H1FY21
Half-year results

Turnaround complete & set for growth

23 February 2021

millennium

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Contents

1. Performance Update: 1H21

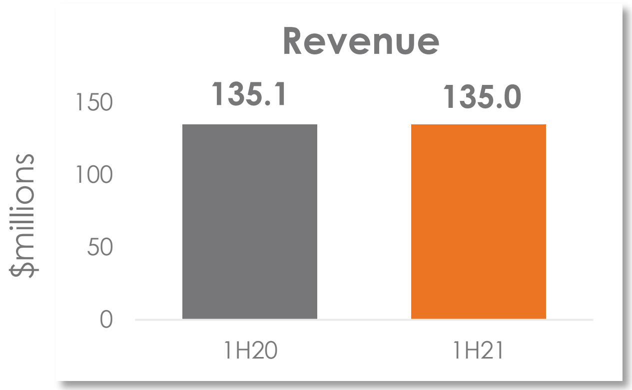
1H21 Results Summary

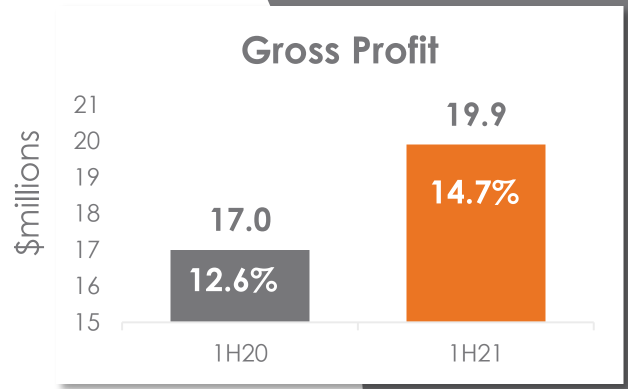
Turnaround Complete: set for growth

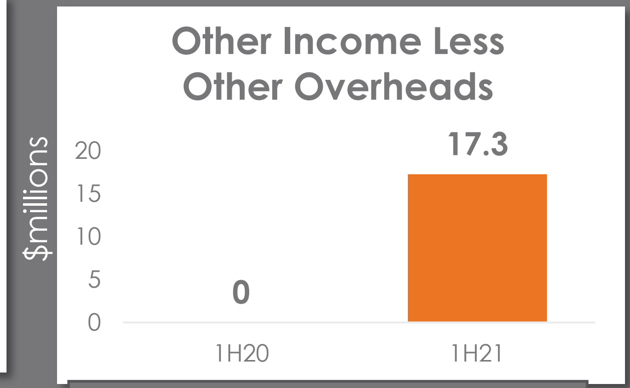
Turnaround Strategic Objective Established in October 2018
✓ Deliver $11m annualised Profit Improvement Plan
✓ Return Group Gross Margins to market competitive target of 14%-14.5%
✓ Exit low margin contracts where no strategic benefit
✓ Ensure payroll compliance – move all staff to Modern Award
✓ Right size the overheads while improving service delivery and resetting for growth
✓ Address all historical financial issues
✓ Reset the Balance Sheet and improve working capital
✓ Refinance the banking facilities
✓ Automate sustainable controls
✓ Ensure compliance to contracts and legislation
✓ Materially improve HSE and Public Liability outcomes
✓ Improve client confidence in the Millennium Brand to enable contract retention and growth

2H21 and FY22 focus on delivering organic growth to further improve margins and earnings

