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Full Year FY19 Results Presentation

29 August 2019

millennium

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1. Executive Summary

Executive Summary

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- \$4.9m turnaround in underlying EBITDA 1H19 to 2H19
- Confirmation of continuing support of ANZ Bank which will allow time for a review of debt structure and a general finance re-set.
- Business Improvement Plan underway, delivering annualised savings of \$11m and other benefits, progressively realised throughout FY20 and FY21
- Working capital improved
- Underlying organic growth with contract wins in both cleaning and security
- Investment in new technology and people creating a platform for better controls and future growth
- Actions underway to expand, diversify and de-risk the business e.g. commercial cleaning, facilities management and other related services



2. FY19 Highlights

Key Highlights

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\$4.9m underlying* EBITDA turnaround to date 1H19 \$2.4m loss vs 2H19 \$2.5m earnings



Stronger financial position

- ✓ \$4.9m EBITDA turnaround to date
 - 1H19 \$2.4m loss vs 2H19 \$2.5m earnings
- ✓ Cash flow addressed
 - Trade finance funding secured
 - Aged debtors reduced
- ✓ Ongoing support of the bank with facilities extended to 1 September 2020 and a commitment to review terms & conditions for refinancing



Improved accountability

- ✓ New Board appointed in October 2018
- ✓ Strategic Business Review completed
- ✓ Business Improvement Program rolled out (annualised \$11m savings progressively realised through FY20 and FY21)
- ✓ Compliance program initiated
 - Using sub-contractors only when approved by client
 - Ensured all staff correctly paid in accordance with employment conditions
- ✓ Labour Hire legislation and Modern Slavery Act embedded in everyday work practices



Addressed margin compression

- ✓ Addressed labour inefficiencies
- ✓ Negotiated price increase with some clients
- ✓ Exited some unprofitable contracts
- ✓ Tendering at market competitive rates
- ✓ Improved controls to prevent revenue leakage



Integrated/automated Business Processes

- ✓ Time and Attendance System rollout commenced to ensure sustainable labour controls are introduced
- ✓ Full integration of the Airlite business initiated



Enhanced leadership capability

- ✓ New Executive Management Team appointed
 - CEO, CFO, CIO, HSE and GM People & Culture
- ✓ Operational restructure commenced



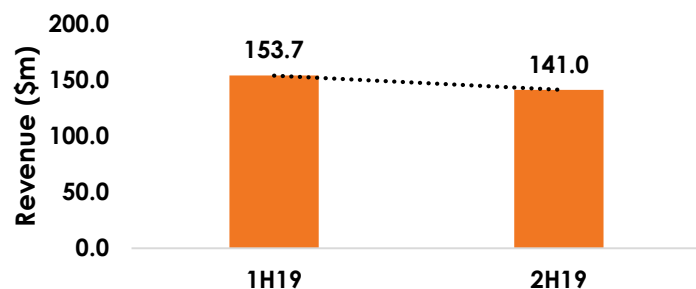
Right sized the business to reduce overhead

- ✓ Overhead support structure right sized

Financial recovery – 1H19 vs 2H19

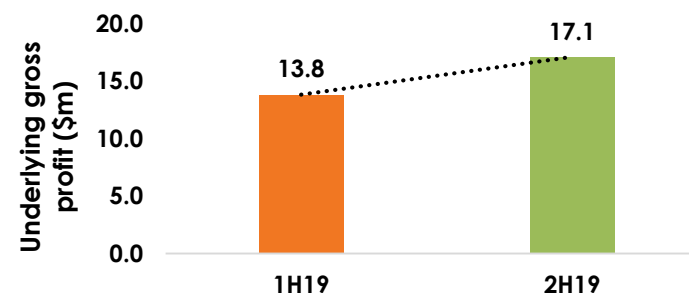
Our 2H19 results show the positive impacts of management's actions

