

FY17 RESULTS  
PRESENTATION  
28 AUGUST 2017

**millennium**  
SERVICES GROUP LIMITED

*a new millennium in integrated services*

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# Agenda

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**FY17 overview**

2

**Operational performance**

3

**Financial performance**

4

**Strategy**

5

**Outlook**

6

**Appendices**





# 1. FY17 Overview

# Strong platform for future growth

## **Solid Foundation**

- Strong underlying business performance
- Successfully growing cash generative business with financial performance agnostic to business cycle
- Strong, long-term relationships with blue chip clients
- Strong “through the cycle” dividend profile
- 80% contract book > 3 years expiry profile

## **Scale & Diversification**

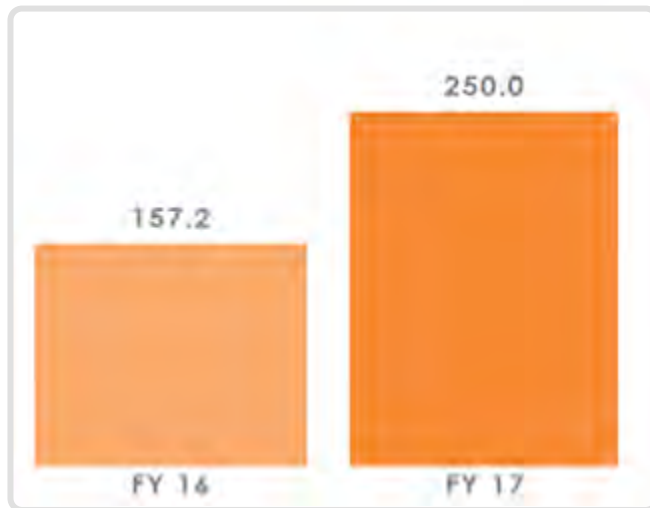
- National footprint cemented
- Scale and diversification across services, sectors, clients and geographies
- Enhanced management capability including finance and security

## **Innovation & Opportunity**

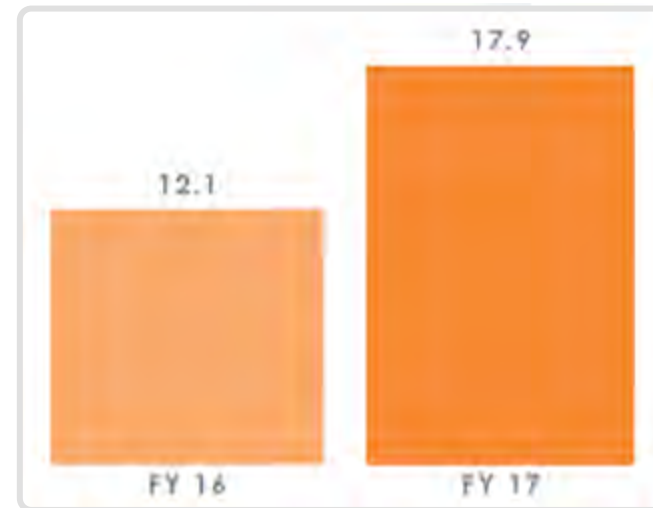
- Strong pipeline of opportunities in key target markets especially security
- Growth prospects in adjacent sectors and from industry consolidation
- Strategic plan to leverage market leading innovation capabilities

# Revenue and EBITDA growth

**REVENUE (\$m)**



**OPERATING EBITDA (\$m)**



- Pro-forma revenue of \$250.0m up 59% on FY16 – in line with guidance
- Pro-forma operating EBITDA of \$17.9m up 48% on FY16 – in line with guidance





## 2. Operational Performance

# Committed to safety, equality and training



## SAFETY

- **Safety** of our 4500 employees is our primary focus



## EQUALITY

- **Millennium achieves WGEA compliance**
  - key to diversity goals



## TRAINING INITIATIVES

- **Training Initiatives**
  - Customer Service program
  - m2m online training
  - Toolbox Programs

# Committed to safety and compliance

## LTIFR RATES



## COMPLIANCE

- **Compliance** is governed by our IMS and aligned to international ISO: 9001 standards

