PEOPLE SECURITY & COMMUNICATION PS&C LTD

25 August 2014

PS&C Acquires Cyber Security Services Company Pure Hacking Pty Ltd

PS&C Ltd (ASX: PSZ) is pleased to announce it has acquired Sydney-based cyber security company Pure Hacking Pty Limited (Pure Hacking). PS&C will acquire Pure Hacking for an initial payment of $8.3m, $4.15m in cash and $4.15m in PS&C shares.

Pure Hacking is a cyber-security services company with more than 400 clients and has been operating for more than 10 years providing services in:

- Penetration testing
- Application security
- Governance security
- Managed Services and training

Pure Hacking is based in Sydney and also has a presence in Melbourne. Pure Hacking is in a similar mould of existing PS&C security businesses, HackLabs and Securus.

For more information on Pure Hacking: www.purehacking.com

PS&C Managing Director, Kevin McLaine commented:

"We are delighted to have Pure Hacking as part of PS&C. Pure Hacking is a quality business with strong leadership. We are confident of the growth of the cyber security industry and see this acquisition as expanding our capability and enabling us to increase our offering of services to accommodate larger customers. The business has a growing managed service income stream and we will look to grow that across our group."

The initial payment of $8.3m equates to four times Pure Hacking's FY14 EBIT. In addition, PS&C will pay 5.5 times actual FY15 EBIT minus the completion payment ($8.3m). There is an additional earn out for the FY16 which is three times the growth in EBIT from FY15 to FY16. The acquisition payments are intended to provide a low-risk alignment of both PS&C and Pure Hacking for the future.

It is PS&C's intention to pay 50% in cash and 50% in scrip of all future payments but have retained the right to complete payments in scrip. The amount of scrip is calculated at a volume weighted average price (VWAP) of PSZ 30 days prior to issue. PS&C has 90 days to issue the scrip.

On a full year basis, PS&C expects Pure Hacking to contribute $2.5m to $3m EBIT to the Company. The acquisition will be earnings per share (EPS) accretive for FY15. The cash component will be funded via existing cash and undrawn debt facilities.

The Company remains focused on attractive acquisition opportunities in the cyber security space. However, management will remain financially prudent, holding debt of no more than 1x EBITDA. The Company also intends to continue its policy of paying 50% of profits as dividend, as the PS&C businesses have good cash flow and minimal capital requirements.

PS&C believes the cyber-security services sector is attractive due to it being high growth and high margin. With spend on cyber-security tipped to grow strongly, there is an opportunity to create a high franchise value business. Acquiring a greater market share of the cyber-security services industry will allow PS&C to benefit from economies of scale and increased traction with larger customers.

For further information contact:

Kevin McLaine, Managing Director
Julian Graham, Chief Financial Officer
+613 96822699

Simon Hinsley
NWR Communications
0401 809 653