

2 February 2024

SALE OF MCS SECURITY BUSINESS

MCS Services Ltd (ACN 119 641 986) (ASX:MSG) (**Company**) wishes to announce that it has entered into a conditional agreement to sell its security business for a cash consideration of \$3 million.

MCS Security Group Pty Ltd is the Company's wholly owned subsidiary and a leading supplier of security services at commercial property sites and retail shopping centres, principally in the Perth metropolitan and regional country areas of Western Australia. The Company's decision to undertake the sale of its security business was made after thorough and diligent evaluation from the Board of Directors as to the merits of the sale or retention of the business, with the Company's primary aims being to preserve value for its shareholders, but in particular in view of:

- the continued shift toward major security contracts being awarded at a National rather than State level.
- the increased pressures created by work force availability and labour costs.
- economies of scale; the reality of maintaining a business of this size, compared to the necessary costs of maintaining an ASX listed public company essentially based at state rather than national level in the security sector.

The purchaser, Vibrant Service Pty Ltd (**Vibrant Service**) has extensive security operations in the Eastern states and the addition of MCS Security will allow it to create a competitive national organisation. Vibrant Services provides security services in the events, education, critical infrastructure, industrial and manufacturing, corporate and retail sectors, where it directly employs its staff on a fulltime, part-time or casual basis. The purchaser also provides comprehensive risk management services where it analyses risk for an entity as part of a comprehensive risk management process.

The sale will allow the Company to re-evaluate its strategic directions and inject funds to accomplish the next phase of its operations and refocus on ensuring that shareholders are rewarded going forward.

Heads of Agreement

To give effect to the sale, the Company has entered into a Heads of Agreement with Vibrant Service (**Heads of Agreement**), pursuant to which the Company has agreed to sell and Vibrant Service has agreed to buy 100% of the issued capital in MCS Security Group Pty Ltd (ACN 114 919 925) (**MCS Security**) (**Sale Shares**) for a cash consideration of \$3,000,001, payable upon the execution of a final share sale agreement to be negotiated in good faith between the Company and Vibrant Service (**Proposed Sale**).



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Importantly, the sale remains highly conditional, and completion of the Proposed Sale is subject to and conditional upon the satisfaction of several conditions contained within the Heads of

Agreement. These conditions include the completion of various due diligence enquiries by Vibrant Service, the signing of formal transaction documents, as well as obtaining all necessary approvals required to implement the Proposed Sale in accordance with the ASX Listing Rules and the Corporations Act 2001 (Cth).

The Heads of Agreement includes a period of exclusivity for Vibrant Services to undertake its due diligence (period of 30 days from signing) with completion scheduled to be not later than 60 days after signing the Heads of Agreement.

The key condition is the receipt of shareholder approval under ASX Listing Rule 11.2 with respect to the sale of the Company's main undertaking. In the event shareholder approval is obtained, it is likely that the Company will be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules in connection with the acquisition of any new assets or undertaking. ASX will usually only allow the securities of the Company to continue trading for the period of 6 months from the date of the agreement to dispose of its main undertaking. After this date, ASX will usually suspend the securities of the Company from trading.

It should be noted that there are no anticipated Board or senior management changes to the Company as a result of the Proposed Sale and Vibrant Services is an arm's length non-related third party purchaser.

Indicative Timetable

Subject to the Listing Rules and any Corporations Act requirements, the Company sets out the following indicative timetable:

Event	Date*
ASX announcement of the sale of MCS Security	2 February 2024
Notice of Meeting for the sale of MCS Security sent to Shareholders	23 February 2024
Formal Sale Agreement to be signed	23 February 2024
Shareholder Meeting to approve the sale	25 March 2024
Closing of Sale Agreement	3 April 2024
Expected date for suspension of MCS Securities shares from trading on ASX	2 August 2024

*Please note this timetable is indicative only and the Directors reserve the right to amend the timetable as required



Use of Funds from Sale

The funds from the sale of circa \$3 million will be used to repay debt estimated to be \$1.5 million, with the balance allocated to working capital.

Other Information

The Company has undertaken its own due diligence review to assess the ability of Vibrant Services to perform its obligations under the Heads of Agreement in order to complete the Proposed Sale, assuming the conditions are satisfied or waived. In this regard, this included the Company seeking and being provided with a letter from the independent accountants and tax agents to Vibrant Services confirming that they consider Vibrant Services has the financial and other capacities to carry out the Proposed Sale, undertaking relevant searches of this entity and having discussions with the key management personnel of Vibrant Services and their external accountants amongst other things. The Company assessed this information based on the requirement of Vibrant Services to make payment of the consideration and otherwise perform its obligations under the Heads of Agreement. Based on this review, the Company considers that Vibrant Services is capable of performing its obligations to complete the Proposed Sale.

The Company will provide further details and developments regarding the Proposed Sale, through the materials to be provided to shareholders for the purposes of seeking their approval.

The Company will work closely with Vibrant Service to facilitate a smooth transition with respect to the Proposed Sale, ensuring the supply of services remains continuous and the operations of MCS Security, including the welfare of employees, is safeguarded throughout the process. We appreciate the dedication of our employees and the support of our suppliers and key stakeholders, including shareholders.

This announcement was authorised for release to ASX by the Board of Directors of MCS Services Ltd. For further information, please contact Mr Paul Simmons on 0439 943 405.



Chamber of Commerce
and Industry WA



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.



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