## LOST TIME INJURY FREQUENCY RATES – LTIFR

- **Improved performance:**
  - Millennium has actively reviewed its safety program and workplace approach
  - LTIFR reduced by more than 42% from 2016 to 2017



# Diverse blue-chip client base

SCENTRE GROUP

AMP CAPITAL 

Charter Hall 



QIC



## STRENGTH

In long-term relationships with blue-chip clients

## LOYALTY

Strong 30+ year client relationships

## REWARDS

Top 7 clients represent 65% of FY17 revenue

## LESS RISK

No one client contributes more than 21% of revenue

# Strengthened contract book – metrics

**\$229.987m**

**FY17 CONTRACT  
REVENUE**

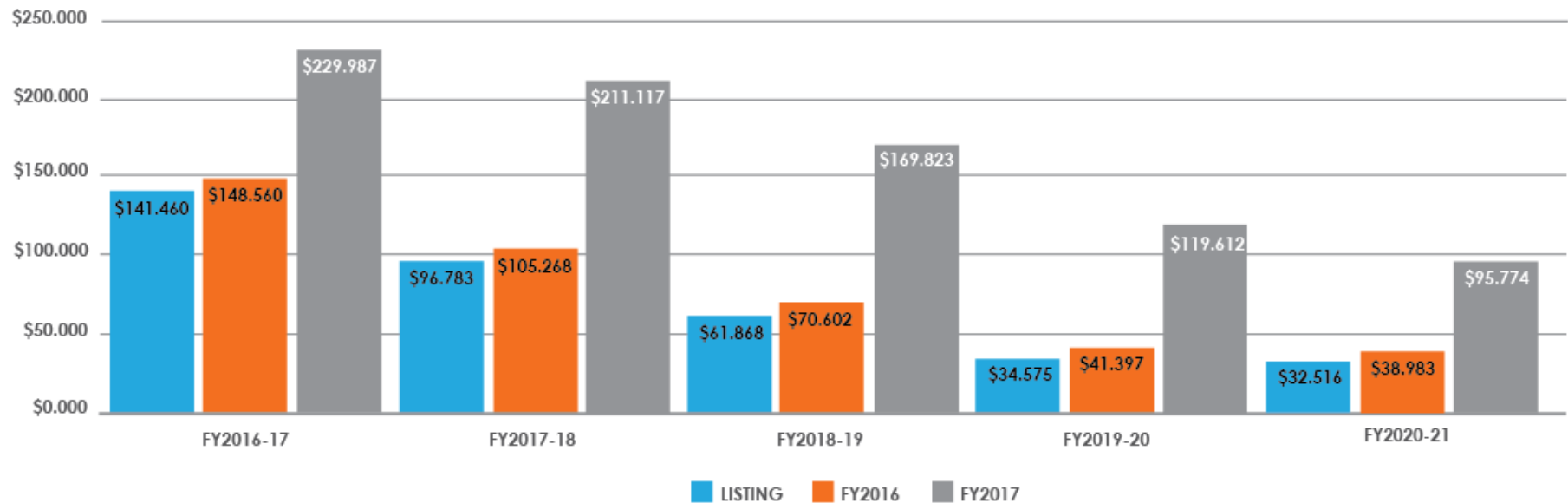
**91%**  
**OF REVENUE IN  
CONTRACT**

**747**  
**CONTRACTS**

**80%**  
**OF CONTRACTS  
> 3 YEAR  
EXPIRY**

# Strengthened contract book – longevity

**Contract Book Movement**  
**Listing vs FY16 vs FY17**  
**FY17 – FY21**



# Contracting success



**NEW – SECURITY/  
INTEGRATED SERVICES**  
Nth QLD | VIC



**NEW – SECURITY  
SERVICES**  
NSW | VIC



**NEW – SECURITY  
SERVICES**  
NSW | VIC



**NEW + RENEWED  
INTEGRATED  
SERVICES**  
QLD | NSW | VIC  
SA | WA



**NEW + RENEWED  
INTEGRATED & FM  
SERVICES**  
QLD | NSW | VIC  
SA | WA



**NEW – CLEANING/  
SECURITY SERVICES**  
NSW | QLD



**NEW + RENEWED  
INTEGRATED  
SERVICES**  
VIC | ACT



**NEW – INTEGRATED  
SERVICES**  
  
NATIONAL



# Acquisitions: consolidating national footprint



- National footprint cemented through transformational acquisition of Airlite Group
- Airlite successfully integrated with “best of breed” systems and processes embedded across Millennium’s network
- Leveraging reputation, scale and geographical reach to secure contracts with national clients
- Disciplined approach to evaluating opportunities for further growth

# Strong segment performance

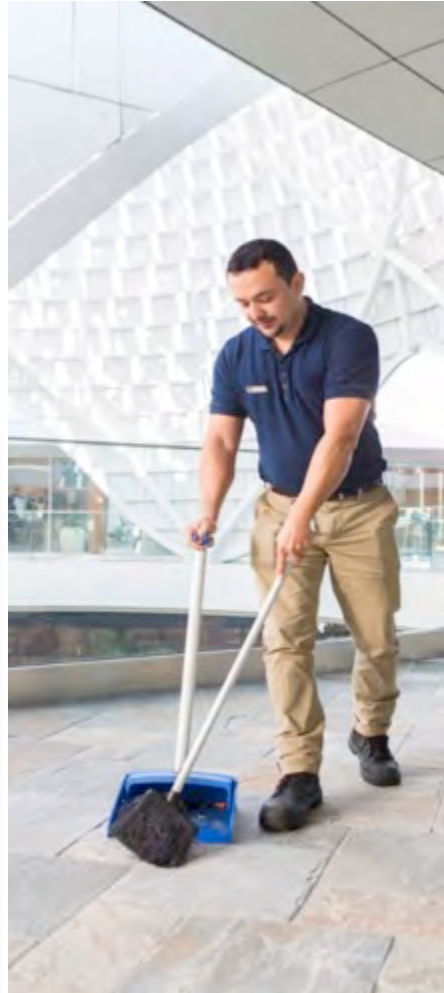
## CLEANING

87% of  
