Millennium Services Group Limited

Full Year FY16 Results Presentation

29 August 2016

Presenters: Mark Baldwin (Chief Executive Officer) | Damien Gray (Chief Financial Officer)

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Today's presenters

Mark Baldwin
Chief Executive Officer

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1. FY16 Highlights

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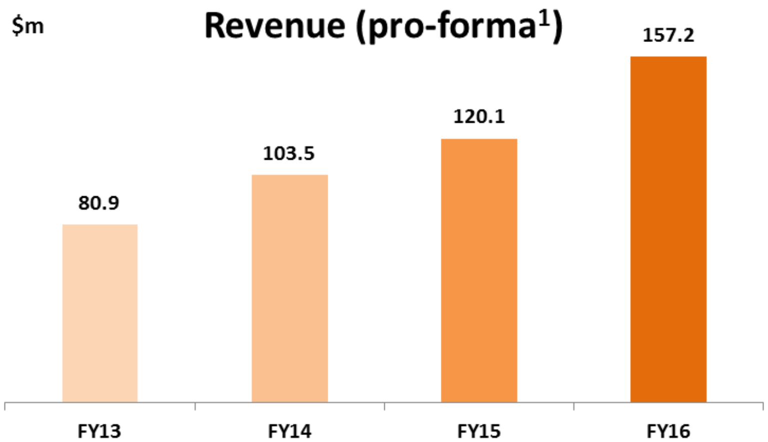
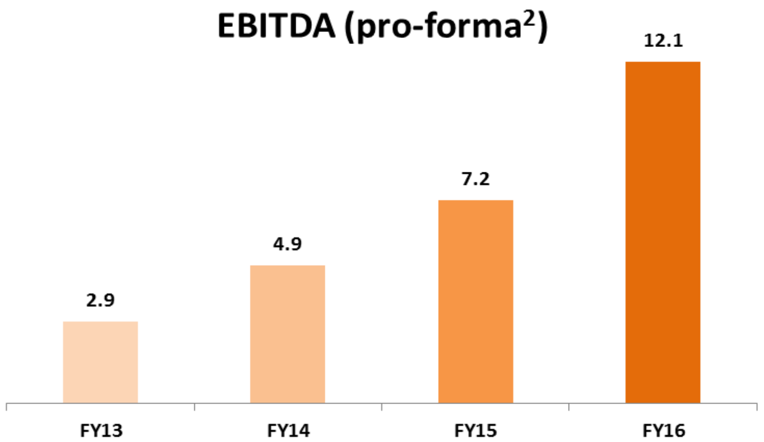
Strong year on year revenue and EBITDA growth and strong gross margins





- **Strong revenue growth:** Pro-forma revenue up 30.9% YoY versus FY15 to $157.2 million
- **Very strong EBITDA growth:** Pro-forma EBITDA up 68.1% YoY versus FY15 to $12.1 million
- **Gross margins:** Strong gross margins maintained in FY16
- **Dividend declared (fully franked):** Final Dividend declared for 2016 of $0.044/share, representing ~50% of H2 FY16 NPAT (after adding back contract amortisation costs of $0.5m)
- **EPS (cents):** 1.61
- **New contracts:** Delays in forecast FY16 contract wins adversely impacted FY16 revenue and earnings, but now commenced in FY17

1. FY16 pro-forma Revenue of $157.2 million includes the contribution of National Cleaning Services Australia (NCSA) from 1 February, 2016.
2. FY16 pro-forma EBITDA of $12.1 million 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.

FY16 Highlights

Pro-forma Results					
	FY16 Actual	FY16 Prospectus	FY15 Actual	Variance vs. Prospectus	Variance vs. FY15
Total Revenue	$157.2m	$168.2m	$120.1m	(6.6%)	30.9%
Gross Margin	17.2%	17.0%	15.1%	0.2pp	2.1pp
EBITDA	$12.1m[1]	$13.3m	$7.2m	(9.2%)	68.1%
NPAT	$6.4m	$7.6m	N/A[2]	(17.1%)	N/A[2]

- **Revenue shortfall** due primarily to new contract delays, partially offset by the revenue contribution of the NCSA business acquired on 1 February 2016
- **EBITDA shortfall** of $0.2m versus 4 July 2016 guidance due to bad debts of $0.1m and incremental public liability claims settlement and periodicals spend

