client's expectations, but yours too, as MCS Services continues to grow and prosper.



The Hon. RC (Bob) Kucera, APM JP Chair MCS Services Limited (MSG)



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## CEO ADDRESS

### Introduction:

Good morning ladies and gentlemen.

My name is Paul Simmons. I am the Chief Executive Officer of MCS and a Director of MCS Services.

*For significant family reasons I cannot be present at today's meeting.*

I welcome all shareholders to this, our seventh AGM as a listed security company.

I firstly thank our Chairman, The Hon Bob Kucera, for his guidance and encouragement over the past year. I similarly thank my other Board members for their skills and valued contributions over the course of the year.

### Progress:

Our seventh year as a listed company has seen rewards from earlier investment and effort including:

- **Proven quality service delivery:**
  - We proudly served our community in successfully operating a Perth-CBD COVID quarantine hotel until the very end of mandatory travel quarantine restrictions in WA – where our hotel was selected to remain in use whilst other quarantine hotels were being wound down.
  - Throughout our period of operations there were no outbreaks of COVID from the hotel into the community, a testament to the quality of our staff and management processes and also the strong and trusted relationship built with the WA Health Department's specialist departments and hotel management;
- **New markets and diversification:**
  - We now have a strong position in the WA Health sector and an increasing presence in CBD concierge-security work and in the commercial Alarm / CCTV / Access Control sector;
- **Acquisition growth:**
  - the recent acquisition of Highways Traffic provides opportunities for growth in new sectors and markets, for synergies, and further development; and
  - it also demonstrates our ability to select targets and, after due diligence, make suitable acquisitions;
- **Quality management processes, including:**
  - MCS has recently obtained renewal of our existing ISO certifications for ISO 9001 (Quality), AS4801 (Health & Safety) and ISO 14001 (Environmental Management);
  - And recently won a WHS Foundation award for one of our inhouse training modules;

- **Management depth:**

- the appointment of a Chief Operating Officer allows me to now focus more of my time on strategic matters, shareholder engagement and other corporate issues

**Strategy:**

Our Strategic Plan provides us with a roadmap for future years, and includes organic growth and seeking further suitable acquisition targets.

We continue to strive to develop the business in add-on markets that will benefit all shareholders. But we will not pursue a business opportunity merely for the sake of development – we will only pursue an acquisition if will enhance shareholder value and fits into our strategic plan.

**Business Development:**

We continue to lodge high quality tenders in a number of sectors, and are currently awaiting results on a number of key tenders.

**Opportunities:**

Opportunities for growth exist in a number of sectors – both in WA and the Eastern States:

Although a leader within retail security in WA, there are still further retail-security opportunities for us in WA;

- Our growth in recent years in Health sector work demonstrates our ability to adapt and prove our capabilities in different sectors,
- There are also continuing opportunities in other sectors, and across a wider geographic market

**Challenges:**

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

- **Evolving Revenue Streams:**

- The COVID quarantine hotel work provided us with significant work volumes and profitability. The cessation of that work, whilst anticipated, ended a sizeable income stream for us;
- In recent years we have seen a notable increase in work volumes from the Health sector;
- We continue to pursue new work opportunities, with existing clients and in new markets, as well as through the recently acquired Highways Traffic subsidiary.

- **Integrating Highways Traffic:**

- Our management team are busy integrating the financial, operations, IT and OHS aspects of Highways Traffic with the existing systems of MCS – including attending to opportunities for synergies and growth.

- **Corporate Efficiencies:**

- The efficiency of our overhead structure is under regular review, including our office staffing levels.
- Workloads within the office, especially rostering, fluctuate on a regular basis so requiring a degree of job role flexibility at times. And where opportunities to improve efficiency are identified, we take appropriate steps to implement them.

**Looking forward:**

There is an exciting future ahead for our Company. I retain absolute focus on our key aims:

- to maximise shareholder value;
- to service existing clients to the highest standards, to retain their work in the long term;
- to leverage proven capabilities and long-term trusted relationships with major clients into new work from them in other locations and service offerings;
- to leverage into servicing new sectors;
- to maximise the utilisation of our Head Office team, and to maintain office numbers at efficient levels.

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

Finally, I take this final opportunity to thank you, our shareholders, for your support of MCS during this year and look forward to the future.

Thank you.

**Paul Simmons**  
**Chief Executive Officer**  
**MCS Services Limited**