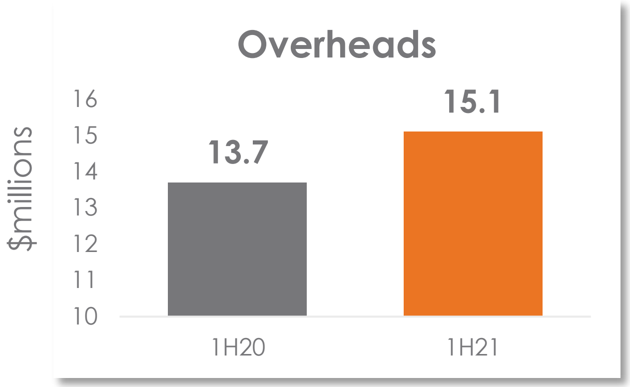
Statutory Performance
1H20 vs 1H21

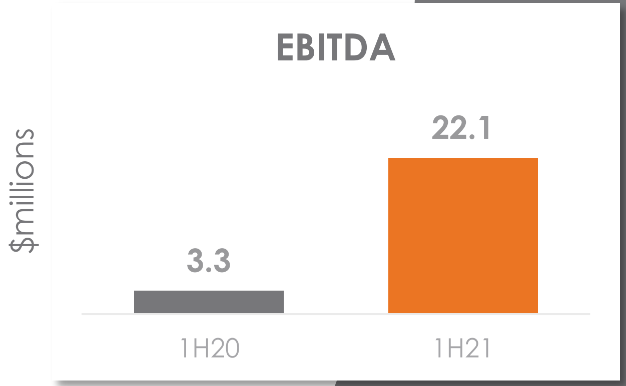




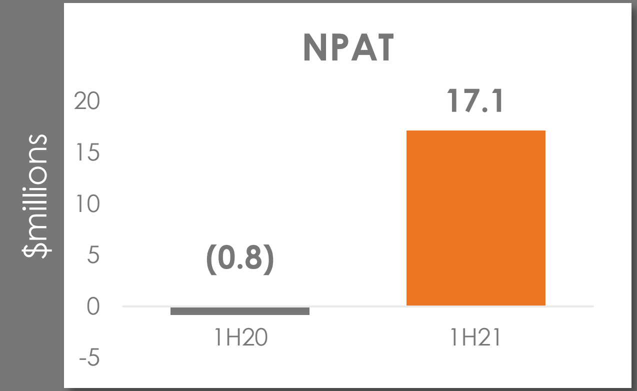


Government grant income $24.7m less $7.4m of wage top-ups associated with Government grants



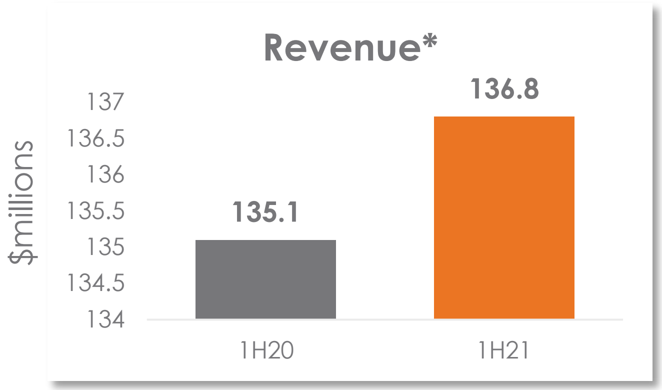


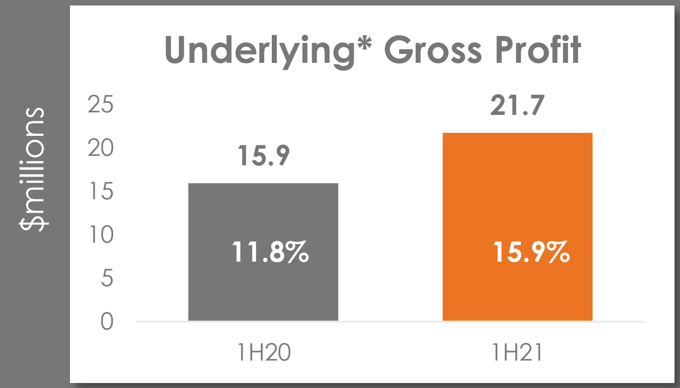
$1.5m turnaround in Statutory EBITDA excluding net Government grants.