1. Pro-forma FY16 EBITDA includes the positive impact of $0.4m of consumable stock adjustments. Pro-forma FY16 NPAT includes the positive impact of $0.4m of consumable stock adjustments and the positive impact of $0.1m of non-cash accounting adjustments ($0.6m relating to the change in depreciation method from diminishing value to straight line, offset by $0.5m of contract amortisation expense).
2. N/A = not applicable due to absence of historic comparables

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FY16 Highlights

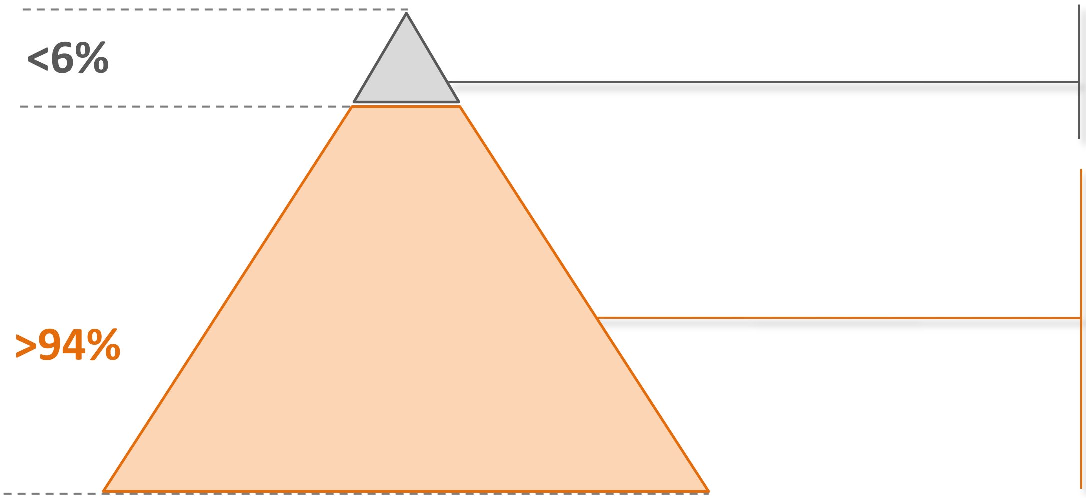
Key Achievements

- Initial public offering completed on 19 November, 2015
- Transitioned from private to listed company
- Successful integration of ACS and NCSA acquisitions
- Successful expansion into New Zealand
- Retained and won a total of $45.8 million of work (annualised)
- Strengthened finance function
- Strengthened and diversified operational team

2. Operational Performance

Contract Book as at 30 June, 2016

Figure 1: Contract book profile*

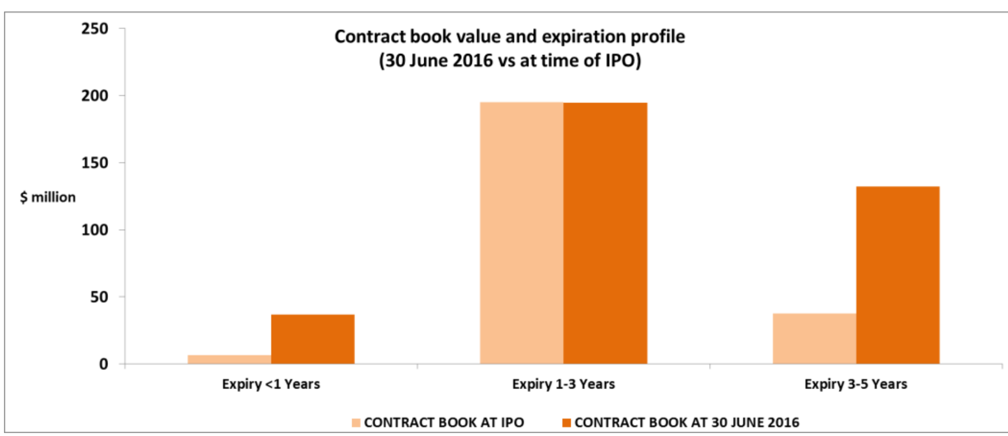


Observations

- Additional billings
- Periodical works, ad-hoc requests, events

- 87% in contract
- 7 contracts >$3m p.a. = $24.5m total (17%)
- 31 contracts $1m-$3m p.a. = $60m total (40%)
- 523 contracts <$1m p.a. = $63.5m total (43%)

