

23 January 2022

ACQUISITION OF TRAFFIC MANAGEMENT BUSINESS

MCS Services Limited ("MCS" or "Company") is pleased to announce it has signed a Binding Terms Sheet for the acquisition of 100% of the share capital of Highways Traffic Pty Ltd ("Highways Traffic"), a premier provider of trained Traffic Management manpower and assets in Western Australia.

Highways Traffic is ISO certified and has been in operation for 20 years. It's recent work portfolio includes many of WA's largest road construction and improvement projects, working for main contractors.

Highways Traffic has depots and personnel in Perth and Kununurra and provides traffic management solutions in the metropolitan area and beyond, having administered traffic support from the Wheatbelt and the South West, out to the Great Southern as far as the Eyre Highway on the Nullarbor and through the Goldfields, Mid-West and Gascoyne to the Pilbara and Kimberley.

Highways Traffic's traffic control services cater from large multi-crew projects with a long-time frame through to small one-off jobs.

Highways Traffic is a Main Roads accredited service provider with third-party certifications in occupational health & safety and quality management systems. All aspects of work adhere to the Main Roads Code of Practice for Traffic Management for Works on Roads and Traffic Management for Events, as well as comply with the Australian Standard 1742.3 – 2009.

Further information about the business is available on the company website:
highwaystraffic.com.au

The significance of the acquisition is that it is complementary to and enhances MCS's existing business of providing and managing trained manpower in its security business. The core of Highways Traffic's business, like that of MCS, is the provision of managed manpower into a targeted niche market with a focus on quality and professionalism. The acquisition allows MCS to bring to bear its core management strengths into a separate market from the provision of security guards, bringing the benefits of diversification to the Company.



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The purchase consideration is:

- \$1.8 million cash on Settlement, which MCS intends to fund from MCS's existing cash reserves;
- \$260,000 worth of ordinary shares in MCS Services Ltd, issued on Settlement, calculated at the 15 day weighted average, escrowed for 12 months;
- Up to a total of \$0.54 million payable post-settlement, in quarterly instalments, subject to Highways Traffic's revenue performance tracking at \$7m per annum;
- up to an additional \$0.35 million payable post-Settlement conditional on Highways Traffic's revenue exceeding \$8.4m in the 12 months post-Settlement.

A deposit of \$150,000 is payable on exchange of the definitive sale contract documentation.

Settlement is anticipated to be on or before 28 February 2022, subject to achieving certain conditions precedent, the key conditions which include the finalisation of due diligence procedures, signing of definitive sale contract documentation, transfers of Highways Traffic's customer contracts, agreement by Main Roads for the continuation or assignment of the necessary traffic planning and traffic management licences to MCS, the general manager continuing employment and a lease renewal and assignment or extension for the key premises on terms acceptable to MCS. The balance of the conditions precedent are considered to be standard for agreements of this nature.

The definitive sale contract documentation will include standard representations and warranties as to the status of Highways Traffic, customary covenants relating to the conduct and maintenance of the business up to and including settlement, and a non-competition restraint for a period of 5 years.

There is no requirement for shareholder approval for the proposed transaction and there is no change to the Board arising as a result of the proposed transaction. The general manager of Highways Traffic and its key staff will continue in their current roles (assuming completion).

By signing the Binding Terms Sheet, the existing shareholders, James Capelli and Carol Capelli have agreed to grant MCS a period of exclusivity of three months to conclude the signing of the definitive sale contract documentation.



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Paul Simmons, CEO, said:

"The Highways Traffic acquisition is a major milestone in MCS's history. We are thrilled to have this opportunity to acquire a substantial profitable local business of a manageable scale in a closely related industry. We expect the acquisition to be earnings per share accretive and it may well open doors for further expansion."



PAUL R. SIMMONS
CHIEF EXECUTIVE OFFICER
MCS SERVICES LTD

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 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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