Revenue



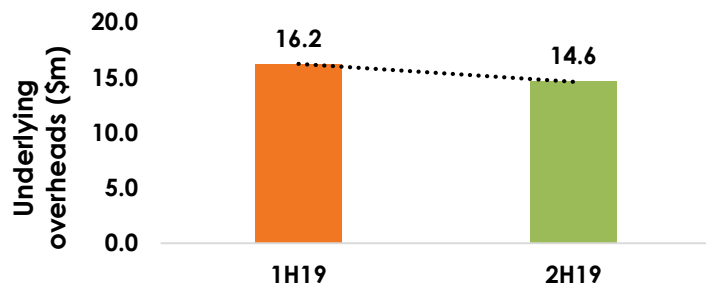
Revenue reduction due to the loss of a large contract and the exiting of unprofitable contracts, partly offset by contracts won at higher margins

Underlying* Gross Profit



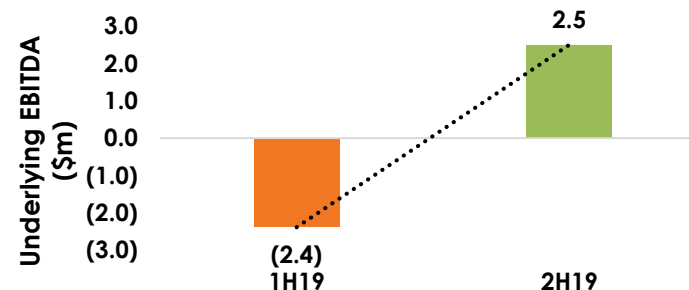
Margin improvement driven by improved contract mix, labour controls and negotiated price increases

Underlying* Overheads



Business Improvement Plan driving cost savings including the right sizing of the back office structure

Underlying* EBITDA



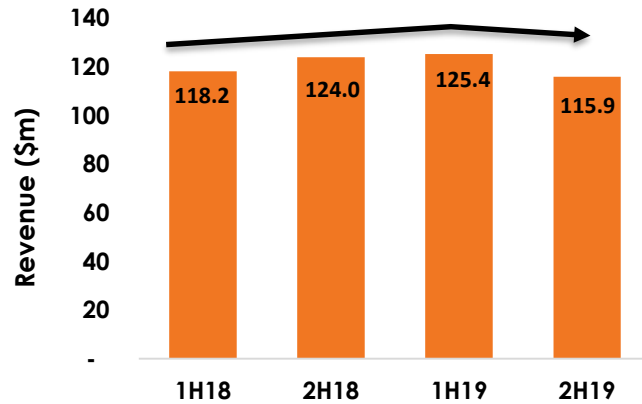
Outcome of the commencement of the Business Improvement Plan

Cleaning segment

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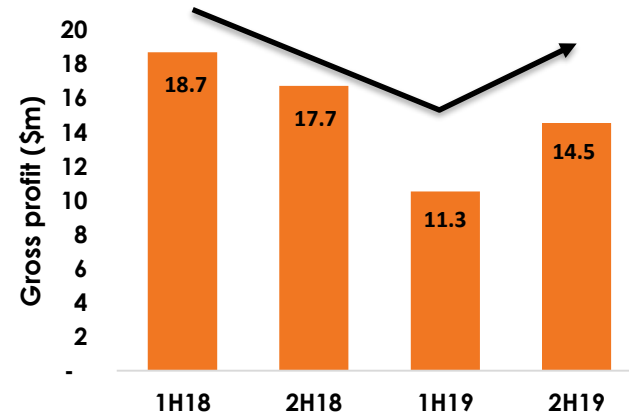
Revenue (\$millions)

-7% 2H19 vs 1H19



Underlying* Gross Profit (\$millions)

