



# Full Year FY20 Results Presentation

20 August 2020

**millennium**

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# Contents

Executive Summary	4
FY20 Highlights	6
Business Overview	13
Market Potential	22
COVID-19 Impact	26
Strategic Priorities	28
Appendices	31



# Executive Summary



# Executive Summary

- \$24.7m improvement in statutory EBITDA to \$20.3m and 4.0m improvement from 0.1m in underlying EBITDA in FY19 to 4.1m FY20
- Results impacted in 2H20 by the Government imposed restrictions due to COVID-19, however the Business ramped back up quicker than expected, initially experiencing a 30% revenue reduction in April, but recovering quickly to be only 7% down on pre COVID-19 revenue by June 30
- The \$11m Profit Improvement Plan 70% complete by March 20 (on an annualised basis). Realisation of remaining benefit delayed by 6 months due the impact of COVID-19
- Gross Margin % held up during COVID-19 period. Higher levels of COVID-19 related ad hoc sanitisation cleans and additional security assignments, have positively contributed to the rebound
- Continuation of negotiations with the ANZ Bank to address debt structure and a general finance reset
- Contract wins and renewals in both cleaning and security in current and target sectors
- Ongoing investment in new technology and people, are delivering better controls and opportunities for growth



## FY20 Highlights

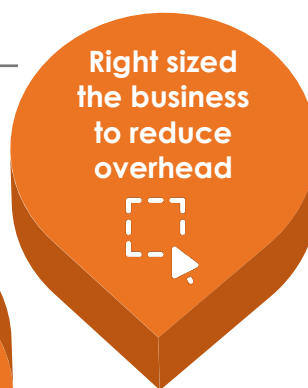
# Key Highlights

## Turnaround continuing but timing impacted by COVID-19

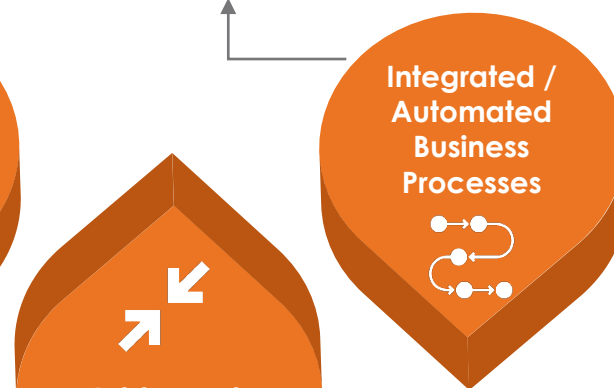
- ✓ Experienced Executive Leadership Team focused on performance, compliance and growth
- ✓ Strategic alignment between the Board and the Executive.
- ✓ Operational restructure implemented



- ✓ Overhead support structure right sized and can manage further revenue without material additions



- ✓ Time and Attendance system rollout continued with 53% of the workforce operating on the system representing 62% of the business turnover, expect to complete during FY21
- ✓ Full integration of the Airlite (WA) business progressing



- ✓ \$4.0m improvement in underlying EBITDA FY19 to FY20 (even with the impact of COVID-19 in 2H20)
- ✓ Last historical issues affecting cash conversion now overcome
- ✓ Exited low margin contracts improving earnings
- ✓ Ongoing support of the bank with negotiations to reset finance facilities

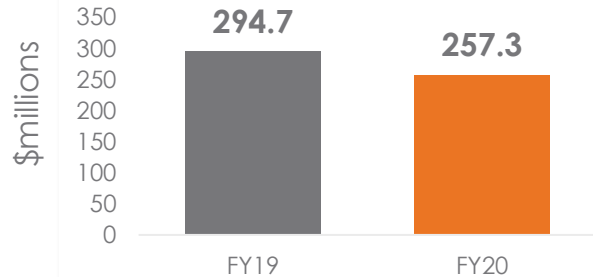
- ✓ Board focus on improving sustainable profitability & compliance
- ✓ Strategic Business Review actions materially completed
- ✓ 70% of Business Improvement Program rolled out (annualised \$11m savings progressively realised through FY20 and FY21)
- ✓ Compliance program delivering material improvement in Health and Safety and Public Liability outcomes.
- ✓ Staff receiving their correct award entitlements
- ✓ Labour Hire legislation and Modern Slavery Act embedded in everyday work practices

- ✓ Underlying Gross Margin in cleaning improved from 10.4% to 12.2% and security improved from 9.4% to 10.9% with more improvement expected during FY21
- ✓ Business Improvement Program recommences post COVID-19
- ✓ Focus by the Business on revenue capture, labour management & tendering at market competitive margins

# Statutory Performance

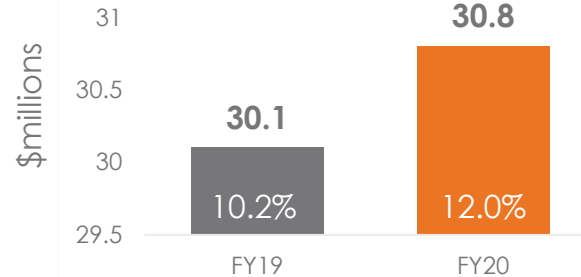
FY19 vs FY20

## Revenue



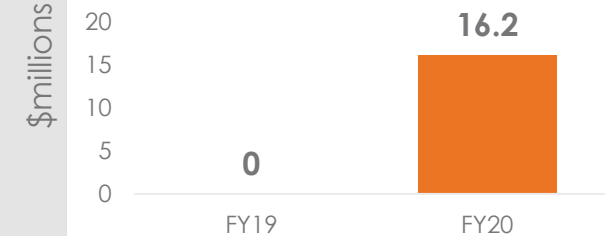
See commentary on the next slide

## Gross Profit



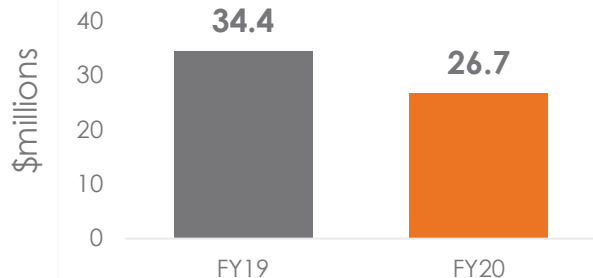
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## Other Income Less Other Overheads