total FY17  
revenue

### OUTLOOK

New sectors &  
opportunities  
identified

- Aviation
- Commercial
- Event
- Retail
- Universities
- Transport



## SECURITY

13% of  
total FY17  
revenue

### OUTLOOK

New sectors &  
opportunities  
identified

- Retail
- Event
- Government
- Commercial
- Healthcare
- Education
- Aviation



# Investment in innovation and technology

- Millennium is a market leader in innovation



- Millennium is a leading adopter of automated floor scrubbers



- Millennium invests in cutting edge 'state of the art' cleaning equipment



- Millennium researches and tests the latest phone, reporting and systems technologies



A photograph of a modern office lobby. On the left, a large mural with abstract floral and blue patterns covers a wall. In front of it, a tall, rectangular, metallic-looking vase holds a bouquet of yellow flowers. The floor is highly reflective, showing the surroundings. In the background, there's a seating area with two armchairs and a small table. A glass door or partition is visible in the center background. The overall atmosphere is clean and professional.

# 3. Financial Performance



# Growth momentum

Summary Pro Forma Income Statement			
	FY17	FY16	% var
<b>Total Revenue</b>	<b>\$250.0m</b>	<b>\$157.2m</b>	<b>59.0%</b>
<b>Gross Margin</b>	<b>\$43.3m</b>	<b>\$27.1m</b>	<b>59.8%</b>
<i>Gross margin %</i>	17.2%	17.2%	0pp
<b>Operating EBITDA</b>	<b>\$17.9m</b>	<b>\$7.6m</b>	<b>135.5%</b>
Integration costs	\$(1.0)m	\$(4.6)m	(78.3)%
<b>Normalised EBITDA</b>	<b>\$18.9m</b>	<b>\$12.1m</b>	<b>56.0%</b>

- Pro forma revenue increased 59% underpinned by significant contribution from Airlite and organic business growth
- Gross margin percentage has remained steady on a full year basis, though second half was impacted by higher operational costs across former ACS sites
- Strong EBITDA growth year-on-year