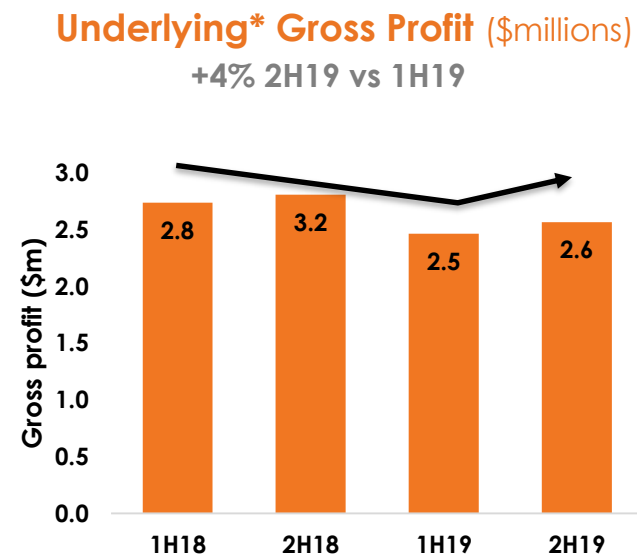
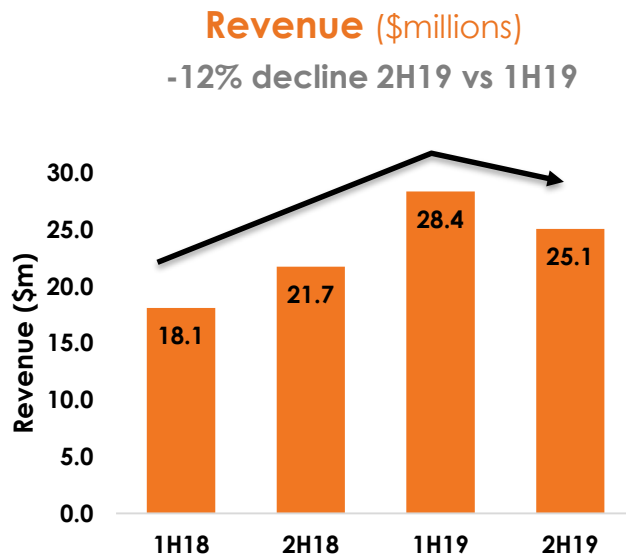
+36% 2H19 vs 1H19



- Millennium continues to win new contracts (including contracts with Stockland and Scentre Group) however this was offset as a result of the loss of a large contract and exiting loss making contracts resulting in a decline in revenue in 2H19
- There has been significant improvement in 2H19 as a result of management actions with gross profit margin improving from 9.0% in 1H19 to 12.5% in 2H19

Security segment

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- The business continues to win new contracts (including contracts with Metro Trains Sydney and Crown) however this was offset as a result of exiting loss making contracts resulting in a decline in revenue in 2H19
- There has been improvement in 2H19 as a result of management actions with gross profit margin increasing from 8.7% in 1H19 to 10.2% in 2H19