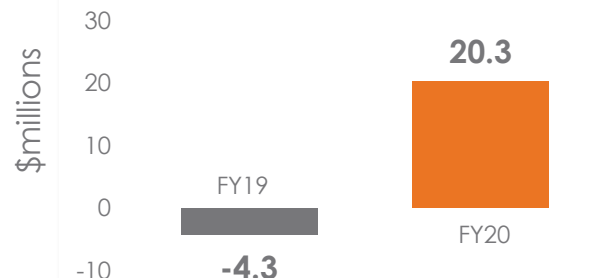
Government grant income \$24.6m less \$8.4m of wage top-ups associated with Government grants

## Overheads



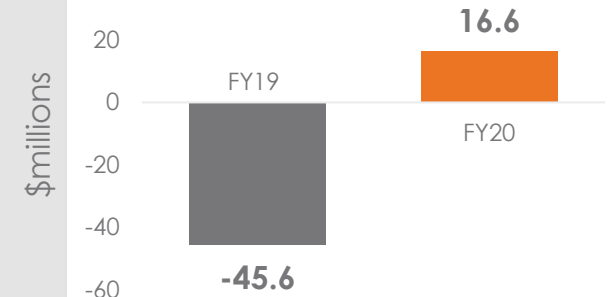
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## EBITDA



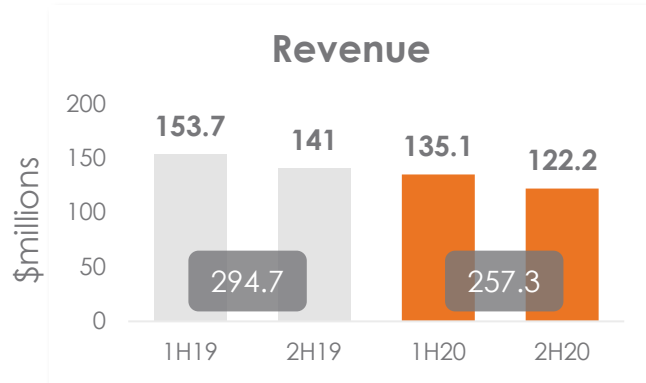
\$8.4m turnaround in Statutory EBITDA excluding net Government grants,

## NPAT

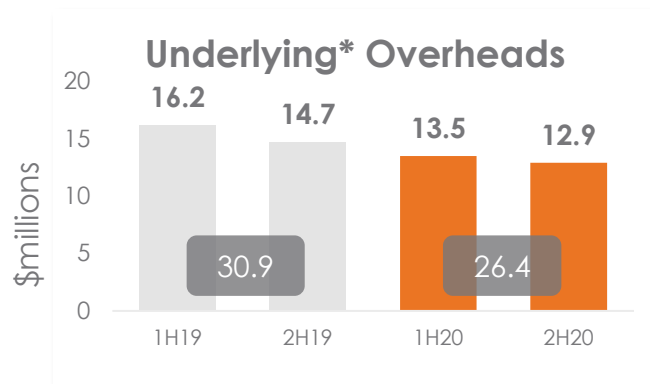


Includes recognition of Government grants & deferred tax assets recognized in current year

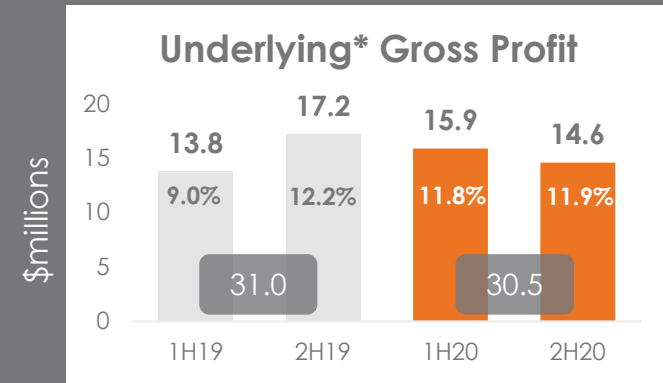
# Underlying\* Performance



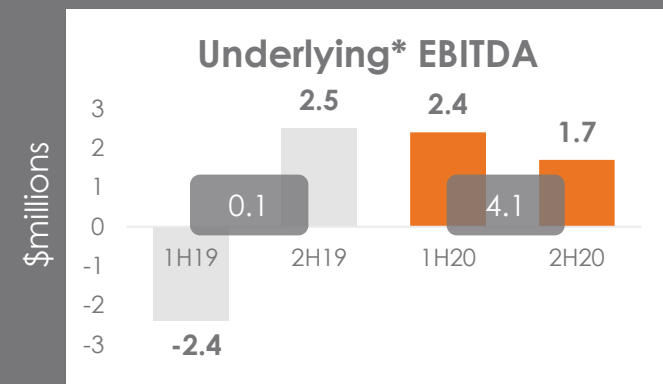
- 2H19 & 1H20 Revenue reduction due the exiting of unprofitable contracts, partly offset by contracts won at higher margins
- 2H20 reduction is a COVID-19 related reduction and is expected to be temporary. Revenue already recovering.



- 2H20 overheads held whole during COVID-19 to manage the quicker than expected rebound.



