

MCS Services completes acquisition of Highways Traffic Pty Ltd

Further to the Company's announcement on 5th September 2022, the Company is pleased to announce it has completed the acquisition of 100% of the share capital of Highways Traffic Pty Ltd ("*Highways Traffic*") from Mr James and Mrs Carol Capelli.

Going Forward:

The core business of both Highways Traffic and MCS Security (the Company's existing security officer business) is the provision and management of accredited specialised personnel into risk-mitigation roles for, typically, high profile national clients - at this stage in the Western Australian market.

The acquisition of Highways Traffic is part of the Company's strategic plan to:

- target and complete mergers and acquisitions that establish a capability footprint for entry into new markets; and
- develop allied services that add value for existing clients, augmenting MCS' existing capabilities.

The Board and management of MCS look forward to this next exciting stage in the development of the Company, leveraging the combined management expertise, client reach, marketing and other synergies into achieving an expanding market and client base.

Highways Traffic:

Highways Traffic was established in 2002 and now provides a comprehensive range of traffic management services including but not limited to:

- design, development and delivery of traffic management plans that provide for the safety of workers and road users,
- provision of:
 - o accredited traffic management personnel;
 - o vehicles, including providing truck-mounted attenuators;
 - o variable message boards, arrow boards and general traffic signage;
 - o heavy haulage traffic management, including for the movement of pre-fabricated mining assets in the Pilbara region of WA; and
 - o event traffic management.

Highways Traffic benefits from ongoing major road developments and upgrades across metropolitan and regional Western Australia, employing some 95 operational staff plus 6 office staff and a fleet of 32 operational vehicles including three trucks mounted with attenuators. Recent and ongoing work includes, but is not limited to, major road & freeway building / upgrades in the Perth metropolitan region for national civil construction consortiums.

Existing senior management of Highways Traffic remain in place and have signed incentivised employment agreements. Further, Mr James Capelli will consult to the Company for a period of 12 months after Completion on matters related to Highways Traffic.

The existing Highways Traffic operational base will remain in leased premises in Carlisle, a commercial suburb of Perth with strong access to the primary road network in Perth / WA making it well placed

for traffic management operations. Some administrative functions (such as HR management, business development, financial management) will be primarily managed from the Company's corporate office in Joondalup WA, but core operational traffic management functions will remain in Carlisle.

The Transaction:

On Completion:

- \$1.8m cash was paid on Completion:
 - o of which \$0.15m has previously been paid into trust as a deposit;
 - o and the remaining \$1.65m was funded from the Group's existing cash balances;
- \$0.26m of shares in the Company were issued on Completion to the Vendors:
 - o being 6,643,382 ordinary shares in MCS Services Limited,
 - o the number of shares was calculated based on the volume-weighted average sale price over the 15 trading days immediately prior to Completion;
 - o the shares are subject to escrow for a period of 12 months post-Completion
- the vehicle fleet was acquired at an independently assessed valuation of \$1.3m:
 - o funded by a secured 5 year term loan facility from MCS Service Limited's banker, National Australia Bank.

Subsequent to Completion:

- Up to \$0.54m is payable post-Completion, payable in four quarterly instalments of up to \$0.135m each:
 - o subject to post-Completion revenue tracking at achieving \$7m pa in the 12 months after Completion;
- Up to a further \$0.35m is payable 12 months after Completion,
 - o subject to post-Completion revenue exceeding \$8.4m in the 12 months after Completion;
 - o subject to a cap based on Highways Traffic's profitability;
- at this stage the Company anticipates that post-Completion purchase price instalments will be funded from ongoing cashflows.

Other:

Pre-Completion liabilities of Highways Traffic are warranted by the vendors.

The Company has an approved Invoice Finance facility in place with National Australia Bank (PPSR registration in progress) to fund initial working capital requirements of Highways Traffic.

Paul Simmons

Chief Executive Officer

20th October 2022

This announcement was authorised for release to the ASX by Mr Paul Simmons. For further information contact Mr Simmons on 08 9301 2420

About MCS Services

MCS Services provides security services at major commercial property sites and retail shopping centres throughout the Perth metropolitan area and regional 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.