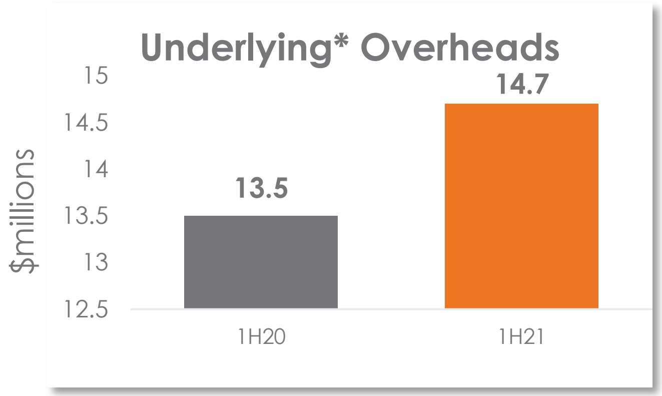


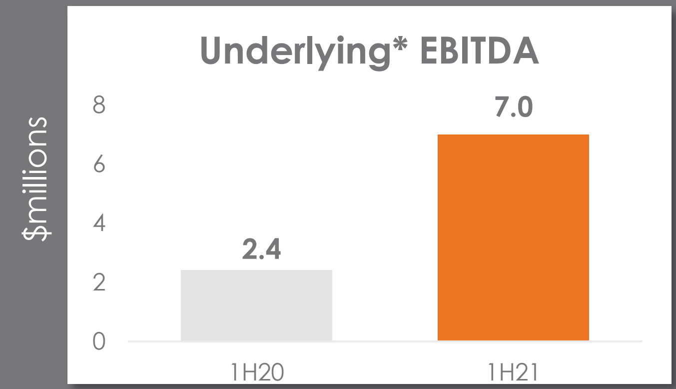
Includes recognition of net Government grants and $4.0m of deferred tax assets