- 2H19 Margin improvement driven by the introduction of the Profit Improvement Plan
- 1H20 Margin % step down associated with moving to the Modern Award. Efficient application of the Award, and subsequent roster changes resulted in a benefit realisation time-lag in Q1. Recovery would have been reflected in 2H20 if not for COVID-19 impact



- 2H20 \$1.3m COVID-19 related Gross Margin dollar reduction offset partially by \$0.6m overhead reduction



# Balance Sheet

## Balance Sheet

## Observations

	Jun-2020	Jun-2019	Variance	
	\$m	\$m	%	
Cash	1.8	2.7	-33%	
Trade receivables	22.7	19.5	16%	Debtor build up a timing issue due to COVID-19 revenue ramp up in June
Government Grants	7.1	0.0		
Inventory & Other	3.7	2.1	76%	Inventory: Impacted build up of COVID-19 inventory
Intangible assets	7.5	7.5	0%	
Deferred tax asset	7.4	0.2	3600%	Recognition of deferred tax assets due to profit before tax generated by the Group
Other non-current assets	11.6	11.4	2%	
<b>Total Assets</b>	<b>61.8</b>	<b>43.4</b>	<b>42%</b>	
Trade payables	16.3	22.2	27%	Trade Payables & Provisions: lower due to payments of \$4.6m of prior year EBA back-payment provisions & \$2.9m of 2018 Workcover
Provisions	23.2	26.0	11%	
Borrowings	36.4	29.8	-22%	
Non-current liabilities	5.8	1.8	-222%	
<b>Total liabilities</b>	<b>81.7</b>	<b>79.8</b>	<b>-2%</b>	
<b>Net Assets</b>	<b>-19.9</b>	<b>-36.4</b>	<b>45%</b>	Net assets: Improved profitability and recognition of deferred tax assets
Working capital	7.6	-1.9	500%	Net debt and working capital impacted by \$4.6m of payments related to historical EBA application and \$2.9m of one-off payables from FY19.
Net debt	34.6	27.1	-28%	

# Debt Facilities

Millennium continues to have ongoing support from its financiers

\$000 Facility	Available	Drawn Down	Term
<b>ANZ Facility</b>			
Interchangeable Loan Facility	18.1	18.1	} October 2020
Overdraft Facility	10.0	9.1	
Asset Finance Facility	2.1	2.1	
Subtotal	30.2	29.3	
<b>Other Financiers</b>			
Trade Finance Facility	13.0	5.1	Renewal in November 2020
Asset Finance Facility	0.2	0.2	
Premium Funding	1.8	1.8	
<b>Total</b>	<b>45.2</b>	<b>36.4</b>	

Other drawn ANZ facilities

- \$1.2m Standby letter of Credit or Guarantee Facility
- \$0.1m Electronic Payway / Commercial Card Facility

## Debt facility

- ANZ waived the debt facility covenants for period ending 30 June 2019 and 30 September 2019
- ANZ bank deferred scheduled quarterly principal repayments until August 2020
- Renegotiation of finance facilities is currently underway

## Scottish Pacific facility

- Company entered into a Scottish Pacific facility in April 2019
- Initial size of \$10m, with facility increasing by another \$3m in FY20
- Provides additional financing flexibility for working capital requirements and new business growth

# EBITDA to Net Operating Cash

	\$m
Underlying EBITDA	4.1
<b>2018 Workcover payable</b>	<b>-3.1</b>
Increase in Trade Debtors	-3.2
Increase in Employee benefits	3.4
Increase in Trade / other payables	1.6
Cash generated from Operating activities	2.8

**2018 Workcover payable was last historical issue affecting cashflow**

A black and white photograph of a woman in a dark uniform mopping a light-colored tiled floor. She is holding a long-handled mop. In the foreground, a white triangular warning sign stands on the floor. The sign has a logo at the top, followed by the text 'WARNING WET FLOOR', a triangular warning symbol, and 'CLEANING IN PROGRESS'. To the right of the woman, a bucket of cleaning solution is visible. The background is a wall made of large, dark rectangular tiles, with two vertical light fixtures illuminating the scene. The entire image is framed within a large circular shape.

# Business Overview

# Business Overview

## Key Facts

2003 Commenced Operations

2015 ASX Listed

Annualised contract  
revenue c\$275m

## Our Scale

National & NZ Provider  
Strong Integrated Supply  
Chain  
Agility to rapidly respond  
to clients' needs

## Our Contract Book

Contract book c\$850m  
Highly visible future revenue  
92% contracted revenue  
Strong cash conversion  
3-5 year contract terms

## Our Integrated Services

  
Cleaning

  
Security

  
Maintenance

  
Landscaping

## Our Team

Engaged workforce  
Safety first culture



Australia & NZ



4,944 Employees



1,083 Sites

## Our Markets



Commercial



Retail



Education



Infrastructure



Health /  
Aged Care



Government

## Our Clients

Long-Term Blue-Chip Clients

Scentre Group, Stockland,  
QIC, Myer, ANZ, Crown,  
MRC, Metro Trains Sydney,  
Murdoch University  
plus many others