Figure 2: Contract book value and expiration profile (as at 30 June 2016 vs. at time of IPO)



- Contract book significantly strengthened
- Increased longevity of contract expiration profile
- Large increase in 3-5 year expiry segment
- Significant growth in total volume of contracts

*Indicative only

FY16 Tendering Activity

FY16 tendering Activity	Number of Contracts	Term of Contracts
RENEWED CONTRACTS		
Existing contracts renewed with commencement in FY16	28	2-5 yrs
Existing contracts renewed with commencement in FY17	18	2-5 yrs
NEW CONTRACTS		
New contracts won with commencement in FY16	56	3-5 yrs
New contracts won with commencement in FY17	31	2-5 yrs
TOTAL	133	2-5 yrs

Westfield Doncaster (VIC)

Lake Macquarie Fair (NSW)

Our Blue-Chip Clients

SCENTRE GROUP

QIC

VICINITY CENTRES

lendlease

mirvac

AMP CAPITAL

ISPT SUPER PROPERTY

JLL

Knight Frank

Government of South Australia
Department for Education and Child Development

PACIFIC GROUP

Charter Hall

Colliers INTERNATIONAL

WBP PROPERTY GROUP

Stockland

KILDAIR INVESTMENTS

NSW GOVERNMENT

CBRE

RetPro

TINLINE PROPERTY GROUP

Current Geographic Reach

- Acquisition of ACS business (completed at IPO) is providing a regional base in the high growth corridors of NSW Central Coast and the Hunter
- NCSA acquisition in Canberra (completed Feb 2016) has provided a solid platform for ongoing expansion in Government commercial cleaning
- Recent business development wins have significantly increased regional reach into NSW, QLD and SA
- New Zealand operations launched in FY16, growth of Millennium's North & South Island businesses are exceeding expectations

3. Financial Performance

Summary Pro-Forma Income Statement

$000	Proforma Actuals FY16	Proforma Forecast FY16	Variance
Total Revenue	**157,167**	**168,175**	**(11,008)**
Cost of sales	130,099	139,523	9,425
Gross Margin	**27,068**	**28,652**	**(1,584)**
GM %	*17.2%*	*17.0%*	
Overheads	14,371	14,717	346
Operating EBITDA	**12,697**	**13,935**	**(1,238)**
Public Company Costs	597	611	14
EBITDA	**12,100**	**13,324**	**(1,224)**
Depreciation	1,738	1,843	105
Amortisation of Contracts	460		(460)
Interest	646	541	(106)
Profit Before Tax	**9,256**	**10,940**	**(1,684)**
Income Tax Expense	2,899	3,274	375
Net Profit after tax (NPAT)	**6,357**	**7,666**	**(1,309)**

Observations

- Delayed contract starts adversely impacted revenue and flowed through to gross margin, offset by the positive gross margin contribution of NCSA of $1.3m
- Includes positive non-cash impact of $0.4M of consumable stock adjustments
- Overhead cost control exercised where possible to protect profit
- EBITDA of $5.2m for H1 2016 and $6.9m for H2 2016 demonstrates growth is coming through
- Change in depreciation policy to better align asset depreciation with pattern of useful life and economic benefits has given rise to a non-cash benefit of $0.6m versus the Prospectus forecast, offset by the amortisation of the contract books of the acquired ACS and NCSA businesses ($0.5m)

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Summary Statutory Income Statement

$000	Statutory Actuals FY16	Statutory Forecast FY16	Variance
Total Revenue	**105,422**	**116,984**	**(11,562)**
Cost of sales	86,839	96,824	9,986
Gross Margin	**18,583**	**20,160**	**(1,576)**
GM %	*17.6%*	*17.2%*	
Overheads	9,482	9,871	389
Operating EBITDA	**9,101**	**10,289**	**(1,188)**
Transaction Costs	4,550	3,680	(870)
Public Company Costs	393	517	124
EBITDA	**4,158**	**6,091**	**(1,934)**
Depreciation	1,291	1,346	55
Amortisation of Contracts	460		(460)
Interest	412	348	(64)
Profit Before Tax	**1,994**	**4,397**	**(2,403)**
Income Tax Expense	1,286	1,781	495
Net Profit after tax (NPAT)	**708**	**2,616**	**(1,908)**