# Solid balance sheet to support future growth

Summary Balance Sheet			
	FY17	FY16 Restated <sup>2</sup>	% var
Current Assets	\$27.6m	\$16.6m	66.5%
Non-Current Assets	\$57.9m	\$27.6m	109.9%
<b>Total Assets</b>	<b>\$85.4m</b>	<b>\$44.1m</b>	<b>93.6%</b>
Current Liabilities	\$38.0m	\$25.2m	80.8%
Non-Current Liabilities	\$32.3m	\$6.5m	397.4%
<b>Total Liabilities</b>	<b>\$70.3m</b>	<b>\$31.7m</b>	<b>122.0%</b>
<b>Net Assets</b>	<b>\$15.2m</b>	<b>\$12.5m</b>	<b>20.7%</b>
Issued Capital	\$19.0m	\$19.0m	-%
Retained Earnings & Reserves	\$(3.8)m	\$(6.5)m	41.5%
<b>Total Equity</b>	<b>\$15.2m</b>	<b>\$12.5m</b>	<b>21.6%</b>

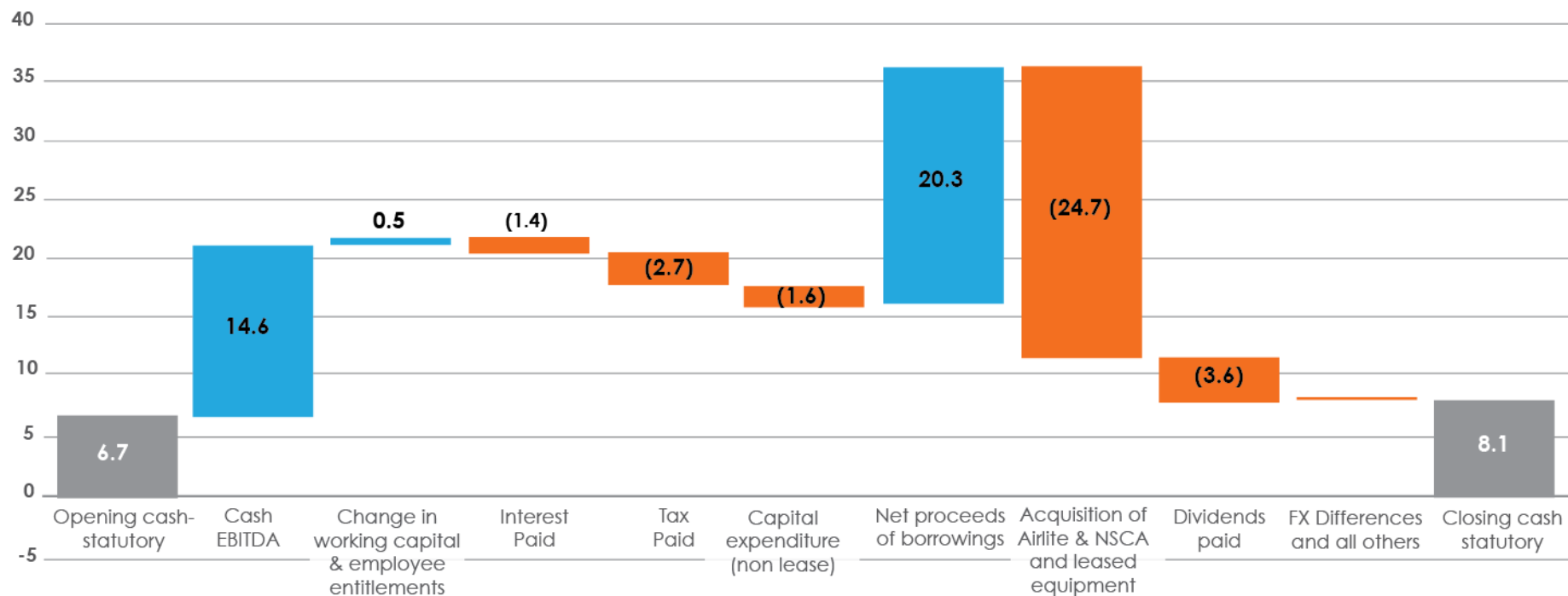
Net Debt / EBITDA	
Statutory Basis	FY17
Borrowings	\$28.9m
Bank guarantees outstanding	\$0.9m
Cash & Cash Equivalents	\$8.1m
<b>Net Debt<sup>1</sup></b>	<b>\$21.7m</b>
<b>Pro-forma Operating EBITDA<sup>3</sup></b>	<b>\$17.9m</b>
Net Debt / EBITDA	1.21

