

MCS Services Acquires Highways Traffic Pty Ltd

The Company is pleased to announce it has today executed a Sale & Purchase Agreement for the acquisition of 100% of the share capital of Highways Traffic Pty Ltd ("Highways Traffic"), a pre-eminent traffic management company operating in Western Australia.

Completion is subject to a number of operational, licencing and financing pre-conditions. The Company and the Vendor are working to complete within the next 14-21 days.

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:
 - accredited traffic management personnel;
 - vehicles, including providing truck-mounted attenuators;
 - o variable message boards, arrow boards and general traffic signage;
- heavy haulage traffic management, including for the movement of pre-fabricated mining assets in the Pilbara region of WA; and
- 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.

Highways Traffic operates from leased premises in Carlisle, a commercial suburb of Perth.

The Transaction:

The Company is to acquire 100% of the share capital of Highways Traffic Pty Limited from the founding owners, Mr James and Mrs Carol Capelli.

The purchase consideration is as follows:

- \$1.8m cash on Completion:
 - of which \$0.15m has previously been paid into trust as a deposit;
- \$0.26m of shares in the Company, issued on Completion:
 - based on the volume-weighted average sale price over the 15 trading days immediately prior to Completion;
 - o subject to escrow for a period of 12 months post-Completion
- Up to \$0.54m post-Completion, payable in four quarterly instalments of up to \$0.135m each:
 - subject to post-Completion revenue tracking at achieving \$7m pa in the 12 months after Completion;



- Up to a further \$0.35m, payable 12 months after Completion,
 - 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;
- the acquisition of the vehicle fleet at an independently assessed valuation of \$1.3m

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

Funding:

The Company intends to fund:

- the primary purchase price instalment of \$1.8m (\$0.15m of which having previously been paid into trust as a deposit) from existing cash balances;
- post-Completion purchase price instalments from ongoing cashflows; and
- acquisition of the vehicle fleet through vehicle lease finance

In addition, the Company intends to fund initial working capital requirements of Highways Traffic through Invoice Finance.

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 Company expects to leverage the combined management expertise, client reach, marketing and other synergies into achieving an expanding client base.

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.

Paul Simmons Chief Executive Officer 5th September 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.