## Our Community



Employee & Community  
Wellbeing & Engagement



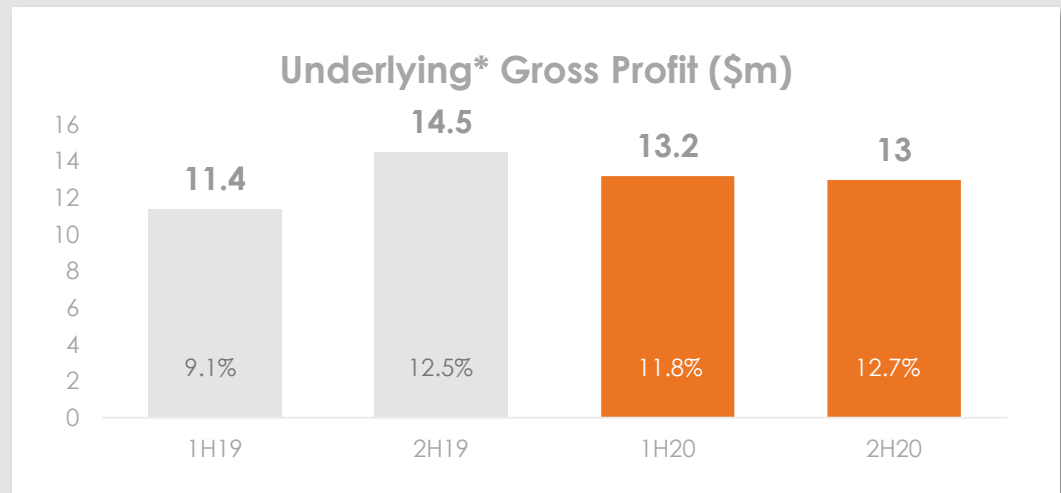
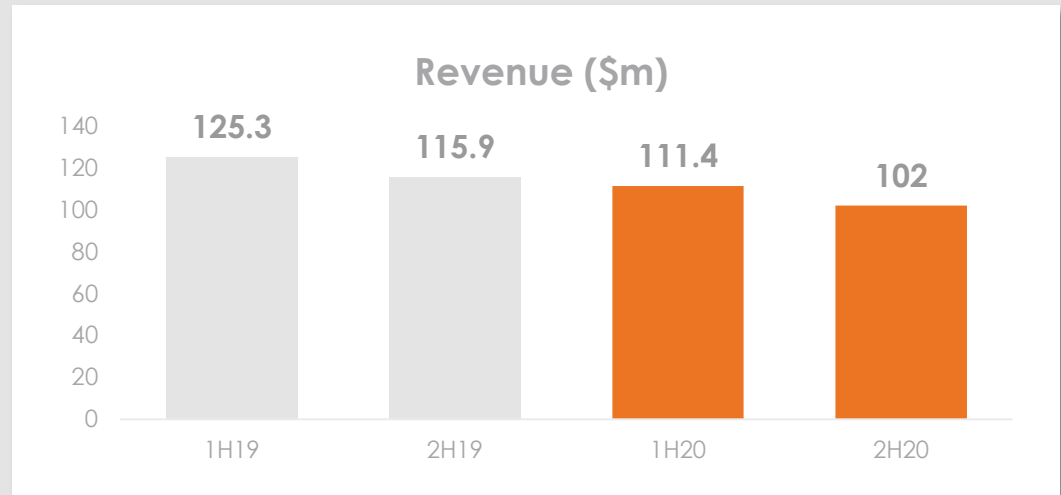
Environmental Awareness



Business Sustainability



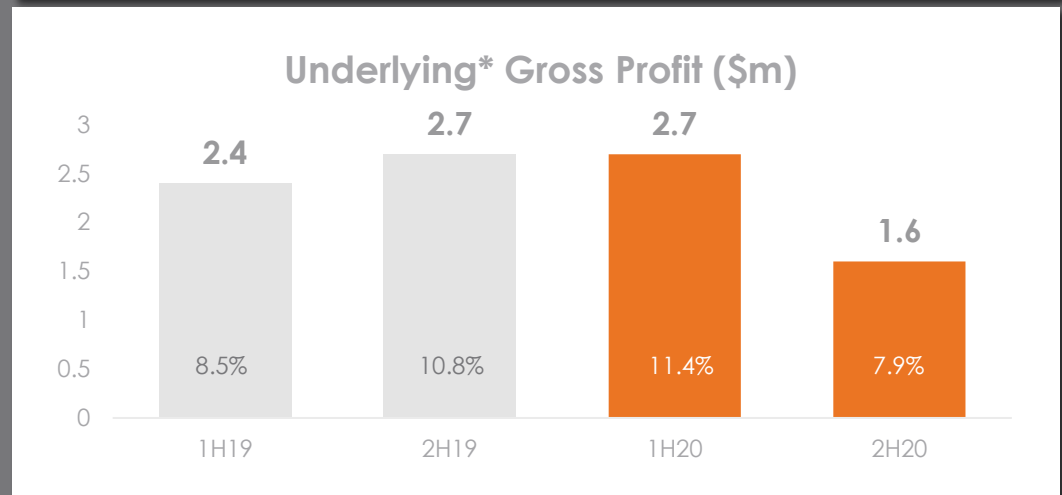
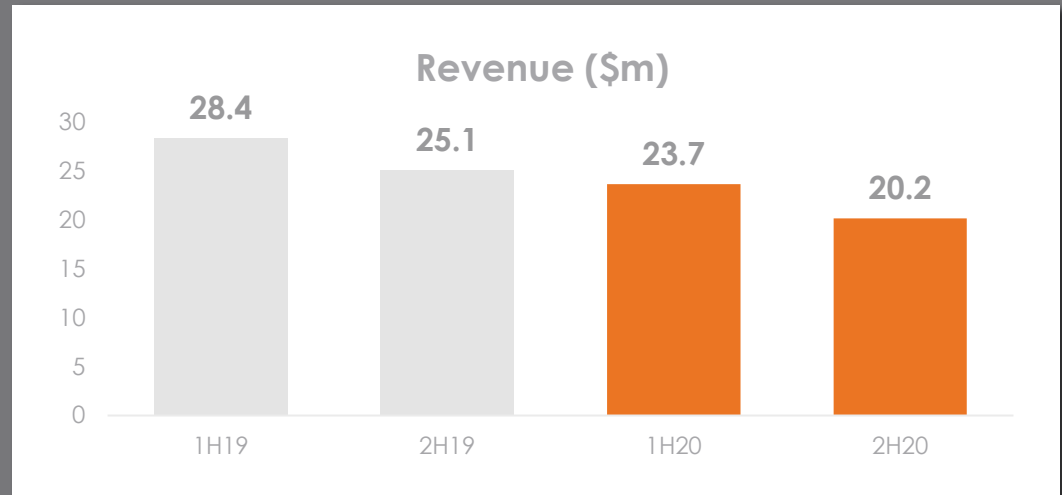
# Cleaning Segment



- 2H20 revenue reduction associated with COVID-19 reductions proven to be temporary and already recovering
- Gross Margin continues to improve with improved labour management and pricing initiatives associated with Profit Improvement Plan