Observations

- Delayed contract starts adversely impacted revenue and flowed through to gross margin, offset by the positive gross margin contribution of NCSA of $1.3m

- Includes positive non-cash impact of $0.4M of consumable stock adjustments

- Overhead cost control exercised where possible to protect profit

- Transaction costs driven up by higher than expected legal and other costs (Offer and ACS acquisition), stamp duty on ACS acquisition, the acquisition of NSCA and payroll tax on the employee share offer

- Change in depreciation policy to better align asset depreciation with pattern of useful life and economic benefits has given rise to a non-cash benefit of $0.8m versus the Prospectus forecast, offset in part by ($0.5m) being the amortisation of the contract books of the acquired ACS and NCSA businesses

- Statutory profit after tax for the period 1/1/16 – 30/6/16 was $3.4m

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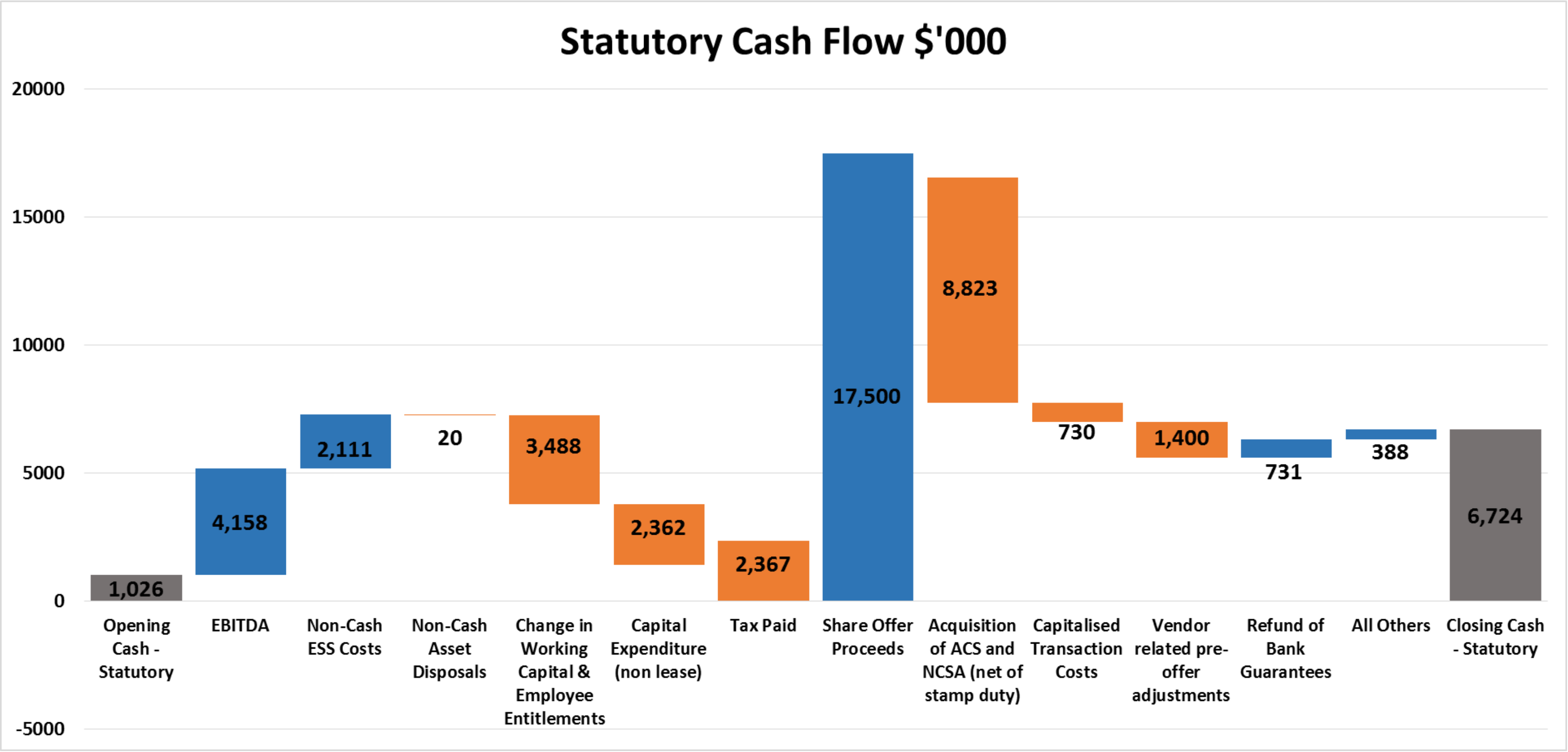
FY16 Statutory Cash Flow Bridge



