

FY18 INTERIM RESULTS  
PRESENTATION  
27 FEBRUARY 2018



*a new millennium in integrated services*

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# Agenda

1

**Overview**

2

**Operational performance**

3

**Financial performance**

4

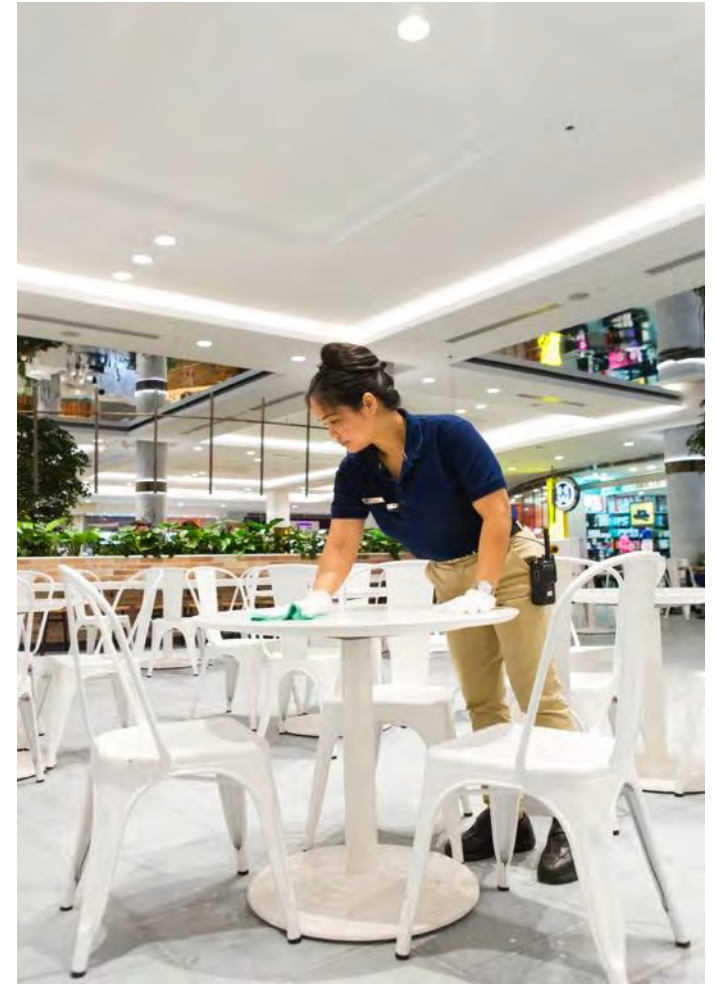
**Strategic Initiatives**

5

**Outlook & FY 18 Guidance**

6

**Appendices**

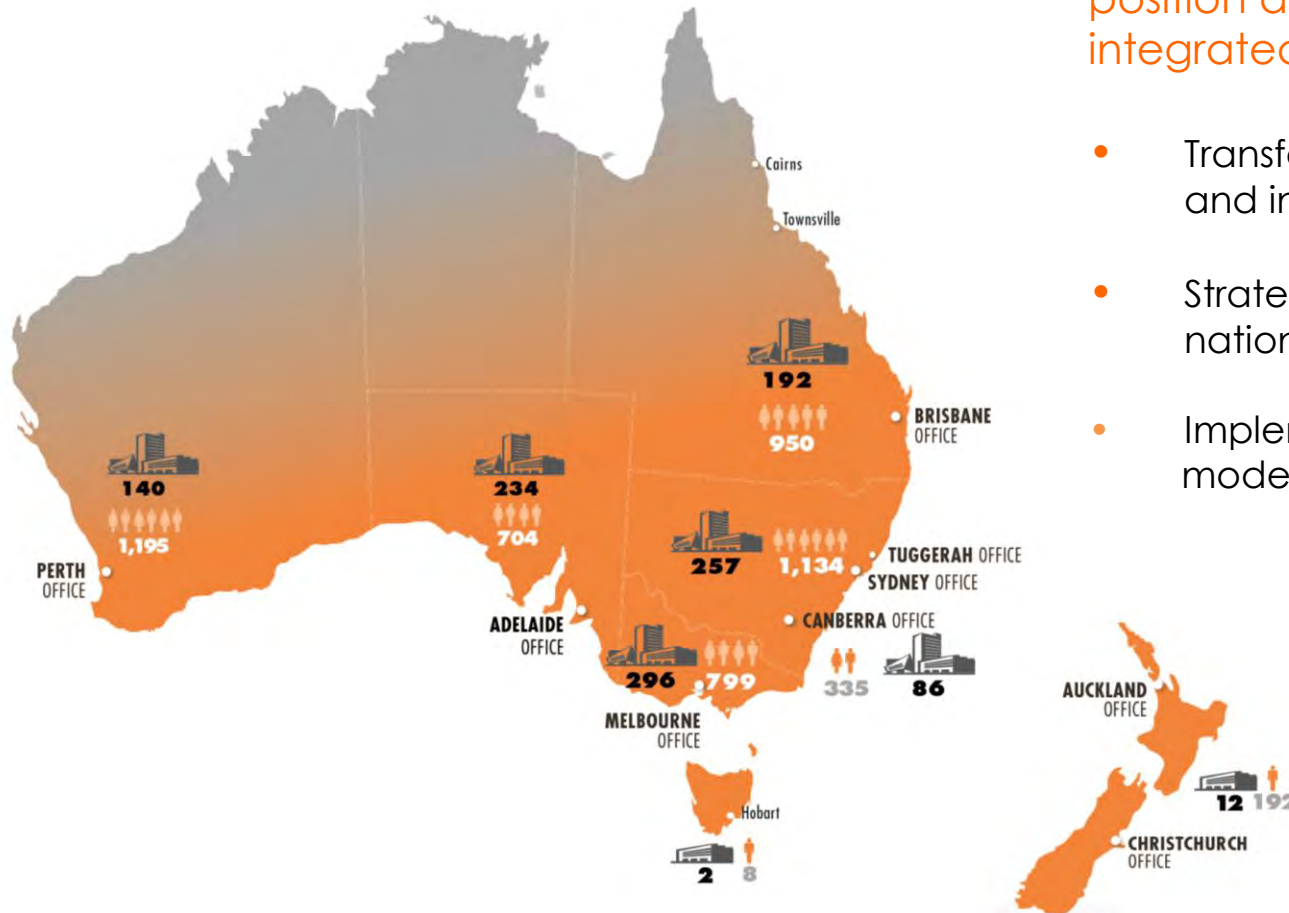




# 1. Overview

# Positioned for growth as a leading integrated services provider

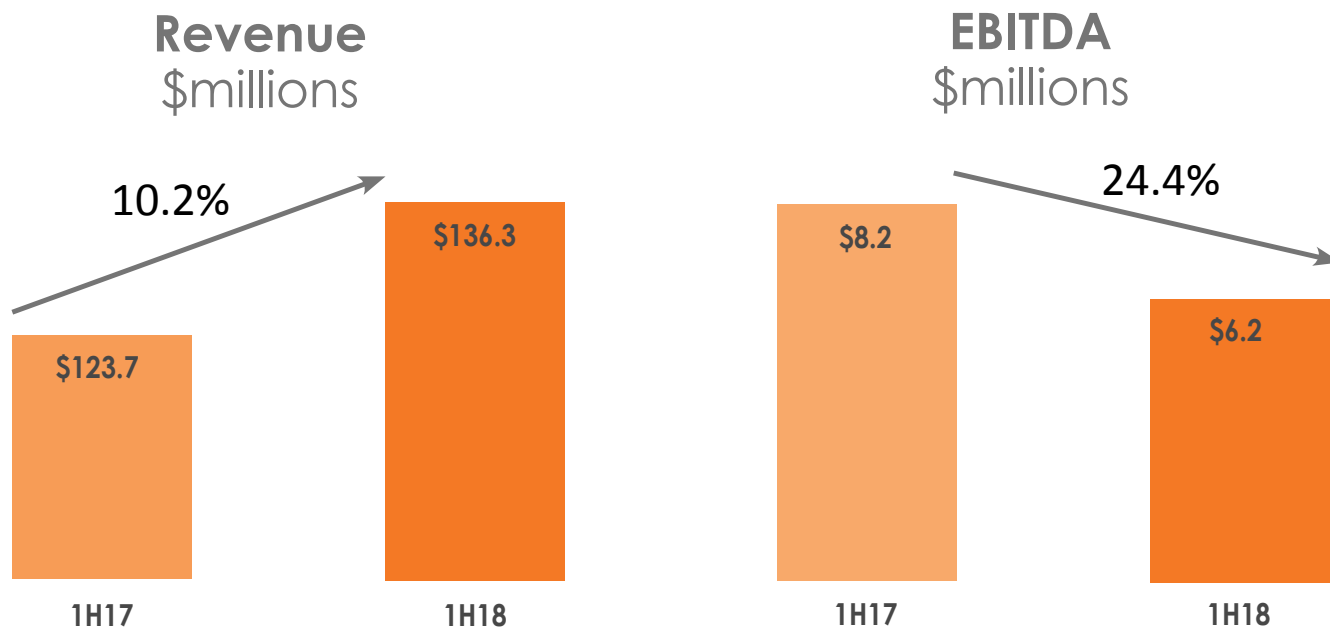
## OFFICES | EMPLOYEES | SITES



Millennium Services Group has cemented its position as one of Australasia's leading integrated services providers

- Transforming through growth, acquisition and investment
- Strategically positioning with extensive national coverage
- Implementing a scalable service delivery model

# Snapshot of 1H18 Pro-forma Financials



## Revenue

- In line with guidance and well ahead of industry average of 2.4%
- Successful new contract wins and re-negotiation of contracts at competitive rates
- Encouraging new sales in Security services

## EBITDA

- In line with guidance
- Early stage investment for growth yet to fully deliver expected revenue benefit

A man in a dark blue suit jacket over a light blue shirt stands in the center of a modern, brightly lit interior space. He is wearing a security badge that reads '079 SECURITY'. To his left is a red metal cart. To his right is a white scissor lift with 'alfasi hire' written on it. The background shows a large glass-walled area and a concrete pillar with a 'PEDESTRIAN ACCESS' sign. The floor is light-colored and polished.

# 2. Operational Performance

# Safety & our people are paramount to success

## Safety, Training & Compliance

- LTIFR better than industry standards
- Revised organisational structure targeting HSE
- Customer Service Excellence focus
- Re-accreditation of ISO standards