# Security Segment

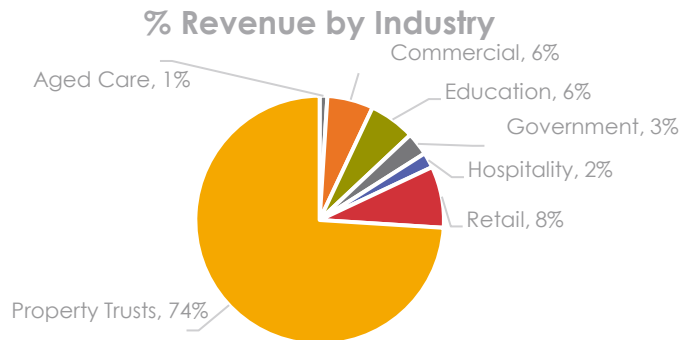


- The security business continues to win new contracts (including contracts with Metro Trains Sydney and Crown) and renew existing ones, however this was offset as a result of exiting a number of loss-making contracts resulting in a decline in revenue in 2H19 & 1H20
- 2H20 Revenue and Gross Margin was impacted by COVID-19 but is recovering

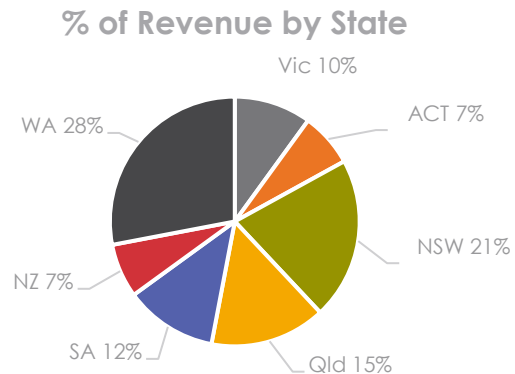
# Business Profile

Millennium serves a range of customers, industries and geographies –  
Current Contract Book c\$850m

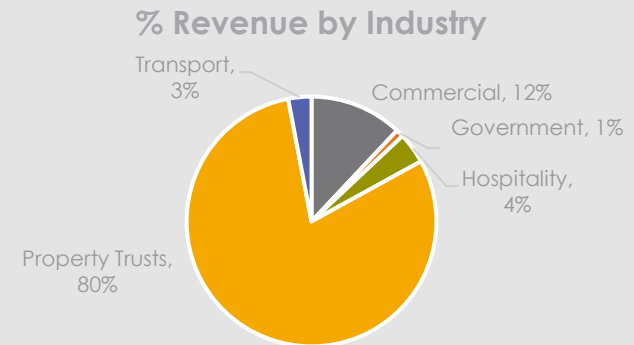
## Cleaning - Industry Segments



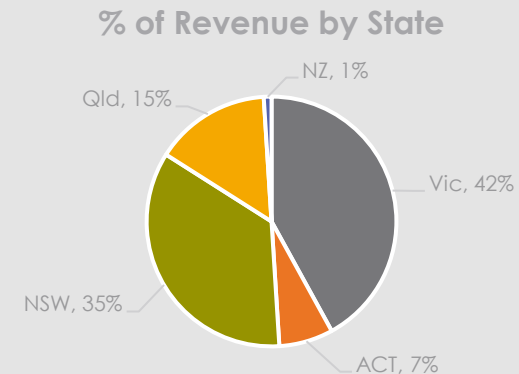
## Cleaning - Geographies



## Security - Industry Segments



## Security - Geographies



# Contract Book as at 30 June 2020

## Cleaning & Security – c\$850m Contract Book

Figure 1: Contract book profile\*

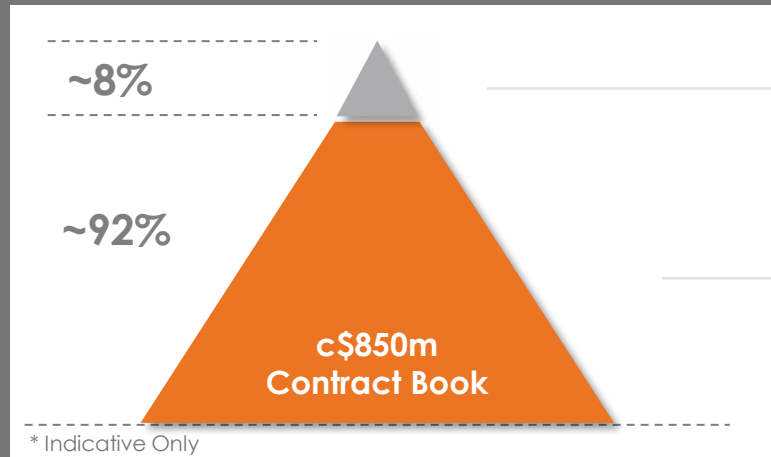
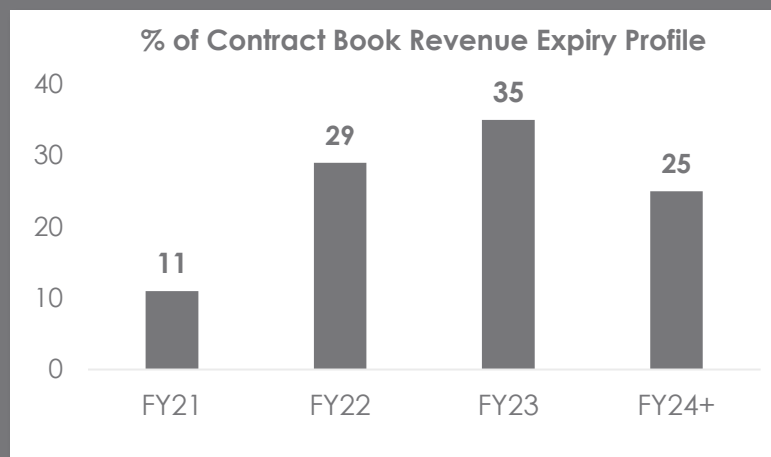


Figure 2: Contract book expiration profile as at 30 June 2020



### Observations

#### Additional billings

- Periodical works, ad-hoc requests, events

#### 92.1% in contract

- 14 contracts >\$3m p.a.
- 46 contracts \$1m-\$3m p.a.
- 603 contracts <\$1m p.a.