Drivers of Cash

$000	Statutory Actuals FY16	Statutory Forecast FY16
EBITDA	4,158	6,091
Non-cash impact of ESS	2,111	2,117
Non-cash impact of asset disposals	(20)	
Change in working capital & employee entitlements	(3,488)	(460)
Net cash flows from operations	2,761	7,748
Capital expenditure net of disposals	(2,362)	(387)
Net cash flows from operations before financing and taxation	**399**	**7,361**
Interest net	(412)	(348)
Refund of Bank Guarantees	731	-
Tax Paid	(2,367)	(3,152)
Net proceeds/(repayment) of borrowings	782	(517)
Acquisition of ACS (excluding stamp duty)	(6,800)	(6,706)
Acquisition of NCSA	(2,023)	-
Net proceeds from issue of new Shares under the Offer	17,500	17,500
Transactions costs (capitalised)	(730)	(544)
Vendor related pre-Offer pro-forma adjustments	(1,400)	(1,124)
Foreign Exchange Differences	18	
Net cash flow	**5,697**	**12,470**

Observations

- Primarily driven by lower WorkCover payable, trade creditors, accrued wages, GST payable
- Capex driven by new contracts/contract renewals
- NCSA acquisition $3m – deferred consideration of $1m at 30 June 2016
- $0.3m of outstanding Vendor related amounts settled in August 2016

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Capital Expenditure

$000	Prospectus Proforma	Prospectus Statutory	Actual Proforma	Actual Statutory	Variance Proforma	Variance Statutory
Capital Expenditure (excluding NCSA and ACS assets acquired)	1,500	970	4,477	3,258	(2,977)	(2,288)

Capital Expenditure Breakdown	
New Contract Starts	2,258
Contract Renewals	584
Replacement Capital Expenditure	416
Total Statutory Capital Expenditure	3,258

Observations

- Statutory capital expenditure includes the following items:
  - $0.6m - 1 July 2017 new contracts (capex in June 2016); and
  - $0.5m – Electronic Key Management systems required under client contract (cost fully recovered)

- >93% of capital expenditure is related to equipment used on contract sites and is driven by new contract wins and contract renewals.

Balance Sheet

ASSETS	
Current assets	
Cash and cash equivalents	6,723
Trade and other receivables	7,361
Inventories	770
Other	1,706
Total current assets	**16,560**
Non-current assets	
Property, plant and equipment	8,273
Intangibles	9,633
Other	59
Deferred tax	3,664
Total non-current assets	**21,629**
TOTAL ASSETS	**38,189**
LIABILITIES	
Current liabilities	
Trade and other payables	7,678
Borrowings	1,807
Income tax	1,100
Employee benefits	6,315
Provisions	
Other	4,250
Total current liabilities	**21,150**
Non-current liabilities	
Borrowings	3,002
Employee benefits	1,269
Provisions	
Deferred tax	291
Total non-current liabilities	**4,562**
TOTAL LIABILITIES	**25,712**
NET ASSETS	**12,477**
EQUITY	
Issued capital	18,967
Reserves	(7,200)
Retained earnings	707
TOTAL EQUITY	**12,474**

Observations

- Strong cash collection and low bad debt risk
- Plant & Equipment is predominantly revenue generating. Very limited capex related to overheads
- Intangibles driven by acquisitions of ACS and NSCA – split between goodwill and contract book valuations (amortised over 7 years)
- Other includes deferred consideration on NCSA and ACS transactions ($2m) and accrued expenses ($2.25m)
- Borrowings include the non-current portion of $1.8m of ANZ facility drawdown to finance acquisition of NCSA. Balance of borrowings relates to capital expenditure (equipment) financing