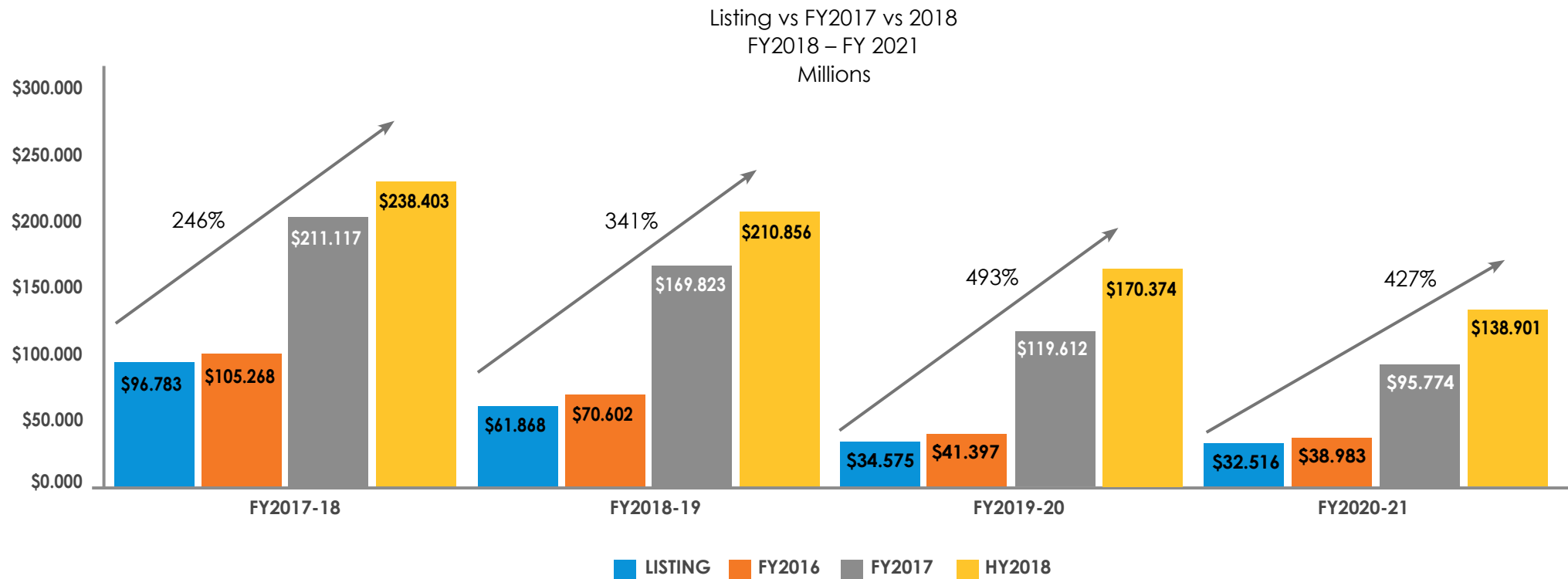


## Diversity & Social Responsibility

- Diversity – WGEA compliance
- Social responsibility program review
- Increased engagement with indigenous partners



# Strengthened contract book value & longevity



- Contract book has grown by 27.2% in the past 6 months
- Average length of contract from 2.6 years to 3.8 years

# Continued track record of contracting success

High-quality and diverse clients with emerging cross-selling opportunities across Integrated Services and Security.



NEW – INTEGRATED  
SERVICES  
QLD



NEW – SECURITY  
SERVICES  
VIC



Government of South Australia  
Department for Education and  
Child Development

NEW + RENEWED  
INTEGRATED  
SERVICES  
SA

**MYER**

NEW INTEGRATED  
SERVICES  
NATIONAL



NEW – CLEANING  
SERVICES  
NEW ZEALAND



NEW – SECURITY /  
INTEGRATED  
SERVICES  
NSW

**PRADA**

NEW – INTEGRATED  
SERVICES  
NSW | WA



DENNIS  
FAMILY  
CORPORATION

NEW – SECURITY  
SERVICES  
VIC

**QIC**

NEW + RENEWED  
INTEGRATED  
SERVICES  
VIC



NEW/RENEWED  
CLEANING  
SERVICES  
ACT

# Market leader in innovation and technology

Investment in innovation has enabled national contract wins & quality assurance



**AVIDBOTS**

## INNOVATION

- Leading adopter of automated floor scrubbers



**iMOPS**



**iVACS**



**iCARTS**

## CLEANING EQUIPMENT

- Cutting edge 'state of the art' cleaning equipment



**METRASENS**



**DRIVEPRO  
Body 10  
Camera**

**TRANSCEND**

## DETECTION

- Adopting detection technologies in the management and deterrence of anti social behaviour