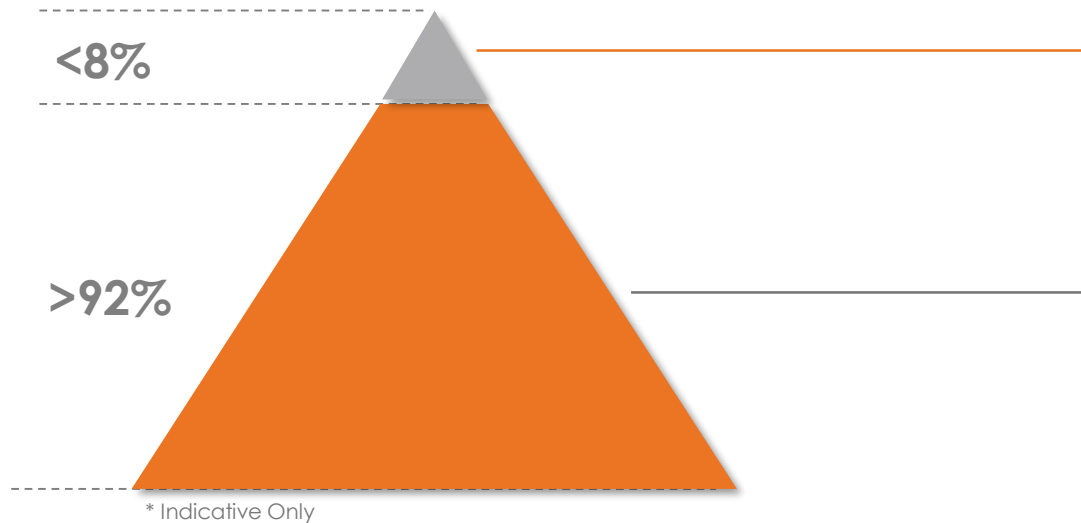


3. Operational Performance

Contract Book as at 30 June 2019

– Cleaning & Security

Figure 1: Contract book profile*



Observations

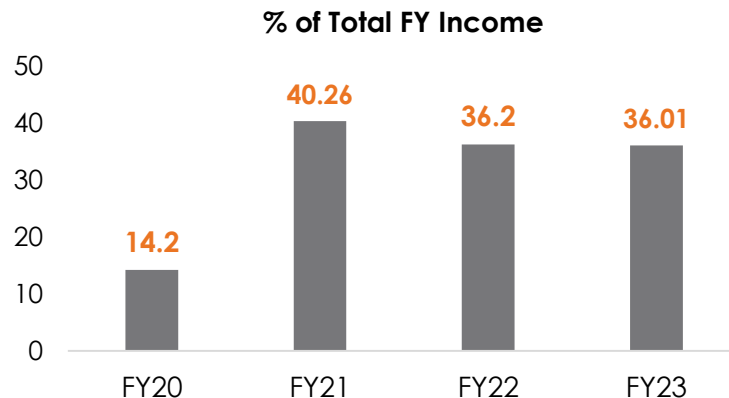
Additional billings

- Periodical works, ad-hoc requests, events

92.1% in contract

- 13 contracts >\$3m p.a.
- 45 contracts \$1m-\$3m p.a.
- 614 contracts <\$1m p.a.

Figure 2: Contract book expiration profile as at 30 June 2019



- 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

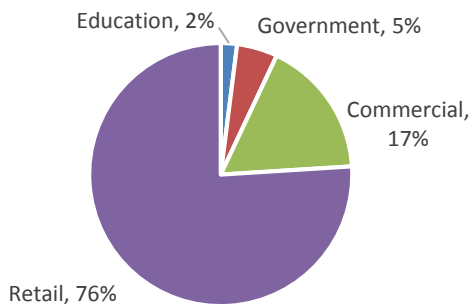
Millennium serves a range of prestigious clients