Underlying* Performance



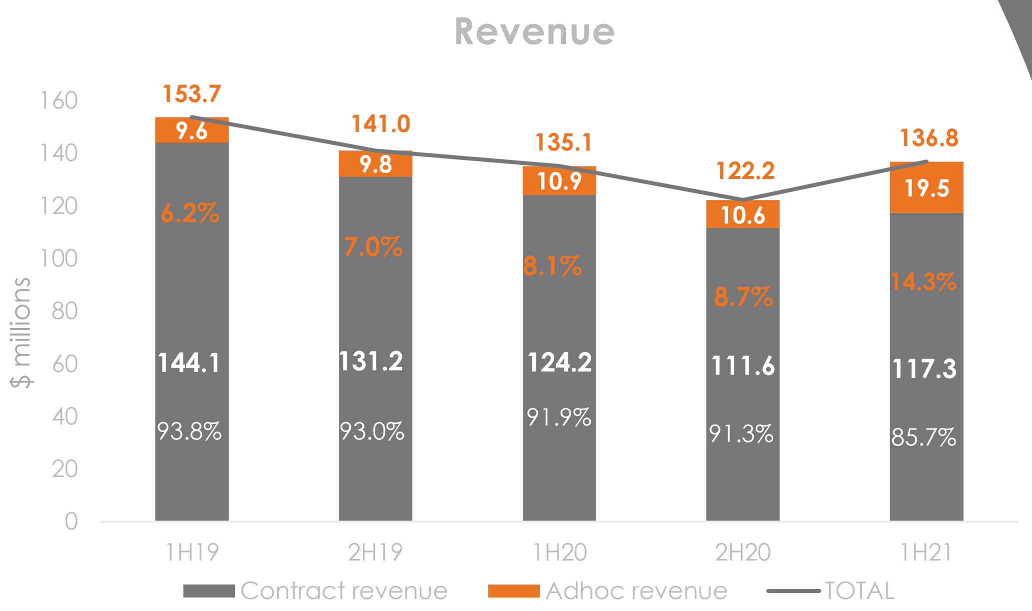


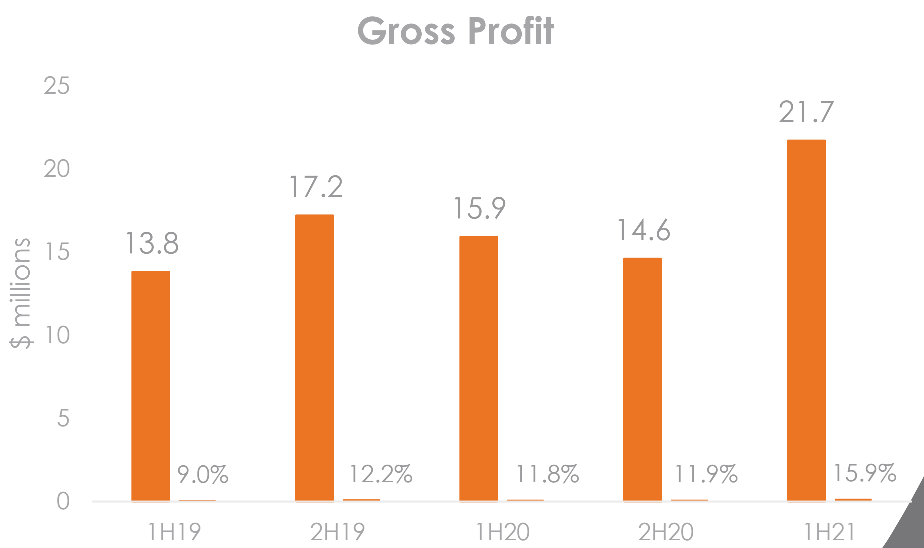




* Refer Appendix 2

Revenue Analysis - Group





1H21

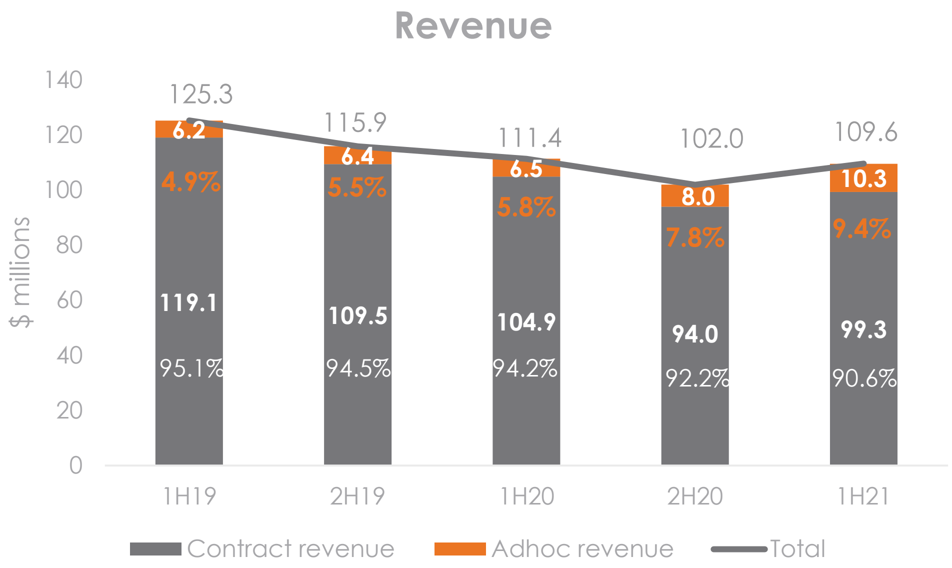
- Contract revenue continued to be impacted by COVID-19 Government restrictions in Q1 but recovered in Q2.
- Exited remaining low margin contracts
- Assisted by growth in higher margin COVID-19 project and ADHOC services

