



## **MGM WIRELESS LTD**

ABN 93 091 351 530

### **Chairman's Address to Shareholders**

The 2008 financial year proved to be the most invigorating and challenging year in our history.

Having founded the new industry and product sector of SMS/text based attendance and communication solutions for schools back in 2003, we now find ourselves in a position where we have achieved clear market dominance and have captured – either directly or indirectly one in three of all schools in Australia. This is a great achievement that we are all very proud of.

Even in 2005, it was still not clear whether SMS communication in schools was a passing fad or had a long term, substantive role to play in school operations. 18 months ago, the Board, after extensive discussion and feedback with Governments and schools, formed an view that a long term role was present. To capitalize on our early market success, the company during the course of 2008 invested strongly in our operations to consolidate our position further, and to set the stage for ongoing grow in our business for the long term both in the US and Australia.

Our view was subsequently substantiated by decisions by governments in Western Australian and New South Wales to introduce text communication solutions to government schools in

For personal use only

their respective states, and I'm pleased that in both cases MGM systems were selected.

The result of our investment in operations has meant that we now have a broad and diverse customer base spanning two Australian Government contracts – Western Australia potentially covering up to 800 schools, NSW Sydney region possible up to 2,300 schools and 144 TAFE colleges, and over 200 individual state, Independent and Catholic schools, in addition to 23 schools in the US. Due to the 'opt-in' nature of the both Government agreements, the actual number of school uptake is hard to predict, but the company believes that collectively these agreements will lead to a much larger customer base and larger revenues than what is the case today.

As a result of our investments, the company has a more experienced and mature management team, a richer and broader product range that meets the needs of a greater variety of schools at different price points and requirements.

## **US market**

Since opening our offices in January 2007 in the US market – we have acquired 23 schools. We are proud of this achievement and remain focused on building on this foothold in the biggest education market in the world. The challenge for the company moving forward in the US market is to change and leverage our current sales processes, successes and customer base into more cost effective and profitable sales channels.

To this effect, in July 2008, MGM signed the first stage of a re-seller channel agreement for the US with an Miami based provider of School Infraction Management solutions with an existing customer base of over 700 schools.

Currently, sales and marketing operations are being ramped up in preparedness for a nationwide US sales launch of our messageyou solution in the US market on January 1, 2009. We are extremely excited by this development and look forward to updating shareholders of our progress.

## **R&D**

The company ongoing success to a large degree rests on its ability to re-invent itself with new and exciting products and new organizational structure appropriate for the market. As a greater proportion of School operating environments move to a web based solution, MGM in the past year released its first web application - School News Channel.

School News Channel – Outreach was chosen by NSW Education and as previously mentioned, is currently being made available to all Government Schools in the Sydney Region and TAFE colleges across NSW.

The company also continued to expand all enhance all of its existing products, especially our communication network and billing infrastructure – or Message Centre to improve performance,

connectivity to multiple carrier networks in Australia and the US. The Message Centre remains highly valuable, strategic infrastructure that enables the company to offer least cost routing of SMS, higher levels of functionality and services to schools, and in particular Government Departments.

We continue to see communication traffic grow and with the increased volumes the company is building a solid, stable and profitable revenue stream that continues to financially improve with economies of scale.

### **The Future**

The final– and very important stage of building our company is to now transform our market success into solid business and financial success and return for our shareholders.

With the emergence of the crisis in the international financial markets, achieving this outcome rapidly for shareholders is more important than ever before

In July, the company commenced changing its business strategy and approach with the goal of achieving a financially breaking even and then profitability position. To this effect, every business process has been reviewed and many restructured. The company has reduced its cost base on our 2008 result by an estimated \$0.9m p.a. to approximately \$2.1 m for the year to end-June 2009 without impeding on the company's capability to continue to grow and acquire new customers. Operations and business processes

were streamlined and senior sales operatives resigned. We have made significant progress to closing the gap between loss and breakeven, and we are working hard to achieve a breakeven result as quickly as possible.

If one were to accept the view that most, if not every school one day will use a text communication solution – and MGM is the clear market leader, then despite the current financial market turmoil and challenges, MGM, with its very large foothold on the Australian market, large customer base, ongoing and growing recurring revenue stream does have a bright, sustainable and profitable future for many years to come.

To this effect we look forward to the challenges of working our way through these immediate issues and achieving these very important business outcomes for our Shareholders.

In closing, I would like to take this opportunity to thank my fellow Directors, John Dawkins and Mark Hurd for their contributions and efforts, as well as the considerable and tireless efforts of the company's management team.

We look forward to reporting our progress and results to shareholders.

Thank-you and I will now take questions from the floor.