**Motorola  
TRBOnet**



## COMMUNICATION

- Researching & testing the latest radio, reporting and systems technologies



# 3. Financial Performance

# Establishing a track record of solid revenue growth

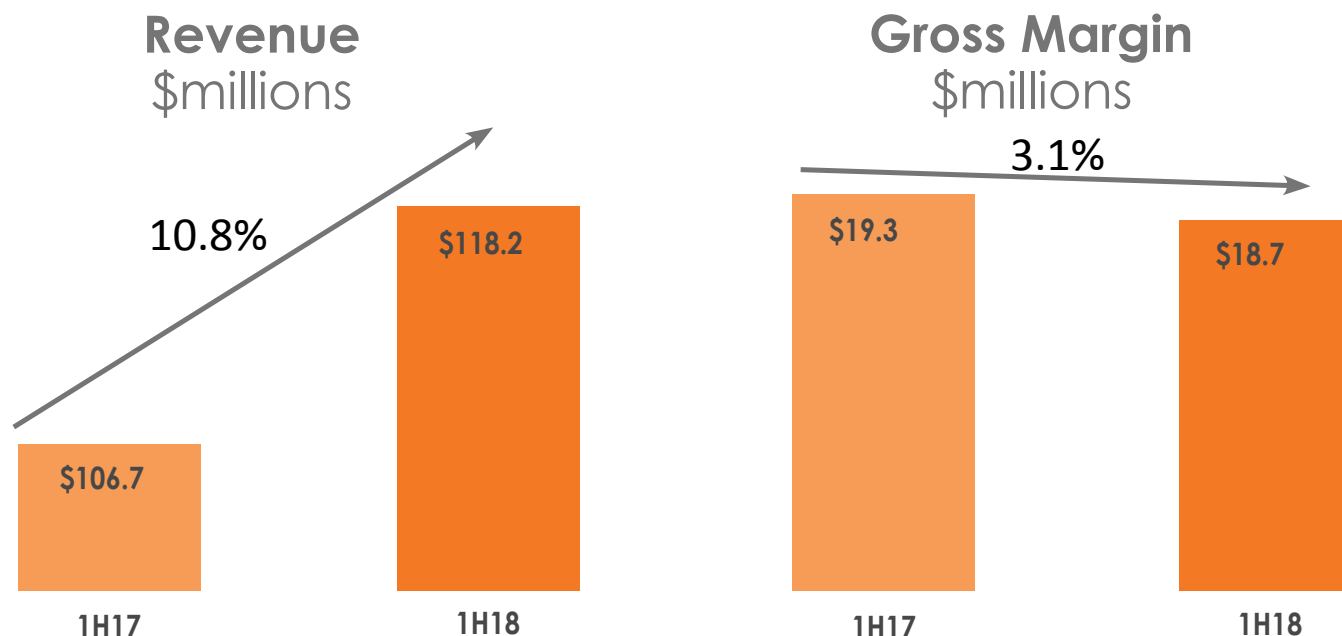
Summary Pro-forma Income Statement				
	1H18 \$m	1H17 \$m	\$m var	% var
Total Revenue	\$136.3m	\$123.7m	\$12.6	10.2%
Gross Profit	\$21.4m	\$22.0m	-\$0.6	-2.6%
Gross margin %	15.7%	17.8%		-2.1%
Overheads	-\$15.3m	-\$13.8m	-\$1.5	-10.8%
Pro-forma EBITDA	\$6.2m	\$8.2m	-\$2.1	- 25.1%

(1) This incorporates the results of Millennium and Airlite as if they are a consolidated group for the period from 1 July 2016