Millennium serves a range of customers, industries and geographies

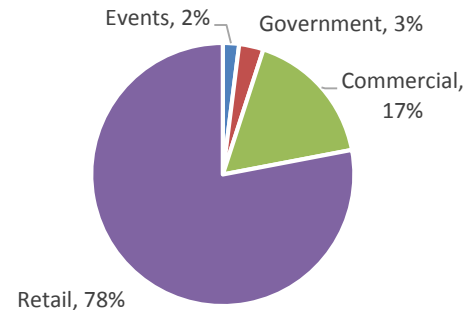
Cleaning - Industry Segments

% revenue by industry



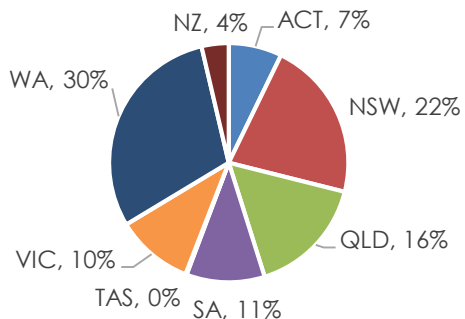
Security - Industry Segments

% revenue by industry



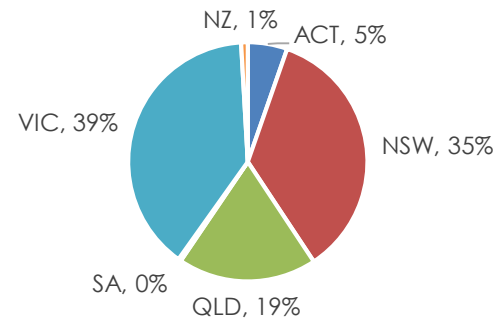
Cleaning - Geographies

% of revenue by state



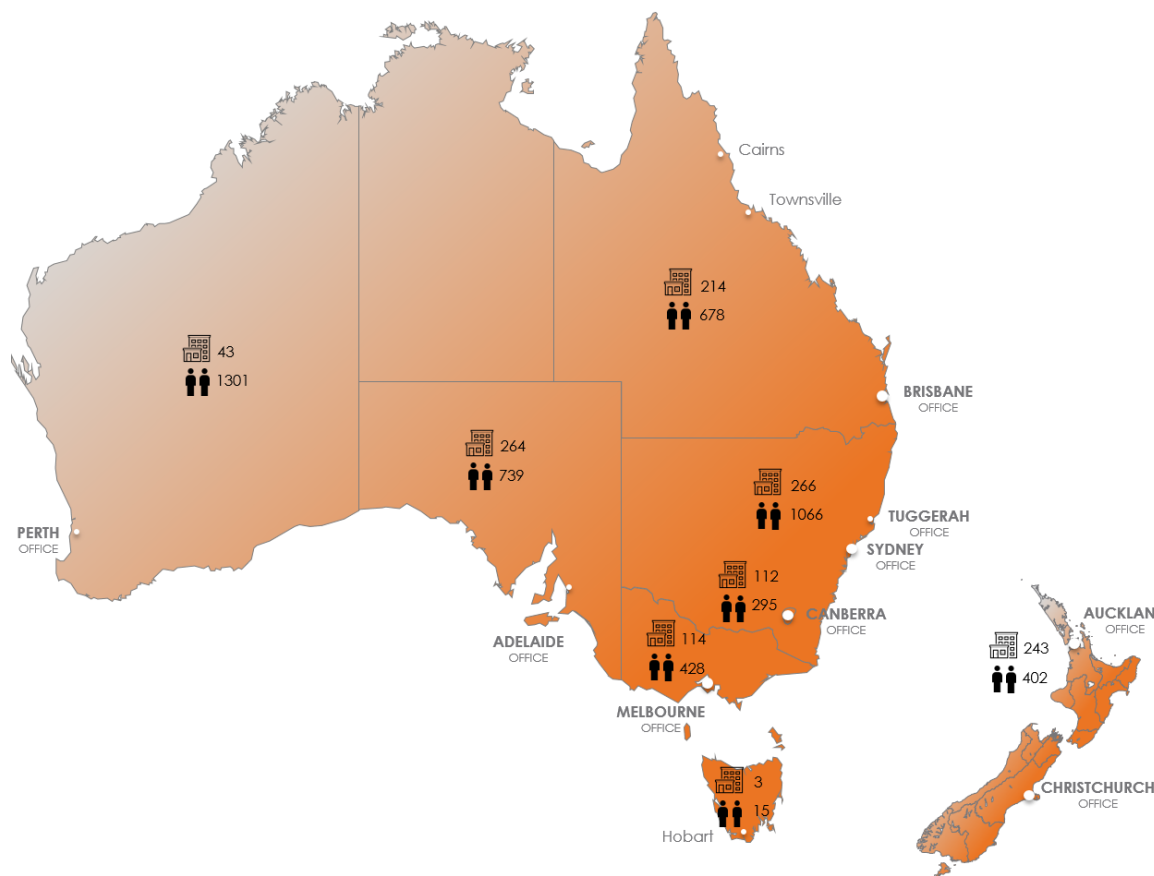
Security - Geographies

% revenue by state



Current Geographic Reach

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- 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 is exceeding expectations



1044 Integrated Services Sites*
215 Security Sites*



4628 Integrated Services People*
618 Security People*
67 Management*

* As at 30 July 2019

Key findings of the strategic review

The Board has addressed the challenges identified and is building on Millennium's core strengths

Strengths



Blue-chip clients



Quality of service



Scale of operations



Integrated service offering



Geographic diversity



Long-term recurring contract book
(c\$300m)

Challenges identified



Improve accountability



Enhance leadership capability



Integrate/automate Business Processes



Address margin compression



Reduce overheads

Business recovery & reset

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Millennium has initiated a range of actions to improve our business



Implemented Business Improvement Plan

- On track to achieve \$11m annualised savings
- Significant progress on renegotiation of low margin contracts, labour management initiatives, overhead and discretionary cost reductions



Improved decision making & accountability

- New senior management appointments
- Organisation right sized to ensure effective delivery of services
- Introduction of Short Term Incentive plan incentivising business and operational managers on improving profitability, safety and compliance



Ensured compliance with customer requirements and statutory obligations

- Addressed historical EBA issues
- Using sub-contractors only when approved by client
- Compliance with new labour laws and awards



Stronger financial position

- New \$10m trade finance facility with Scottish Pacific
- Ongoing support of ANZ with facilities extended to 1 September 2020 and commitment to review terms & conditions for refinancing
- Net working capital reduced
- All related party loans have been repaid