- Material movements attributable to acquisition of Airlite
- Cash balance of \$8.1 million as at 30 June 2017
- Adequately funded within existing debt facilities to continue to fund future growth initiatives

1. Net Debt = Borrowings at 30 June 2017 + Bank Guarantees – Cash & Cash Equivalents  
 2. The 2016 Balance Sheet has been restated for Deferred Taxes associated with the Airlite acquisition & ACS Contingent Consideration as disclosed in the June 2017 Appendix 4E.  
 3. Pro-forma operating EBITDA includes Airlite operations from 1 July 2016 instead of 1 November 2016 effective acquisition date

# Cash flow and capital expenditure

Statutory Cash Flow \$m



- Pro-forma capital expenditure for the year was \$3.7m of which \$2.1m was financed under existing asset finance facilities.

# Sustainable earnings and growth outlook

FY17 Dividend Reconciliation	
Statutory Basis (\$m)	FY17
<b>Cash flow from operating activities</b>	<b>\$15.1m</b>
Add interest received	\$-
Less interest and other financial costs paid	\$(1.4)m
Less income taxes paid	\$(2.7)m
<b>Net cash flow from operations</b>	<b>\$11.0m</b>
Statutory capex	\$(3.7)m
Debt funded capex	\$2.1m
<b>Cash capex</b>	<b>\$(1.6)m</b>
<b>Free cash flow</b>	<b>\$9.4m</b>
FY17 dividend	\$(4.1)m
<b>Remaining free cash flow</b>	<b>\$5.3m</b>

- Final fully franked dividend of 5.4 cents per share
- Total dividends for FY17 of 8.9 cents per share
- Record date: 15 September 2017
- Payment date: 5 October 2017
- Dividend policy remains unchanged





## 4. Strategy

# Strategy

1.

## **CONSOLIDATE** Executive Leadership Group

- Strengthened management capability
- Enhanced finance function
- Investment in talent – Security

2.

## **GROW** Security Cleaning Integrated Services

- Grow security to circa 30% of group revenue within 2 years
- Drive organic growth from critical mass in cleaning and integrated services
- Strategic acquisitions in complementary sectors and services

3.

## **CENTRALISE** Processes

- Improve quality, efficiency and consistency through centralisation of internal services

4.

## **ENHANCE** CRM Governance Incentives

- Implement enhanced CRM and strengthened governance structures to support strategic plans
- Introduce STI & LTI

# Executive Leadership Group

- Redesigned leadership team to support the operations and growth prospects
- Strengthened Finance capability
- Investment in talent – Security



# Growth

## SECURITY

- Following the investment in talent made earlier in 2017, the Board is committed to aggressively growing the Security division to circa 30% of total Group revenue within two years
- Opportunities
  - Sectors: Retail Shopping Centres, Event, Government, Commercial, Healthcare, Education, Aviation
  - Markets: Static Guarding, Crowd Control