- Revenue increased in line with guidance due to both increased tendering activity and improved conversion rates
- Gross profits declined by 2.6% primarily due to upfront investment to extend contract tenures and position for labour efficiency savings
- Overheads in line with forecast. Increases due to on-boarding of additional expertise in management, finance and Security personnel to build capacity for future growth

# Cleaning underpinned by contracting success

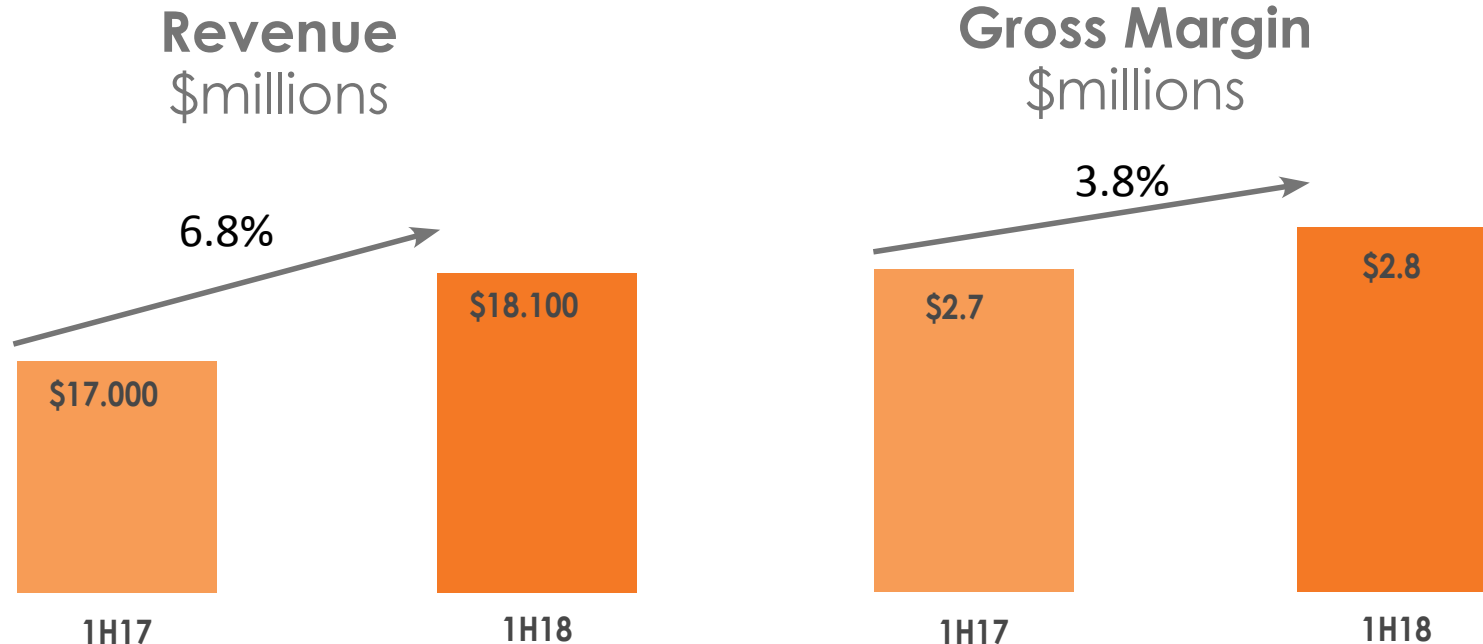
## Cleaning & Integrated Services – Summary & Highlights