Enhanced operational controls

- Roster optimization reducing labour costs
- Reduced non-billable overtime
- Increased revenue from ad hoc and periodical work



Reset tendering strategy

- Focus on winning new business at higher and more sustainable margins
- Diversification into new industry segments to de-risk the business

Business reset & recovery

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Management is focussed on a number of key objectives for the business

Investment in internal capabilities

- Strengthening operational structure to promote sustainable delivery of services
- New senior appointments in HR, Health & Safety and Business Development

Investment in key systems upgrades

- **Time & Attendance** – time and attendance system
- **PPM** – tracking for periodical & ad-hoc work
- **Quality** – on-site management systems
- **Beacon Tracking** – on-site labour rotation management

Airlite integration

- Single national Millennium brand and business

New business growth strategy

- Expansion in key target sectors: Government, Infrastructure, Commercial and Education segments
- Continued focus on winning profitable business

Timing to complete

December 2019

December 2019

June 2020

Underway



4. Financial Performance

- The reported FY19 statutory results have been adversely affected by a number of non-recurring one-off costs* associated with:
 - Historic issues inherited by the New Board
 - Organisational restructure
 - Non-cash asset impairments allowing a resetting of the Millennium Balance Sheet of items that were restricting the opportunity to take the Company forward
- Underlying results have been shown to allow stakeholders to appreciate the impact of these one-off costs
- 2H19 has seen significant improvement in underlying EBITDA

* See Appendix 1 for details

Financial Snapshot – FY19

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1H19	2H19	Full Year FY19
Revenue		
\$153.7m	\$141.0m	\$294.7m Up 4.5% on pcp
Underlying* EBITDA		
(\$2.4m)	\$2.5m	\$0.1m Down from \$15.4m on pcp
Statutory EBITDA		
(\$5.9m)	\$1.6m	(\$4.3m) Down from \$8.8m on pcp
Statutory NPAT		
(\$23.2m)	(\$22.4m)	(\$45.6m) Negative change of \$44.8m on pcp

- Year on Year growth due to security contracts won in FY18
- 8% revenue reduction in 2H due to loss of a large contract and handing back of non profitable contracts
- Reduction partially offset by winning new contracts
- Reduced full year gross margin due to impact of 1H revenue sources (mix of wins/renewals at lower margins and losses of higher margin contracts), higher labour costs, inefficient roster control and overhead costs being too high
- Significant second half margin improvement as a result of remedial actions initiated during the first half
- EBITDA loss driven by a number of non-recurring costs and one-off catch up costs totalling \$4.4m*
- Includes full year impairment of goodwill and customer contracts of \$26.8m and \$12.7m of tax assets not recognised

pcp = previous corresponding period, being the 12 months to 30 June 2018

* Refer Appendix 1

Income Statement

FY19 results reflect a \$4.9m underlying* EBITDA turnaround from 1H19 to 2H19

Summary Income Statement

\$m	FY19	FY18	Variance \$m	Variance %
Total revenue	294.7	282.1	12.6	4.5
Gross profit	30.1	41.0 [#]	(\$10.9)	(26.5)
Gross margin %	10.2%	14.5%		(30%)
Overheads	(34.4)	(32.2) [#]	(2.2)	(6.8%)
Statutory EBITDA	(4.3)	8.8	(13.1)	NM
Underlying EBITDA	0.1	15.4	(15.3)	(99%)
Reported NPAT	(45.6)	(0.7)	(44.8)	NM

Observations

- Business Improvement Plan of \$11m annualized savings underway, targeting improved profitability
- Difference between Statutory and Underlying EBITDA driven by \$4.4m of non recurring costs. See Appendix 1 for detail.
- Increase in overheads (net of prior vendor reimbursements) was related to non recurring expenses
- Reported NPAT contains:
 - \$26.8m in non cash impairments
 - \$12.7m of tax assets not recognised
 - \$4.4m of non recurring expenses