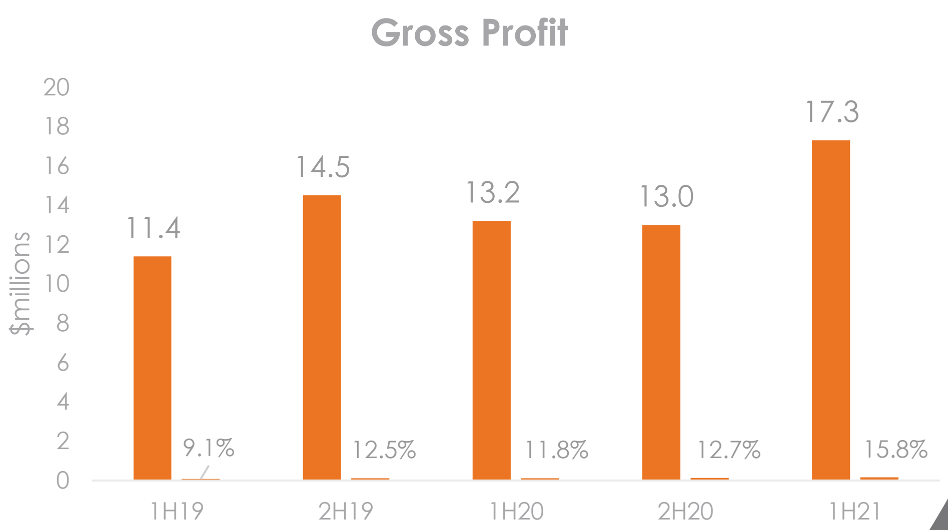
2H21 Outlook

- Monthly core revenue returned to pre-COVID-19 levels by October 20
- Expect COVID-19 related project and ADHOC services to decline during Q3 to closer to 10% -12% of overall revenue by Q4
- Gross Margin expected to return to Profit Improvement Plan target range of 14% - 14.5% during the second half
- Millennium has a high visibility of revenue streams with approx. 85-90% of revenue contracted for 3 – 5 year periods with a very strong history of contract retentions

* Figures in this slide refer to underlying performance

Revenue Analysis - Cleaning

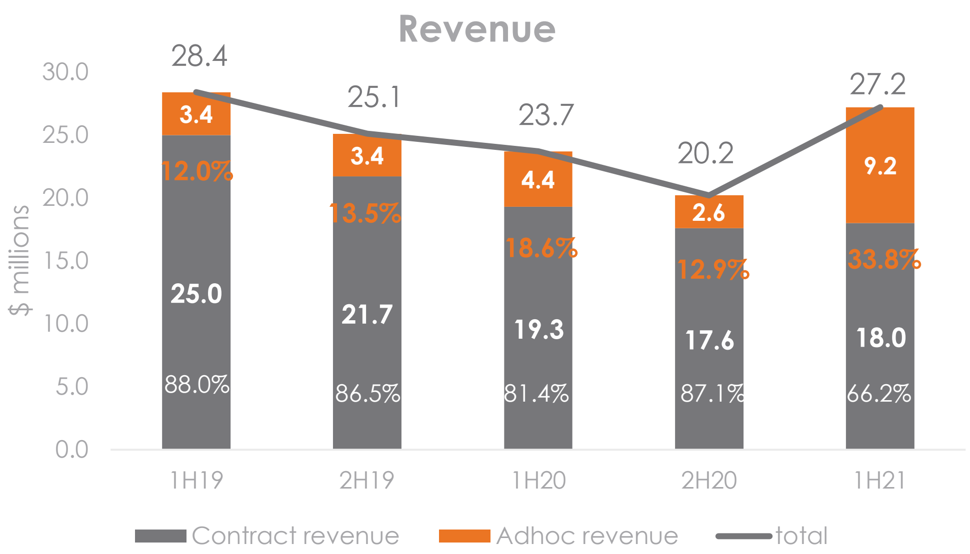




- Contract revenue negatively impacted by COVID-19 restrictions in Q1 but returned during Q2
- Renegotiating or exiting low margin contracts complete
- COVID-19 presented opportunities to deliver project and ADHOC services.
- Higher GP resulting from the completion of the Profit Improvement Plan and the delivery of higher margin projects and ADHOC services.
- Impact of the new time and attendance system roll-out.