- Revenue growth underpinned by new & renewed Cleaning contracts (Valued at \$50.4m per annum)
- New national contract wins also position for geographical expansion
- Gross margin contraction due to upfront investment to increase contract tenures and slower than expected realisation of cost savings associated with labour efficiencies

# Security delivering on strategic imperative

## Security – Summary & Highlights



- Growth well ahead of industry averages (1.5%) reflecting market share gains
- New contract wins valued at \$13.1m annualised
- Security now 13.3% of total revenue (December tracking at of 19% of total revenues)
- Maintenance of strong gross margins reflecting strong pricing outcomes on new contract wins
- The Group progressed in its efforts to secure national licensing to springboard revenue expansion

# Balance sheet consolidating to support growth

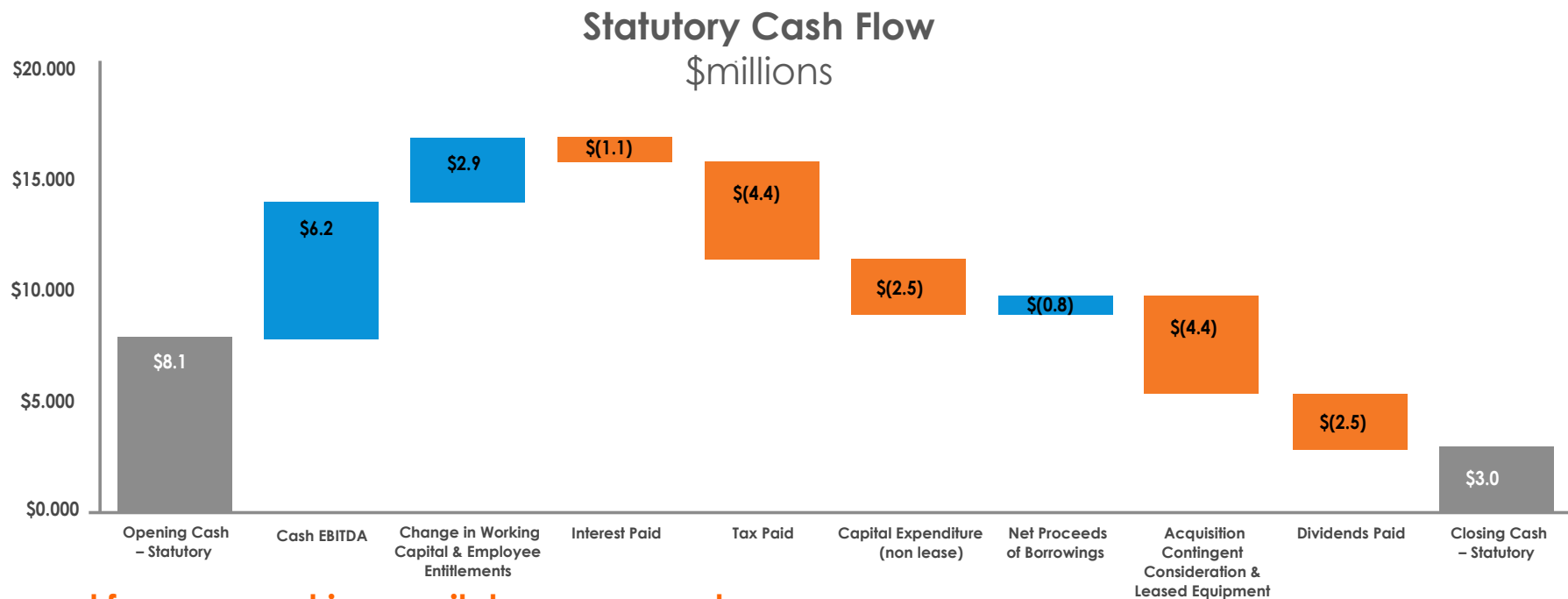
Summary Balance Sheet			
	1H18	FY17	% var
Current Assets	\$26.7m	\$27.6m	(3.1)%
Non-Current Assets	\$61.1m	\$57.9m	5.6%
<b>Total Assets</b>	<b>\$87.8m</b>	<b>\$85.4m</b>	<b>2.8%</b>
Current Liabilities	\$42.6m	\$38.0m	12.2%
Non-Current Liabilities	\$31.6m	\$32.3m	(2.3)%
<b>Total Liabilities</b>	<b>\$74.1m</b>	<b>\$70.3m</b>	<b>5.5%</b>
<b>Net Assets</b>	<b>\$13.7m</b>	<b>\$15.2m</b>	<b>(10.0)%</b>
Issued Capital	\$19.0m	\$19.0m	-%
Retained Earnings & Reserves	\$(5.3)m	\$(3.8)m	(40.0)%
<b>Total Equity</b>	<b>\$13.7m</b>	<b>\$15.2m</b>	<b>(10.0)%</b>