## CLEANING and INTEGRATED SERVICES

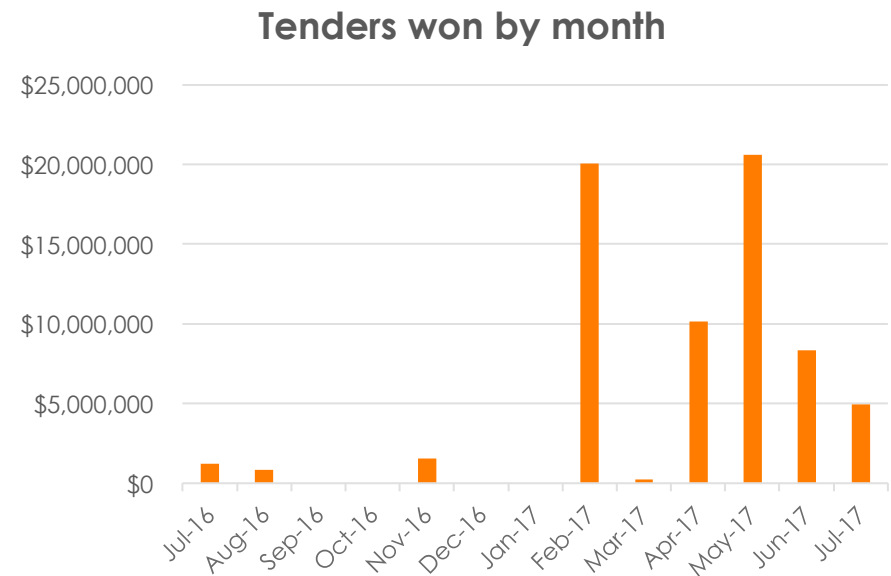
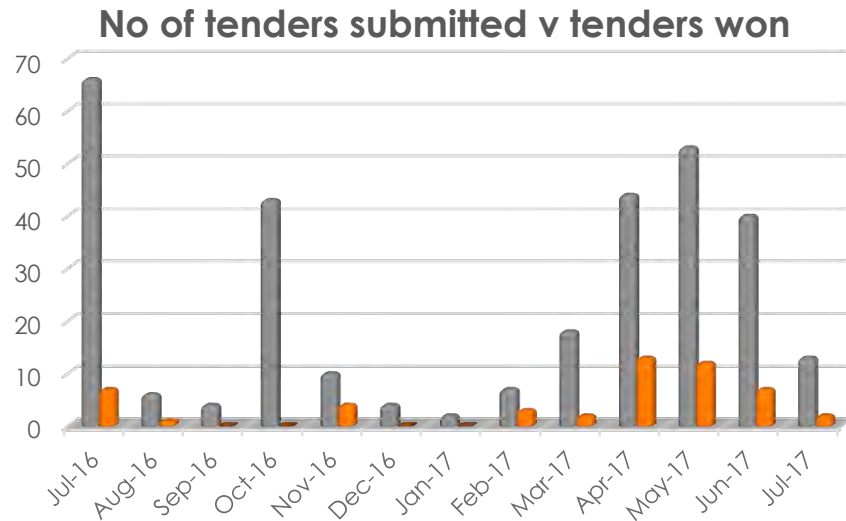
- Drive organic growth from critical mass
- Focus on diversification across services, sectors, clients and geographies





# Centralised processes

- Following extensive growth pre and post-listing, Millennium has consolidated a range of legacy systems and structures
- Bid processing and business development systems centralised



- Major volume of tender and costing activity conducted in April and May
- Total FY17 tender activity = 310 tenders; Tender activity since 1<sup>st</sup> March = 168 tenders

# CRM, governance and incentives

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- Formalised CRM structures
- Enhanced organisational governance structures
- Introduced STI and LTI incentive schemes to:
  - Support operations and growth of business to deliver shareholder returns
  - STI scheme in operation for 2018 for approximately 55 employees
  - Subject to achievement of Board approved performance metrics, (including EBITDA delivery) STI scheme will deliver cash incentives ranging from 5% to 50% (inclusive of superannuation) of base salary + super
  - LTI scheme will also be launched during 2018
  - Further details of the LTI scheme is contained within the remuneration report