*Refer Appendix 1

[#] Net of \$1.5m of prior vendor reimbursements

Balance Sheet

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Balance Sheet

	Jun-19	Jun-18	% variance
Cash & cash equivalents	2.7	3.9	-31%
Trade receivables	19.5	23.3	-16%
Inventory	0.8	1.6	-50%
Other current assets	1.2	2.5	-52%
Intangible assets	7.5	37.4	-80%
Non-current assets	11.6	24.8	-53%
Total Assets	43.4	93.4	-54%
Trade payables	22.2	24.4	9%
Other current liabilities	26.1	23.5	-11%
Borrowings	29.8	28.2	-6%
Non-current liabilities	1.8	7.9	77%
Total liabilities	79.8	84.1	5%
Net Assets	(36.4)	9.3	-491%
Working capital	(1.8)	0.4	550%
Net debt	27.1	24.3	-12%

Observations

- Current assets: Reduction in working capital as a result of improved debtor collections and inventory management
- Intangible assets: Non-cash write-down of goodwill, trademarks and customer contract intangibles
- Non-current assets: Derecognition of deferred tax assets
- ANZ facility extended to 1 September 2020 to allow time to review terms & conditions of a debt restructure
- Net debt impacted by \$4.4m of non recurring costs

Millennium continues to have ongoing support from its financiers

\$000 Facility	Available	Drawn Down	Term
Trade Finance Facility	10,000	-	No expiry
Interchangeable Loan Facility	19,136	18,137	01 September 2020* to allow time to review terms & conditions of a debt restructure
Overdraft Facility	10,000	7,176	
Asset Finance Facility	4,000	3,515	
Standby Letter of Credit or Guarantee Facility	1,200	1,172	
Electronic Payway / Commercial Card Facility	825	123	
Total	45,161	30,123	

Scottish Pacific facility

- Company entered into a Scottish Pacific facility in April 2019
- Initial size of \$10m, with facility increased by another \$2m in August 2019
- Minimum 24 month term
- Provides additional financing flexibility for working capital requirements and new business growth

ANZ Debt facility*

- ANZ waived the debt facility covenants for period ending 30 June 2019 and 30 September 2019
- Bank deferred the scheduled principal repayment due June 2019 and October 2019

* Subject to certain conditions



5. Outlook

Millennium has made significant progress on its objectives in FY19

Strategic review



COMPLETE

Business recovery & reset



UNDERWAY

Profitable growth



UNDERWAY

Millennium Group Strategic Priorities

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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



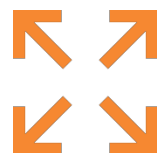
Growth

Organic

- Leverage growth from existing clients and their development pipeline
- Investment in sales into new sectors (commercial, education, government & infrastructure)

M&A

- Once Business Improvement Plan completed, target medium size opportunities in sectors that align with sector and geographic expansion program



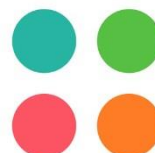
Expansion

Geographic

- Focus on key markets where margins are higher
- Continue to grow in NZ

Sector

- Expand services to commercial offices where there are synergies with current client base
- Target education, government and infrastructure where compliance is critical



Diversification

Services

- Grow security division
- Grow maintenance and integrated services
- Pursue commercial cleaning, facilities management, and related services opportunities

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

- Re-align operating structure to focus on client engagement and performance
- Build capability across the business
- HSE and Compliance to underpin operating culture