Net Debt / EBITDA	
Statutory Basis	1H18
Borrowings	\$29.7m
Bank guarantees outstanding	\$1.1m
Cash & Cash Equivalents	\$3.0m
<b>Net Debt<sup>1</sup></b>	<b>\$27.7m</b>
<b>Pro-forma Operating EBITDA</b>	<b>\$14.9m</b>
Net Debt / EBITDA	1.86

- New investment in robotics, plant & equipment to support growth in business
- Existing debt facilities retained to continue to fund future growth initiatives
- Business remains within all agreed banking covenants

1. Net Debt = Borrowings at 31 December 2017 + Bank Guarantees – Cash & Cash Equivalents  
 2. The Net Debt / EBITDA financial measure is based on 12 months of EBITDA, being the operating EBITDA from 1 January 2017 to 31 December 2017 (excluding once-off other income).

# Cash profile reflecting investment for future growth



## Renewed focus on working capital management

- Days Sales Outstanding (DSO) reduction was a strong contributor
- Capex reflected investment in major contract transitions and innovation
- Acquisition cash flow predominantly represents repayment of Airlite loan financing
- Further investment to capitalise on the near-term growth opportunity is likely to be required, resulting in a decision to not declare an interim dividend
- The medium-term dividend policy remains unchanged at 40-60% of sustainable earnings



## 4. Strategic Initiatives

# Continuing to deliver against strategic initiatives

## Project Baseline has been initiated to focus strategic implementation process

	Strategic Target	Actions
<b>CONSOLIDATE</b> Executive Leadership Group	<ul style="list-style-type: none"> <li>• Strengthened Management Capability</li> <li>• Enhanced Finance Function</li> <li>• Investment in talent - Security</li> </ul>	<ul style="list-style-type: none"> <li>• Largely Complete. Security, finance and management teams strengthened</li> <li>• Next stage to add high level HR capability</li> </ul>
<b>GROW</b> Security Cleaning Integrated Services	<ul style="list-style-type: none"> <li>• Grow Security to circa 30% of group revenue within 2 years</li> <li>• Drive organic growth from critical mass in cleaning and integrated services</li> <li>• Strategic acquisitions in complementary sectors and services</li> </ul>	<ul style="list-style-type: none"> <li>• Key account management – more systematic approach to corporate relations and addressing national footprint outcomes</li> <li>• Realign Business development with a sector focus concentrating on commercial assets in NZ and Australia</li> <li>• Heavy focus of cross-sell to continue to drive success in Security contracts. Still on target for 30% revenue contribution from Security in 18 months</li> <li>• Continuing to assess complementary acquisition aligned with ROIC objectives</li> </ul>
<b>CENTRALISE</b> Processes	<ul style="list-style-type: none"> <li>• Improve quality, efficiency and consistency through centralisation of internal services</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing adoption of Airlite methodology across the group targeting improved cost and public liability management of 1% or \$2.2million</li> <li>• Centralisation of strategic development team complete resulting in strong contract outcomes</li> </ul>
<b>ENHANCE</b> CRM Governance Incentives	<ul style="list-style-type: none"> <li>• Implement enhanced CRM and strengthened governance structures to support strategic plans</li> <li>• Introduce STI &amp; LTI</li> </ul>	<ul style="list-style-type: none"> <li>• Rigorous approach to HSE compliance maintained</li> <li>• STI and LTI plan developed and to be rolled out effective July 2018</li> </ul>