Debt Facilities

$000 Facility	Available	Drawn Down	Term
Interchangeable Loan Facility	15,000	1,833	30/11/2017
Overdraft Facility	4,000	-	Ongoing *
Asset Finance Facility	5,000	581	Ongoing *
Standby Letter of Credit or Guarantee Facility	2,000	860	Ongoing *
Electronic Payway/Commercial Card Facility	600	-	Ongoing *
Total	26,600	3,274	

* Subject to review 21 October each year

- **Financing in place with ANZ for day-to-day business needs and “bolt on” M&A opportunities**
- **Asset finance utilised for major items of machinery and equipment, up to 4 year contract terms**
- **Guarantee facility utilised for performance guarantees with major customers**
- **Millennium is well funded within our existing credit facilities, which are significantly under drawn at this time**
- **Current intention is that future acquisitions will be funded without the need to raise further equity**

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4. Strategy and outlook

Millennium Group Strategic Priorities

***Mission**: To deliver innovative and class leading services by a team of engaged, motivated and empowered employees who care for our client's interests and treat the company as their own*

Growth

Organic

- Respond to national opportunities
- Leverage growth from existing clients and their development pipeline
- Focus on service delivery

M&A

- Drive a dual approach:
1. Major strategic opportunities
2. Smaller local opportunities (e.g. NCSA)

Expansion

Geographic

- Establish a truly national Australian footprint
- Expand on strong start in NZ

Sector

- Expand services to airport terminals, schools and child care centres
- Expand commercial office, leveraging Govt. portfolio
- Continue expanding retail, leveraging strength of brand reputation

Diversification

Services

- Grow security division
- Grow maintenance and integrated services
- Pursue property development cleaning opportunity

Customer base

- Deepen market penetration with existing major clients, leveraging ASX-listed status
- Establish long-term partnerships through delivery of integrated service solutions

People & Systems

People

- Strengthen Finance Dept. resourcing and capability commensurate with listed status and growth agenda
- Build on successful roll-out of comprehensive bespoke on-line induction and training program for all staff

Systems

- SAP upgrade to improve quality and efficiency of financial reporting and analysis

Acquisitions Update

Our acquisition strategy is to identify attractive targets that:

- Further strengthen Millennium's competitiveness with clients that maintain a national portfolio
- Consolidate Millennium's existing Canberra operations to secure increased access to the Government sector nationally
- Consolidate Millennium's July 2015 entry into New Zealand
- Support and expand Millennium's security footprint in Victoria and South Australia
- Are accretive from day one

FY16 acquisitions

ACS

- **Summary:** A cleaning and security services company operating in regional NSW, ACT, Victoria and Queensland
- **Rationale:** Consolidates Millennium's position in the cleaning and security services market, especially regional NSW
- **Purchase Price**: $7 Million + earn out basis 12 month EBITDA contribution
- **Contribution to MIL FY16 group revenue**: $16.6 million
- **Funding**: Cash from capital raising at IPO
- **Timing**: Completed at IPO
- **Integration**: Proceeding to schedule

NCSA

- **Summary:** A cleaning services provider to Commonwealth & Territory Governments and private clients in the ACT
- **Rationale:** Provides a Government contract growth platform for Millennium and further expands geographic reach
- **Purchase Price**: $3 million
- **Contribution to MIL FY16 group revenue**: $3.6 million
- **Funding**: Debt (existing ANZ facility)
- **Timing**: Completed February 2016
- **Integration**: Proceeding to schedule, contributing higher margins than originally expected

FY17 Outlook

- Millennium has a clear vision and strategy to become Australasia's leading cleaning, security and maintenance service provider

- Retail sector demand expected to continue growing strongly across all three services due to:
  - ongoing retail centre expansion in all states
  - retail increasing commitment to higher quality service standards
  - ongoing trend of retail centres out-sourcing services to specialist providers

- Following strong contract wins in FY16, Millennium is well positioned to continue securing meaningful contracts in the retail and commercial sectors in FY17

- Full Year FY17 organic revenue growth expected to be in the range of 13-18%

- Full Year FY17 organic EBITDA growth expected to be in the range of 12-14%

- Full Year FY17 overhead costs expected to materially increase above FY16 pro-forma levels