* Figures in this slide refer to underlying performance

Revenue Analysis - Security



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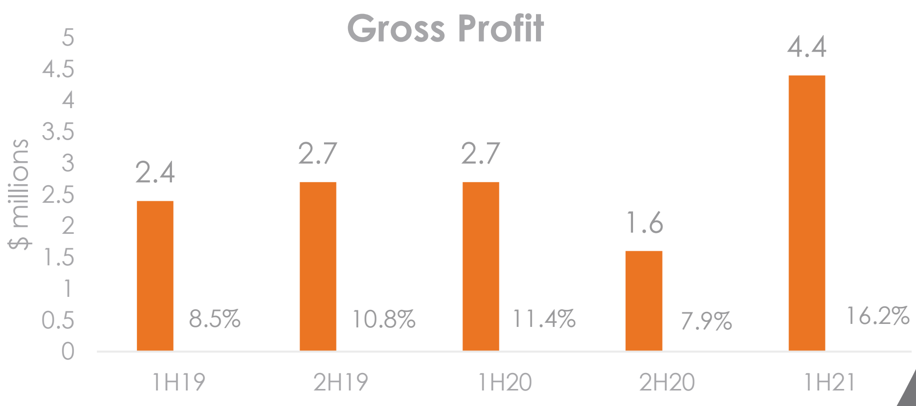
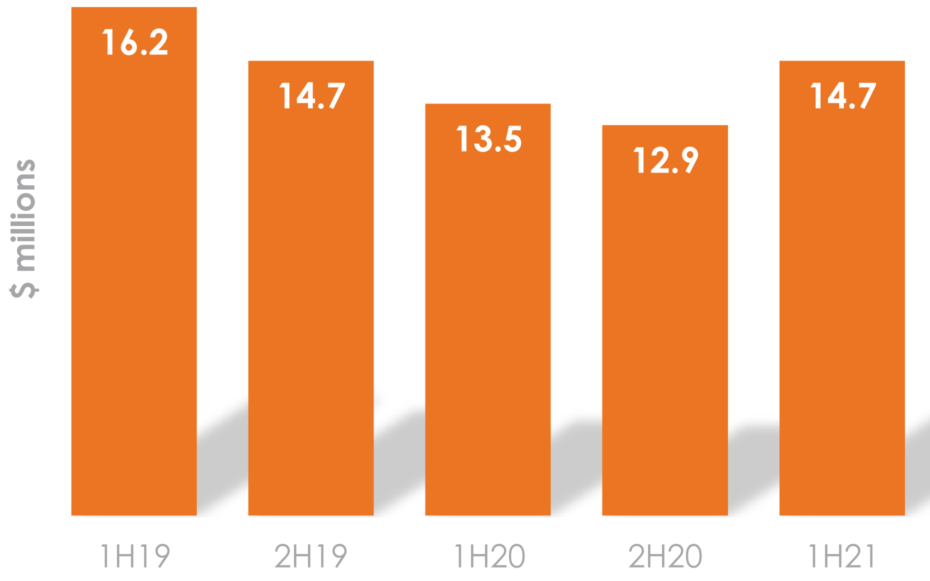
- COVID-19 presented significant opportunities to deliver project of ADHOC services.



- Higher GP resulting from the completion of the Profit Improvement Plan and the delivery of higher margin project and ADHOC services.

* Figures in this slide refer to underlying performance

Overheads. Reinvesting for growth



1H21 increase driven by:

- 2H20 was positively impacted by COVID-19 restrictions with a slow-down in discretionary overhead spend (e.g. travel), with this spend returning in 1H21.
- investment in automated control systems and moving to a more secure cloud based IT platform environment, both of which had non repeatable implementation costs and/or short term double-up costs as the old systems were replaced.
- investment in growth capability
- general market increase in the cost of insurance.

- The current level of overhead can deliver additional growth without materially increasing.

* Figures in this slide refer to underlying performance

2. Operational Performance

Profit Improvement Plan Complete & Set For Growth

During 1H21 the business completed :

- ✓ $11m Profit Improvement Plan
  - ✓ Removal of low margin contracts
  - ✓ Implementation of sustainable labour controls
  - ✓ Improved control over ADHOC revenue billing
  - ✓ Reduced overhead and improved service delivery
- ✓ Improved Gross Margin across all parts of the business
- ✓ Developed a diversified organic growth strategy and recruited senior expertise
- ✓ Healthy business lead indicators on track (HS&E, Public Liability and Payroll)
- ✓ Roll out of the automated Time and Attendance system across 70% of the operational workforce with the balance to be onboard by 30th June 2021.