# 5. Outlook

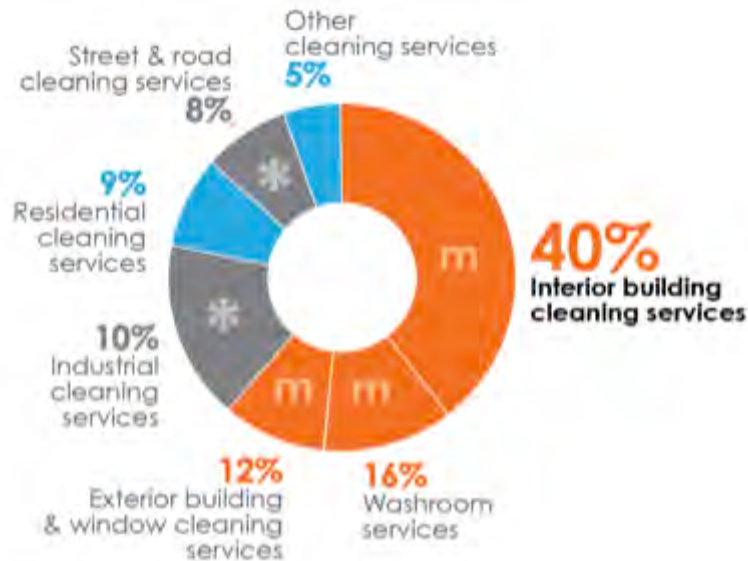


# Attractive industry fundamentals

## CLEANING

Revenue: \$8.6bn

Annualised growth 2.7%



Current sectors Future growth sectors Other sectors

Source: [www.ibisworld.com.au](http://www.ibisworld.com.au)

## SECURITY

Revenue: \$6.2bn

Annualised growth 1.8%



Source: [www.ibisworld.com.au](http://www.ibisworld.com.au)

# Outlook

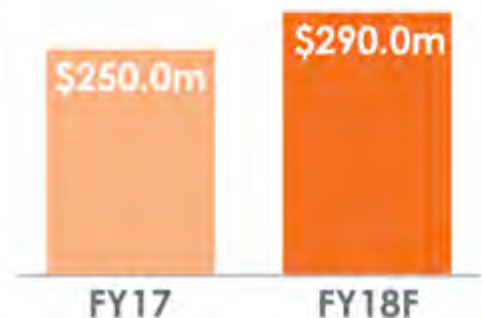
- Millennium has a clear vision to be Australasia's leading integrated service provider
- Well-positioned for continued growth through competitive advantages:
  - Enhanced management capability
  - Scale and diversification
  - Australian-owned
  - Further opportunities for M&A
  - Innovation and technology
  - Strong client relationships
  - Reputation for delivering on commitments
  - Strong employee attrition rates
  - Employee engagement
  - National presence
  - Reliability
  - Speed to market





# FY18 Guidance

## REVENUE



## EBITDA



## NPAT



## EPS (CPS)



- 1H/2H weighting revenue: 46/54

- 1H/2H weighting EBITDA: 30/70

# Summary

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- Strong FY17 result underpinned by acquisition of Airlite and organic growth providing a strong platform for future growth
- Strongest contract book in the Company's history, both in terms of value and longevity
- Scale and diversification across services, sectors, clients and geographies
- Strong cash flow generation to fund capital expenditure, acquisitions and dividends
- Positive start to FY18 with a strong pipeline of opportunities in key markets, especially Security
- Growth prospects in adjacent sectors and from industry consolidation

# 6. Appendices

# Summary statutory income statement

Summary Statutory Income Statement		
	FY17	FY16
<b>Total Revenue</b>	<b>\$227.3m</b>	<b>\$105.4m</b>
<b>Gross Margin</b>	<b>\$38.8m</b>	<b>\$18.6m</b>
<b>Operating EBITDA</b>	<b>\$16.8m</b>	<b>\$9.1m</b>
Transaction & Other Costs	\$(1.0)m	\$(4.9)m
<b>Reported EBITDA</b>	<b>\$15.8m</b>	<b>\$4.2m</b>
Depreciation & Amortisation	\$(5.6)m	\$(1.8)m
Interest	\$(1.6)m	\$(0.4)m
<b>Profit Before Tax</b>	<b>\$8.5m</b>	<b>\$2.0m</b>
Income tax benefit/(expense)	\$(2.3)m	\$(1.3)m
<b>Net Profit After Tax (NPAT)</b>	<b>\$6.2m</b>	<b>\$0.7m</b>

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