A photograph of a modern building interior. On the left, a man in a blue suit and a name tag is looking at a small notebook. On the right, a woman in a dark vest over a light blue shirt is cleaning a wooden handrail with a pink spray bottle. The background shows a glass-enclosed staircase and a bright, open space with orange partitions.

# 5. Outlook & FY18 Guidance

# Longer-term business fundamentals remain strong

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- A clear vision to build on positioning as a leading integrated service provider through business and geographical diversification
- Strong revenue with diversification across market segments and clientele
- Targeted and systematic approach to growth
- National footprint and scalable platform from which to grow
- Focus on quality of contract book
- New contracts worth \$63.5 million revenue per annum gaining momentum
- Strong tender pipeline with multiple imminent opportunities
- Acquisition opportunities in adjacent service sectors will be assessed on strategic and ROIC merits

# Upfront investment to deliver on long-term outcome has impacted FY18 underlying guidance

- New CFO has completed a comprehensive review of financial systems, processes and forecasts
- The review identified the following items affecting FY18 guidance:
  - Delays in the realisation of efficiency gains from roster management initiatives
  - More conservative approach to accounting treatment around LSL, Public Liability etc.
  - Overhead reduction vis a vis previous guidance due to administrative cost savings
- Revised guidance for underlying FY18 results are expected to be:

## Pro-forma Results

	FY17	FY18 Old \$m	FY18 New \$m	Explanation
<b>Total Revenue</b>	\$250.0m	\$290.0m	\$280.0 – \$290.0m	Increased contract book reflecting bid & tender growth
<b>Gross Profit</b>	\$43.3m	\$49.9m	\$43.0 - \$46.0m	Labour efficiency programs built to improve performance in accordance with Project Baseline
<b>Overheads</b>	\$25.4m	\$29.9m	\$29.0 – \$30.0m	Factors for increased overheads include strategic expertise across finance, management and Security personnel
<b>Pro-forma EBITDA</b>	\$17.9m	\$20.0m	\$15.5 - \$17.5m	



# 6. Appendices

# Summary statutory income statement

Summary Statutory Income Statement		
	1H18	1H17
<b>Total Revenue</b>	<b>\$136.3m</b>	<b>\$101.0m</b>
<b>Gross Margin</b>	<b>\$21.4m</b>	<b>\$17.7m</b>
<b>Operating EBITDA</b>	<b>\$6.3m</b>	<b>\$6.8m</b>
Transaction & Other Costs	\$(0.1)m	\$(0.8)m
<b>Reported EBITDA</b>	<b>\$6.2m</b>	<b>\$6.1m</b>
Depreciation & Amortisation	\$(3.7)m	\$(2.1)m
Interest	\$(1.1)m	\$(0.6)m
<b>Profit Before Tax</b>	<b>\$1.4m</b>	<b>\$3.3m</b>
Income tax benefit/(expense)	\$0.4m	\$(1.1)m
<b>Net Profit After Tax (NPAT)</b>	<b>\$0.9m</b>	<b>\$2.3m</b>

# Accounting impacts impacting guidance

Statutory EBITDA reconciliation		
	FY EBITDA \$m	Explanation
Underlying Pro-forma EBITDA	\$15.5 - \$17.5m	
Accounting Adjustments		
DEBTOR RECOVERIES	(\$0.462)m	Realised provision for doubtful debts > 90 days
EMPLOYEE ENTITLEMENTS	(\$0.546)m	Recognition of accounting adjustments for provision of LSL
OTHER ACCOUNTING ADJUSTMENTS	(\$0.454)m	Provision for legal liabilities and contingent liabilities
REVISED GUIDANCE EBITDA	\$14.0 - \$16.0m	

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