The Profit Improvement Plan initiatives were implemented to turnaround a $ 2.4m underlying loss in 1H19. These initiatives ensure sustainable improvement and that we meet our legal and contractual obligations.

Sustainable Controls

- Controls are embedded and supported by new systems and governance, as well as increased monitoring and reporting.
- Rigorous compliance to use of four key operating systems:
  - Time & attendance (as rolled out)
  - Management of periodical & ADHOC billing
  - Work rotation tracking system for public liability protection
  - iAuditor to drive safety and quality management
- Continued focus on rigorous compliance to:
  - Fair Work Australia's Modern Awards
  - Modern Slavery Act
  - Labour Hire Regulations
- FY21 controls focus on people, HSE and procurement
- 1H21 introducing new HR Information System (HRIS) to standardise and control recruitment, induction and training. Roll out commences Feb 2021.

Client confidence in Millennium

1H21 delivered **$35m** of **renewed** contracts.

Lost/exited $9.5m of mostly low margin contracts replaced by winning **$9m** of **new** contracts.

Client confidence in Millennium remains high.

- Contracts extended with key clients such as Vicinity, Stockland and Scentre Group.
- New contracts won in key target sectors including Commercial and Government.
- Business secured COVID-19 project and ADHOC services with key clients and referrals. Expect to convert these relationships to long term contracts.

Healthy business indicators

Safety-first culture

- The business has enhanced its systems and processes to ensure it provides a safer work environment. The 1H21 trending LTIFR is 48% lower than 1H20 and 52% below the industry benchmark.
- During 1H21 the business has continued its focus on mental health awareness, toolbox training and safe work practices.

Working Capital

- Focus on working capital yielded $1.1m of efficiency above the $7m underlying EBITDA resulting in $8.1m of net operating cash inflow (excluding COVID-19 related Government grants, wage top-ups and other non-recurring items).

Debt and Gearing

- Net debt was reduced by $27.5m during the 1H21 (from $34.6m to $7.1m).
- Gearing ratio reduced from 67% in June 2020 to 22% at December 2020.

Net Asset position

- The Net Asset position improved by 86% over the 6 months to December 2020.

Socially responsible operations

3 Facets of Corporate Social Responsibility

Governed by ASX Corporate Governance Principles and aligned to UN Global Compact and UN Sustainable Development Goals.

1H21 progress:

- Safety First culture continues to be embedded in all parts of the business.
- Workforce diversity is measured and targets being established.
- Partnered with Ochre to expand indigenous employment opportunity using their online platform iWorks.
- Engaging with indigenous registered training organisation to roll out awareness training.
- Continue to introduce environmentally sustainable equipment and products through-out our operations.
- Working with clients on solutions to improve waste management outcomes.
- Supply chain management focused on both compliance to Modern Slavery legislation and corporate CSR objectives.

COVID-19

Core revenue returned to pre-COVID-19 value

- The core contract monthly revenue returned to $20m during Q2 and we expect this to grow in line with the organic growth strategy.

Project and ADHOC Revenue

- The business continues to be well placed to deliver COVID-19 related project and ADHOC services. 1H21 delivered a 79% increase in ADHOC revenue although we expect this to reduce over the 2H21.

Staff and Clients

- All staff returned to pre-Covid-19 rosters during Q2.
- All clients (with a few exceptions) returned to pre-Covid-19 service delivery expectations by Q2, we continue to respond to outbreaks on a case-by-case basis. Client confidence in Millennium's response remains high.

Market Outlook

- The Company has demonstrated its capacity and capability to respond to events such as COVID-19.
- The services delivered by Millennium are deemed essential services and therefore any future pandemic type outbreaks will see Millennium continue to provide our services.
- Strong expectations of converting relationships built from delivering project and ADHOC services to new clients in Commercial and Government sector into longer term contract opportunities.