- 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
- High contract retention rate
- Number of key contracts have renewed without going to tender

# Client Profile

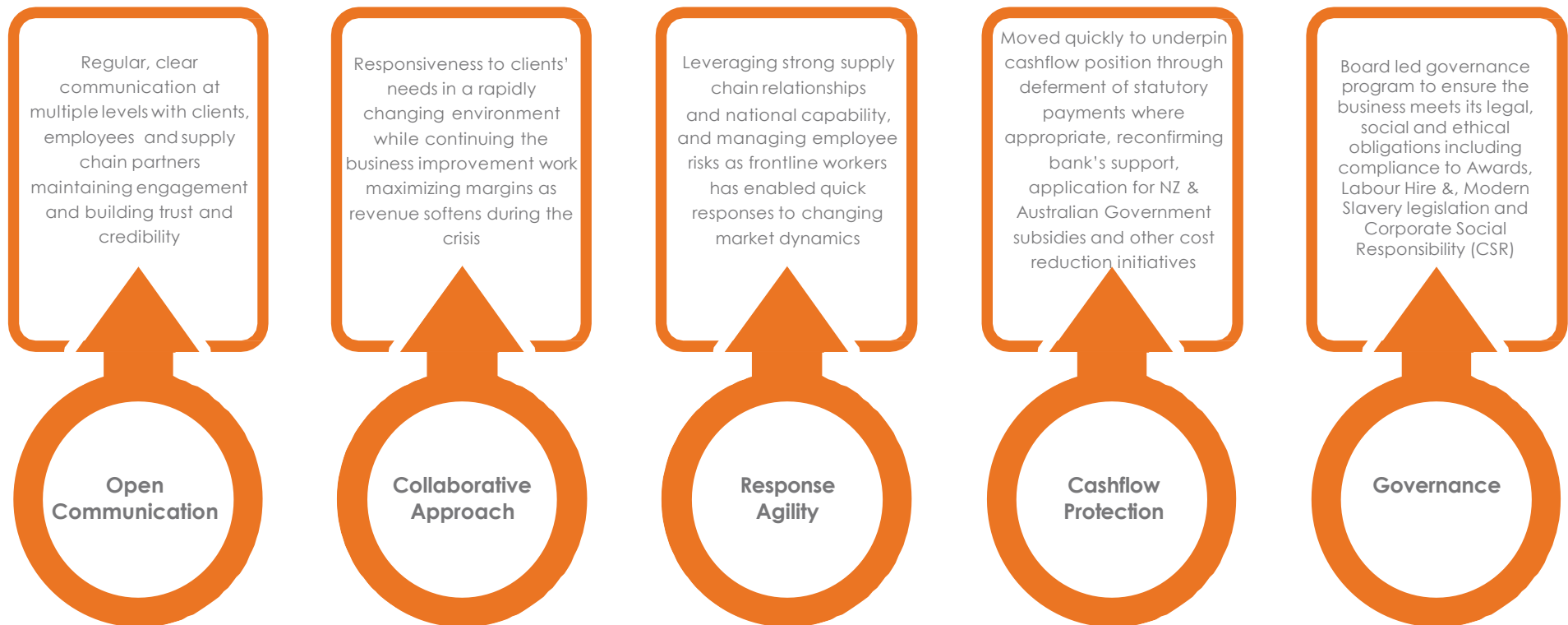
Millennium serves a range of prestigious clients including





# Leadership & Governance

The Company has introduced a strong leadership and governance model that underpins both the turnaround and growth strategy



# Profit Improvement Plan

Targeting \$11m annualized savings – 70% achieved

## Lower Overheads

Tighter control on overhead costs as part of the Profit Improvement Plan



## Client Confidence & Diversification

Renewal of long-term contracts with key clients



## Improved Margins

Focus on delivering contract quality

## Improved Controls

Compliance to legal and contractual obligations as well as delivering sustainability to profit improvements

## Roster Efficiencies

Systems driven improvements to rostering controls and oversight



# Market Potential

# Market Potential

**The Australian and New Zealand commercial cleaning market is estimated to be \$13B and the security market \$7B - creating a huge opportunity for potential growth**

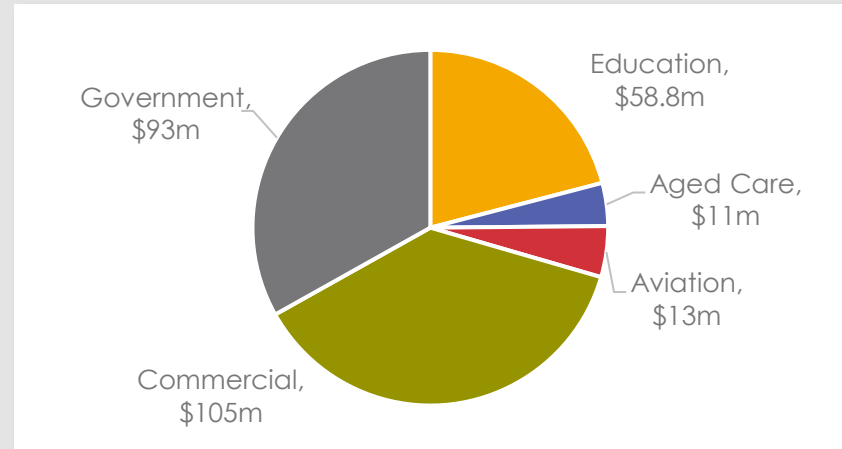
Millennium's objective is to diversify and grow into other sectors with the following drivers:

- Key sectors will be required to deliver higher margins with low capex requirement
- Clients need to value a partner with a compliant, service focused and transparent company
- Existing relationships able to be leveraged outside of retail

The cleaning and security sectors identified are Education (e.g. Universities, Gov. Schools), Aged Care (listed and for-profit groups), Aviation (regional airports), Commercial and Government