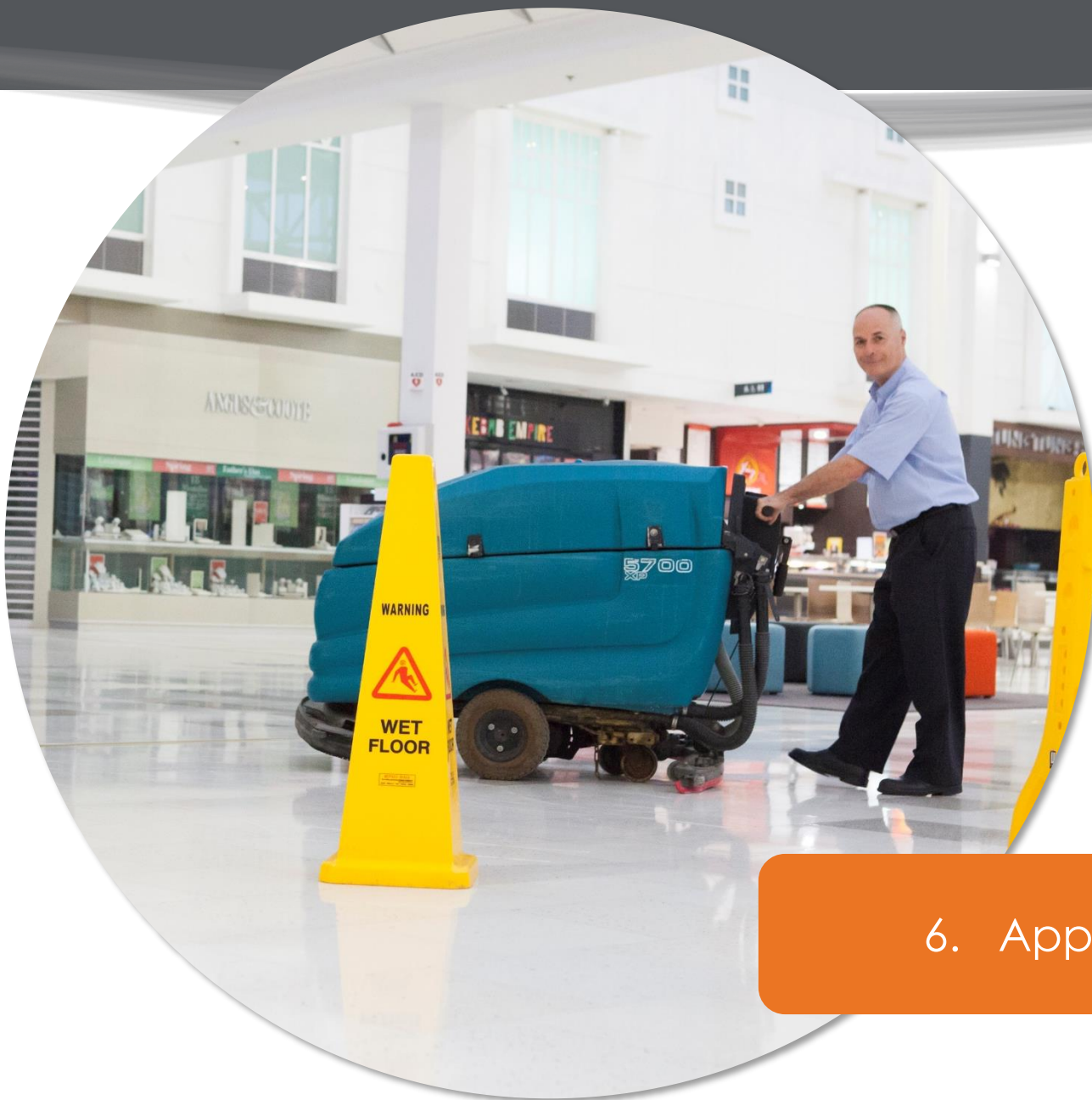
Systems

- Focus on the 4 key operating systems (Time & Attendance, PPM, Quality and Beacon Tracking)
- Transition to a cloud environment and automate key processes

2020 will see continued positive momentum in the rebuild of Millennium

- FY19 was a year of major restructure and change, with a range of actions initiated to improve business sustainability, profitability and financial position
- FY20 will be a year of transition as the Company benefits fully from recent initiatives, continues investment to enhance its capabilities and broadens its exposure to more new market segments

The Board acknowledges every one of our Millennium and Airlite staff for their ongoing commitment to delivering outstanding service to the Company's many clients



6. Appendices

Appendix 1 - One-off charges

The statutory results is impacted by a number of one-off charges

Summary of One-Off Charges

	1H19	2H19	FY19
Non-recurring items impacting EBITDA			
Non recurring items & accruals	2.7	-	2.7
Doubtful debts provisioning [#]	0.8	-	0.8
Restructure costs	-	0.9	0.9
Total	3.5	0.9	4.4
Non-recurring items impacting NPAT			
Impairment of goodwill and customer contracts	14.6	12.2	26.8
Tax assets not recognised	1.7	11.0	12.7

Observations

- Non recurring and accrual items include tax claims and public liability provisioning

[#] In cleaning segment gross profit



Thank you