MGM Wireless 2013 Chairman's Address

On behalf of the Directors, I welcome both shareholders and visitors to the 2013 Annual General Meeting of MGM Wireless. 2013 was another successful year for the company.

It is often said that small companies will struggle to gain investor attention. However over the past year we have experienced a very large increase in enquiry from brokers, investors and even fund managers. More importantly our market cap is now about $15 million compared with $5 million at the time of last year's AGM. This increase was almost entirely due to share price appreciation as investors increasingly recognised our achievements and started to consider our potential.

MGM Wireless continues to set the standard for student attendance management, student safety and school to parent communications. Innovation underpins everything we do and will be the key driver of our future success.

Reflecting the strength of our value proposition, the number of contracted schools and pre-schools grew by nearly 21% in the year ended 30 June to 1,053. This included some 70 pre-schools. A Highlight of the year was an agreement with Mission Australia to install our service in their 51 early learning centres located throughout Australia.

Monthly SMS message volume during school terms passed 900,000 or nearly 50,000 messages per school day. Whilst we continue to experience rising overall message volumes, a positive trend lying below these numbers is the steep rise in the volume of social messages being sent by our schools. These messages cover issues such as logistics, security, event reminders and so on and now account for about half of all messages sent. This share has risen steeply over the past two years as more of our schools added the outreach module to the core messageyou service

Our operating profit in FY 2013 increased by 61% compared with 2012. Net profit increased by a more modest 10% but this was after a large increase in spending on research and product development which included patent and other costs associated our new product, PinPoint which we will be releasing soon. We also incurred a tax charge for the first time. Our accumulated tax losses are diminishing as our profits grow - which is a good thing. But the consequence is that our effective tax rate will rise over the next two years as those losses are fully utilised. As some compensation we will generate franking credits.

We finished the year with a very strong balance sheet. We held over $500,000 in cash with nearly another $500,000 in receivables most of which was the tax rebate. With such a strong position, the Directors felt that the time was right to reward patient shareholders by commencing dividend payments. A maiden dividend of 1 cent per share has been declared and will be shortly paid to shareholders.

Since the end of June, the number of contracted schools and pre-schools has increased to 1,072 and the cash balance now exceeds $800,000 following receipt of the tax rebate.

Our growth will be driven by four factors

- Increased market penetration from our core products
- New products
- Acquisitions
- And overseas opportunities.

Let me talk briefly about these points.

Our value proposition for both schools and pre-schools has been amply demonstrated. We have achieved exceptional growth over the past few years and whilst we have captured most of the low lying fruit, so to speak, plenty of opportunity remains to extend our penetration of the school and pre-school markets.

As I said earlier innovation underpins everything that we do. Last year we spent $1.4 million on research and product development out of which we are constantly enhancing our existing products and developing a pipeline of new products. Earlier this year we announced a revolutionary new product called PinPoint. In simple terms Pinpoint will enable both schools and parents to locate a child who is unexplainably absent from school. It will raise the bar on student safety and is primarily targeted at parents of younger and at risk children. The level of interest from both schools and parents has been strong and they, as we do, eagerly await Pinpoint's release. We are concluding final testing but given the end of the school year is approaching, we may hold back the formal launch until the new year. We are very excited by the potential of this product.

Whilst we have enjoyed very strong growth in recent years and our prospects remain strong, there are a wide range of complimentary opportunities in the education market that would fit well with our own operations and which would enable us to further deepen our penetration of the school market. Equally, we believe that we can add considerable value to complimentary businesses through our technical, marketing and customer support capabilities.

Prior to the GFC, MGM established a small but promising foothold in the south west of the US. We quickly built a base of about 20 schools in Arizona and Southern California. However, we had to pull back from that market due to the lack of resources to support further growth in the wake of the GFC. Our product offering has come a long way since those days and we are confident that we can achieve success in overseas markets. We are still at the early stages of developing our strategy, but let me assure shareholders that our approach to any overseas opportunities will be very conservative. We will be pursuing a model that requires little capital on our part and which will shift most of the risk to other parties.

The current financial year has started well and the Directors are confident of another year of strong growth.

Finally, on behalf of our Directors, I would like to acknowledge the contribution to our success by our people; a small team of less than 20 people. Having established a track record of sustained and accelerating profit growth - the passion, energy and excitement at MGM is at an all-time high. In this sense we have the feel of a start-up where nothing is impossible!

Thank you and now to the formal part of the meeting…..