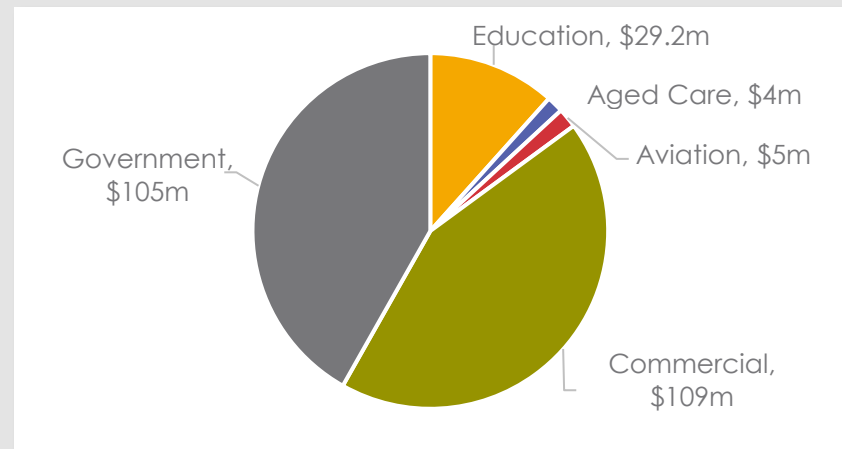
## Cleaning – Target Industry Segments

(Qualified pipeline of opportunity coming to market in next 18 months - \$281m)



## Security - Target Industry Segments

(Qualified pipeline of opportunity coming to market in the next 18 months - \$251m)



# Positioned for Growth & Diversification

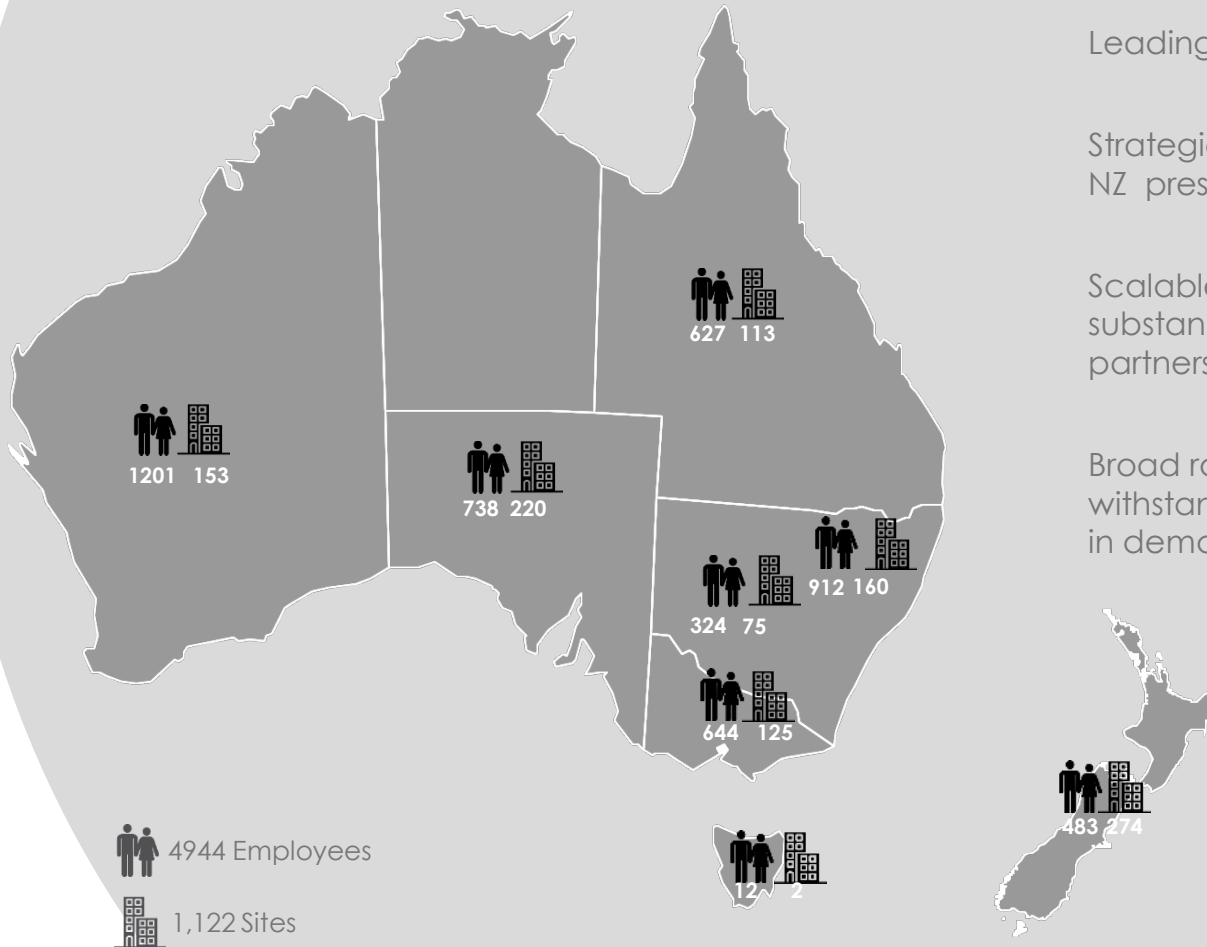
Millennium is a true ANZ national provider with scale to deliver growth

Leading national integrated services provider

Strategically positioned with extensive Australia / NZ presence

Scalable service delivery model through substantial employee base and trusted specialist partners

Broad ranging client and industry base to withstand and/or capitalise on market changes in demand for services





# Delivering Growth Opportunities



## **Strong and stable 'Blue Chip' clients with broader portfolio or service requirements**

Most clients present opportunity to deliver additional services or services in their portfolio within other target sectors.



## **Maximising staff retention and development to provide best opportunity to flex with customer demand**

Strategies implemented ensure we have a motivated team to respond quickly



## **Building on our reputation as a trusted provider of services**

National and NZ scale, strong supply chain and flexible workforce lead to the ability to rapidly respond to changing requirements



## **Filling a market gap with new high-end services**

Millennium is actively marketing a range of new high-end services to both existing and new clients.



## **Establishing relationships in key new market segments**

Actively investing in relationship management strategies to position for accelerated growth into existing and new markets. The business is diversifying into Government, Education, Commercial, Aged/Heath Care and Transport. COVID-19 has assisted in the business in accelerating the diversification strategy as we begin to win work in these key sectors.

