

## Millennium Full Year FY16 Results

- Pro-forma FY16 revenue up 31%<sup>1</sup> YoY, EBITDA up 68%<sup>1,2</sup> YoY
- Strong gross margins maintained
- Contract book profile significantly strengthened
- Final dividend declared of \$0.044 per share (fully franked), representing ~50% of H2 FY16 NPAT (after adding back non-cash contract amortisation costs of \$0.5 million)
- FY17 pro-forma revenue growth expected to be in the range of 13-18%
- FY17 pro-forma EBITDA growth expected to be in the range of 12-14%
- Millennium continues to pursue accretive acquisition opportunities

Millennium Services Group (ASX:MIL) today announces full year FY16 pro-forma revenue up 31% versus FY15 to \$157.2<sup>1</sup> million (FY15: \$120.1 million), pro-forma EBITDA up 68% to \$12.1<sup>1,2</sup> million (FY15: \$7.2 million) and pro-forma NPAT of \$6.4 million. The company has also declared a final dividend of \$0.044 per share (fully franked) for the period ending 30 June 2016, to be paid in late September 2016.

As previously announced, delays in forecast contract wins adversely impacted the Company's full year FY16 revenue and earnings. These delayed contracts are now fully in place at 30 June 2016, which will see Millennium realise their full first year value in FY17. Following unprecedented tendering activity in FY16, Millennium's contract book profile has been significantly strengthened as a result and is now the strongest in the Company's 13 year history.

### FY16 pro-forma results

\$ million	FY16 (pro-forma)	FY15 (pro-forma)	YoY Growth (pro-forma)	Prospectus Forecast	Variance vs. Prospectus
Revenue	157.2 <sup>1</sup>	120.1	30.9%	168.2	(6.6%)
EBITDA	12.1 <sup>2</sup>	7.2	68.1%	13.3	(9.2%)
NPAT	6.4 <sup>3</sup>	n/a	n/a	7.6	(17.1%)

1. Includes the contribution of National Cleaning Services Australia (NCSA) from 1 February, 2016.

2. Includes the positive impact of \$0.4 million of consumable stock-on-hand adjustments moved to the balance sheet. These adjustments represent a change in treatment from that used in the preparation of Millennium's 2015 Prospectus.

3. Includes the positive impact of \$0.4 million of consumable stock adjustments and \$0.6 million of non-cash accounting adjustments related to the change of depreciation method to 'straight line' from the 'diminishing value' method used in the preparation of Millennium's 2015 Prospectus, offset by \$0.5 million of amortisation expense adjustments relating to contracts acquired from the ACS and NCSA acquisitions.

Millennium Chief Executive Officer (CEO), Mark Baldwin commented, "Millennium achieved significant year on year revenue and EBITDA growth and maintained strong gross margins in FY16. Notwithstanding this, contract delays impacted full year revenue and EBITDA, despite our considerable efforts to reduce costs and achieve prospectus forecast, which was disappointing.

"The Company achieved approximately 31% revenue growth and 68% EBITDA growth on a pro-forma basis in FY16 versus full year FY15. In addition, our total forward contract book continued to grow strongly and

operating margins remained steady. These combined factors demonstrate that the Company's underlying performance and profitability profile remains strong," said Mr Baldwin.

Millennium Chairman, Peter Anderson commented, "The Board acknowledges that the delay in the commencement of new contracts has impacted the achievement of Millennium's prospectus forecast revenue and earnings and while shareholders will undoubtedly share our disappointment with this outcome, it is important to note that the impacted forecast contract revenue has moved into FY17."

"Separately, the Board has reviewed the performance, capability and resourcing of the Company's finance function. The recent appointment of Damien Gray as the Company's new Chief Financial Officer is the first step in strengthening this team. Mr Gray will provide more detail on progress in this area on today's results call," said Mr Anderson.

### **FY16 Capital Expenditure**

Capital expenditure for the year was \$3.3 million (statutory basis) and \$4.5 million (pro-forma basis). The Company's capital expenditure profile is primarily focused on new contracts or contract renewals, with only approximately \$0.4 million related to replacement capital expenditure.

Identifiable items that weren't forecastable (e.g. specific equipment for security contracts and bring-forward of spend for 2017 for contracts that start on 1 July) totalled approximately \$1.1 million.

Capital expenditure for FY17 is expected to be in the range of \$3.2m - \$3.7m, and will depend upon the nature of any further contract changes. It is anticipated that approximately \$2.5 million of this spend will be financed under lease arrangements.

### **Finance Function Review**

As previously advised, following his appointment as Chief Financial Officer on 30 May, Mr Damien Gray undertook a systematic review of the company's finance function, with particular focus on the team's planning, analysis and reporting systems and capabilities. Investments in additional staff (including a newly appointed Financial Controller) have been made and work has commenced to improve Millennium's accounting systems and processes to improve the quality of forecasting, planning and analysis capabilities.

As part of this work, and in finalising the Company's FY16 accounts, further accounting adjustments have been made, primarily for doubtful debts exposure (\$0.1 million of this related primarily to one debtor, which was placed into receivership in late June 2016). In addition, Millennium had higher than expected public liability claims settlement and periodicals spend. The Company has also recognised amortisation expenses of \$0.5 million related to contracts acquired as part of the ACS and NCSA acquisitions, which were partially offset by lower full year depreciation.