- Full Year FY17 capital expenditure expected to be in the range $3.2m - $3.7m

- Continued identification and assessment of attractive, accretive acquisition opportunities

5. Appendices

Appendix 1: Financial Information

- **Pro-forma to statutory reconciliation**

$000	
EBITDA	
Proforma EBITDA	12,100
Impact of a full year's trading	(3,595)
Costs of Offer, ACS and NCSA Acquisition	(2,345)
Employee share and directors' Options grant expense	(2,205)
Public Company Costs	204
Statutory EBITDA	4,158

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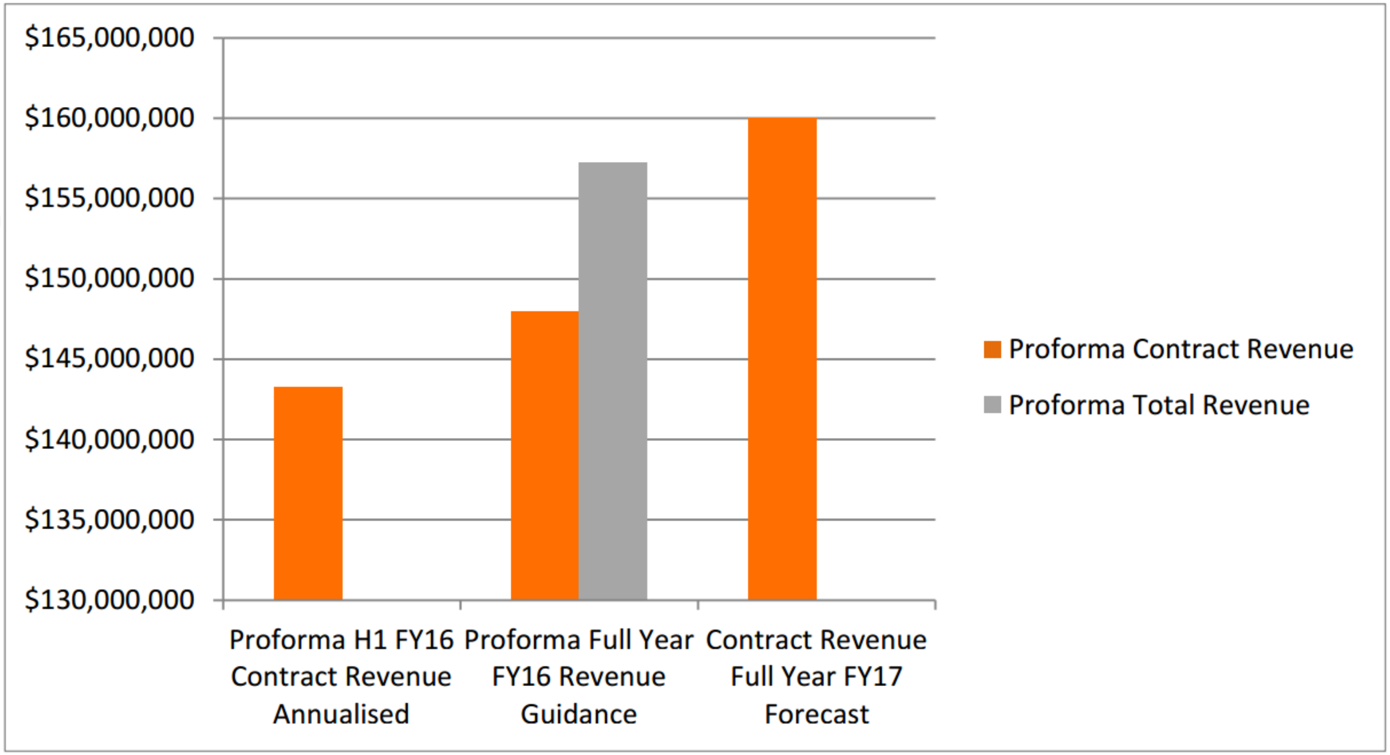
Appendix 2: FY16 Contract Revenue Movement into FY17

- As disclosed to the market on 4 July 2016, 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.

- As at 4 July 2016, Millennium's known annual contract revenue for FY17 stood at $160 million.

Figure 1: Summary of contract book revenue movement into FY17




Thank you