A black and white photograph of a person wearing a full-body white protective suit, including a hood and a respirator mask. They are holding a large, dark-colored sprayer or pump device, from which a fine mist or spray is being emitted. The person is standing in a hallway or room with a tiled floor and a wall in the background that has several notices or posters pinned to it. One of the notices clearly says "Push". The entire image is framed within a circular border.

# COVID-19 Impact

# Resilient Core Business



## Our Business

- Improving margins, reduced overheads, stable cash flow and new business won/renewed in core revenue as well as COVID-19 related ad hoc work.
- Cleaning and security identified as '**essential services**' under COVID-19



## Our Revenue and Gross Profit

- April delivered a drop in monthly revenue of c30% across Australia and New Zealand however this has recovered to be only 7% down by June 30 indicating a quick rebound. It is expected to return further as restrictions are eased. Annualised revenues of approximately \$275m without COVID-19 impact
- Gross Profit margins however increased slightly during 2H20 as costs well managed
- Business assisted by COVID-19 Government subsidy programs in Australia and New Zealand
- Expect to see revenue and GP pick up over the next 3-4 months as restrictions ease and subsidies cease



## Our People

- The initial stand down of approximately 1500 (30%) team members has been reduced with the introduction of Government support in both Australia and New Zealand. Many team members already returning to work as restrictions ease and new opportunities present.
- Team members fully engaged and business able to remobilize quickly upon demand from client base



## Client Collaboration

- Clients recognizing the benefits of working with a major national and New Zealand player with the scale and resources to rapidly respond to changing conditions
- Working closely with clients to engage team members on Government subsidy schemes and get them back to work as quickly as possible.



## COVID-19 Service Activity

- New specialist services delivered to current and new clients in target sectors
- Security services providing additional guarding services at COVID-19 testing stations in Victoria
- Enhanced market reputation due to the collaborative, agile approach
- Expect market dynamics to continue to present further opportunities



# Strategic Priorities

# 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

## Diversification

### Geographic

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

### Sector

- Diversify into key target sectors where clients value well led, governed and compliant service providers
- Target education, government, commercial, age/health care, and transport where compliance is critical

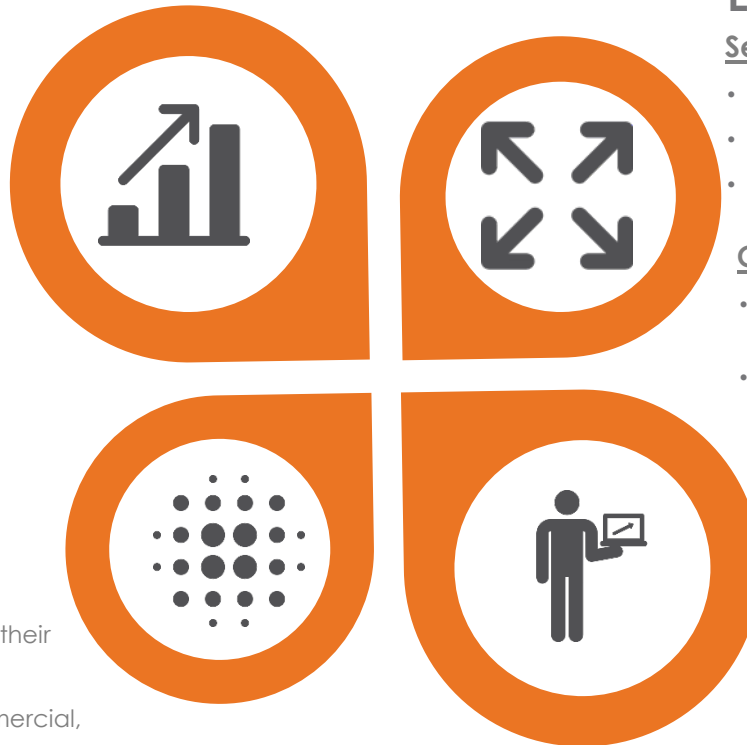
## Growth

### 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

### 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

### Systems

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

### People

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

# Conclusion

FY20 was an exceptional year with significant achievements in the delivery of the Profit Improvement Plan, improved controls, compliance and the roll out of automated systems. Millennium also experienced the benefit of significant market confidence with key contracts renewed and new contracts won in both new and existing markets.

The Business is rebounding strongly from the impact of COVID-19. FY21 will see the Company capitalise on the work completed in FY20, focus on its diversification growth strategy and improving shareholder value.

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

**FY21 will see continued positive momentum in the performance and growth of Millennium**





# Appendices

# Appendix 1 - One-off charges

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

	\$m			
	1H19	2H19	1H20	2H20
EBITDA Reported	-5.9	1.6	3.3	17.0
<b>Non-recurring charges impacting EBITDA</b>				
Non-recurring items & accruals	2.6			
Doubtful debts provisioning (Cleaning segment GP)	0.9			
Restructure costs		0.9		
Reversal of prior year EBA provision (Cleaning segment GP)			-0.6	
Reversal of prior year EBA provision (Security segment GP)			-0.5	
Advisor fees			0.2	0.1
Government grants income (COVID-19)				-24.6
Incremental wage top ups associated with COVID-19 government grants				8.4
COVID-19 related one-off labour costs (Cleaning segment GP)				0.8
<b>EBITDA Underlying</b>	<b>-2.4</b>	<b>2.5</b>	<b>2.4</b>	<b>1.7</b>
<b>Non-recurring items impacting NPAT</b>				
Impairment of intangibles	-14.6	-12.2		
Deferred tax assets (not recognised) / recognised	-1.7	-11.0	-0.2	8.7

A black and white photograph of four people in uniform walking through a modern office hallway. From left to right: a man in a short-sleeved button-down shirt and tie, a man in a short-sleeved button-down shirt and tie, a man in a short-sleeved button-down shirt and tie, and a woman in a short-sleeved button-down shirt. They are all smiling and looking towards the camera. The hallway has a large window with blinds in the background and a door on the right. A semi-transparent white banner is overlaid at the bottom of the image.

**Thank You**