Pro-forma NPAT for the year ended 30 June 2016 is \$6.4 million, a decline of \$0.4 million versus the 4 July update, with the key net change being the recognition of the \$0.5 million of amortisation expense (which was flagged as outstanding in the 4 July update).

### **Balance Sheet**

At 30 June 2016 Millennium held \$6.7 million in cash on the balance sheet. While the bad debt exposure in late June was a disappointment, Millennium continues to maintain a very low bad debt profile given the quality of its customer base.

Millennium maintained its \$26.6 million facility with ANZ, with \$1.8 million drawn on the \$15 million Interchangeable Loan Facility as at 30 June 2016, and \$4 million available on the undrawn overdraft facility.

### **FY17 Outlook**

FY17 full year pro-forma organic revenue growth is expected to be in the range of 13-18%. FY17 full year pro-forma EBITDA growth is expected to be in the range of 12-14%.

FY17 full year overhead costs are expected to materially increase above 2016 pro-forma levels.

Millennium CEO, Mark Baldwin commented, “With our IPO behind us and unprecedented tendering activity now complete, Millennium is squarely focused on consolidating its strong reputation as Australia’s leading premium cleaning, security and integrated services provider.

“We remain a high-potential growth business, underpinned by a long-tail contract book, growing market demand for the non-discretionary services we provide, and scope for ongoing strategic acquisitions of an accretive nature.

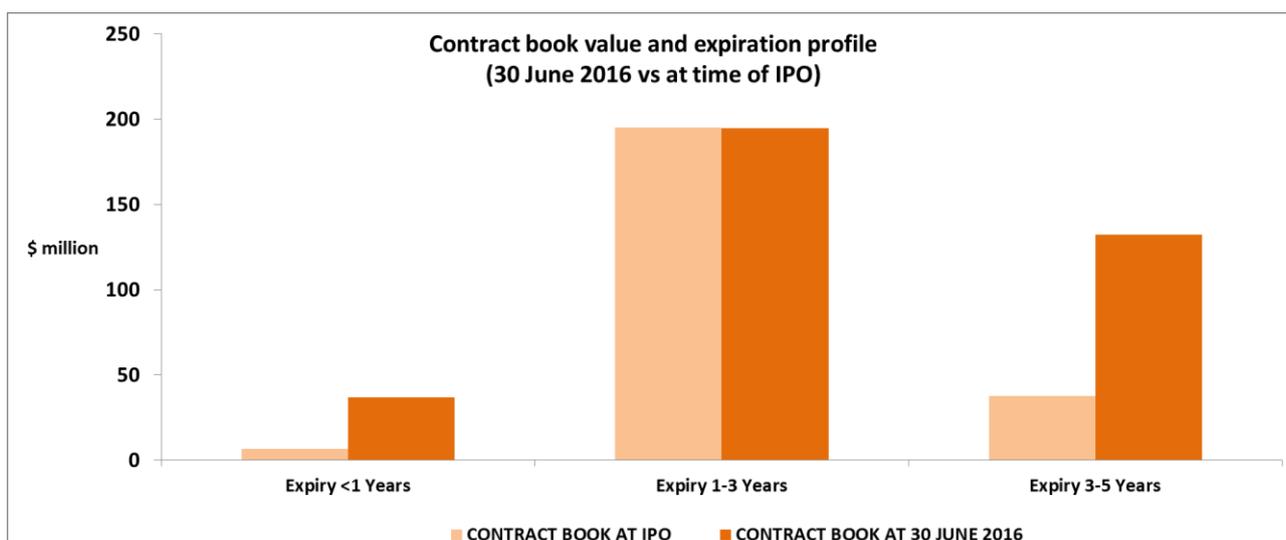
“I’d like to thank our shareholders for their support of Millennium in FY16 and look forward to delivering on our combined organic and acquisition-led growth strategy in FY17,” said Mr Baldwin.

### **Contract Book**

Contract wins Millennium has now received notification of will flow into FY17 contract revenue. Importantly, the majority of these contracts have five year terms.

#### **Figure 1: Total in-force contract book profile**

As **Figure 1** below demonstrates, Millennium’s in-force contract book profile has strengthened with a significantly increased proportion of contracts moving from expiry in less than 3 years, to expiry in 3 to 5 years, reflecting the increased longevity of contract expires as result of contract renewals and new contract wins achieved in FY16. In addition to this improved expiry profile, Millennium’s total number of in-force contracts has grown significantly year on year.



### **Conference call details**

The Company will hold an analyst and investor conference call today at 9.30am AEST to discuss today's announcement. The conference call will also be webcast. Please see full details below.

**Date:** Monday 29 August, 2016

**Time:** 9:30am AEST

**Speakers:** Mark Baldwin (CEO), Damien Gray (CFO)

### **Conference-call dial-in**

**\*After dialling relevant number below please ENTER CONFERENCE ID: 7149 6627**

**Australia Toll:** +61 2 8038 5221

**Australia Toll-free:** 1800 123 296

**New Zealand:** 0800 452 782

**Hong Kong:** 800 908 865

**Singapore:** 800 616 2288

**United Kingdom:** 0808 234 0757

**United States:** 1855 293 1544

### **Live webcast link**

<http://webcast.openbriefing.com/3034/>

**-ENDS-**

### **Investor & Media Enquiries:**

Matthew Cuming

Mobile: 0450 536 788

Email: [mcuming@hintons.com.au](mailto:mcuming@hintons.com.au)