3. Financial Performance

Excellent Margin Growth

Summary Income Statement*

	1H20	1H21	$m	%
Total Revenue	$135.1m	$136.8m	$1.7m	1.3%
Gross Profit	$15.9m	$21.7m	$5.8m	36.5%
Gross Margin %	11.8%	15.9%	-	-
Overheads	($13.5m)	($14.7m)	($1.2m)	(8.9%)
Overhead %	10.0%	10.7%	-	-
Underlying EBITDA	$2.4m	$7.0m	$4.6m	192%
Reported EBITDA	$3.3m	$22.1m	$18.8m	570%

* Refer to Appendix 2 for details of non IFRS adjustments

Summary Balance Sheet

	Dec 20 $m	Jun 20 $m	% var	Observations
Cash	3.3	1.8	83.3%	Efficiencies in working capital management realised.
Trade receivables	25.9	22.7	14.1%	Trade receivables increased in Q2 compared to June 2020, with revenue returning to pre COVID-19 restrictions level in Q2.
Government grants	-	7.1	(100.0%)	All Job-keeper (JK) grants received. Group did not qualify for JK beyond September 2020.
Inventory & prepayments	2.2	3.8	(42.1%)	Inventory: Similar stock levels at June 2020 and December 2020 to manage COVID-19 requirements. Prepayments reduced by $1.3m.
Non-Current Assets	27.0	26.5	1.9%	includes $4.0m of deferred tax asset recognised at Dec 2020, not previously recognised at June 2020
Total Assets	**58.4**	**61.9**	(5.7%)	
Trade payables	18.8	16.3	15.3%	Trade payables increased in Q2 compared to June 2020, with activity returning to pre COVID-19 restrictions level in Q2.
Income tax payable	5.3	-	100%	Tax payable due to profit in current period and deferred tax liability at June 2020 becomes payable for FY2021.
Provisions & other	26.6	27.0	(1.5%)	
Deferred tax	-	2.1	(100.0%)	Deferred tax liability at June 2020 converts to income tax payable for FY2021.
Borrowings – current liabilities	6.4	36.4	(82.4%)	}ANZ Bank facility renewed to October 2022 & total debt reduction of }$26.0m (refer to next slide).
Borrowings – non-current liabilities	4.0	-	100%	
Total Liabilities	**61.1**	**81.8**	(25.3%)	
Net Assets / (deficiency)	**(2.7)**	**(19.9)**	**86.4%**	86% improvement over 6 months, including $4.0m of deferred tax asset recognised at Dec 2020, not previously recognised at June 2020

Borrowings and Debt Facilities

Borrowings

	Drawn Dec 20 $m	Drawn Jun 20 $m	Debt reduction $m
Term Loan	7.2	18.1	(10.9)
Asset Finance	1.7	2.3	(0.6)
Overdraft	1.1	9.2	(8.1)
Trade Debtor Financing	0.0	5.1	(5.1)
Premium Funding Loans	0.4	1.7	(1.3)
Total Debt	**10.4**	**36.4**	**(26.0)**
Cash on Hand	3.3	1.8	1.5
Net Debt	**7.1**	**34.6**	**(27.5)**

Debt Facilities

	Total Facilities Dec 20 $m	Drawn Dec 20 $m	Unused at Dec 20 $m
ANZ Bank Facility			
Term Loan	7.2	7.2	-
Asset Finance	1.5	1.5	-
Overdraft	10.0	1.1	8.9
Subtotal	**18.7**	**9.8**	**8.9**
Other Financiers			
Trade Debtor Financing	13.0	0.0	13.0
Asset Finance	0.2	0.2	-
Premium Funding Loans	0.4	0.4	-
Total	**32.3**	**10.4**	**21.9**

- The Group completed refinancing its borrowing facilities with the ANZ Bank in October 2020 for a further 2-year term expiring 31 October 2022. The Company substantially reduced its borrowing as at 31 December 2020 compared to 30 June 2020 with total debt reducing by $26.0m from $36.4m to $10.4m. Net debt reduced by $27.5m over the same period. A further $0.9m was paid down in January 2021
- In February 2021, the Group changed its trade finance facility provider. The new provider is offering the facility at a significantly lower effective interest rate.

Cash Profile

Operating Cash Flows

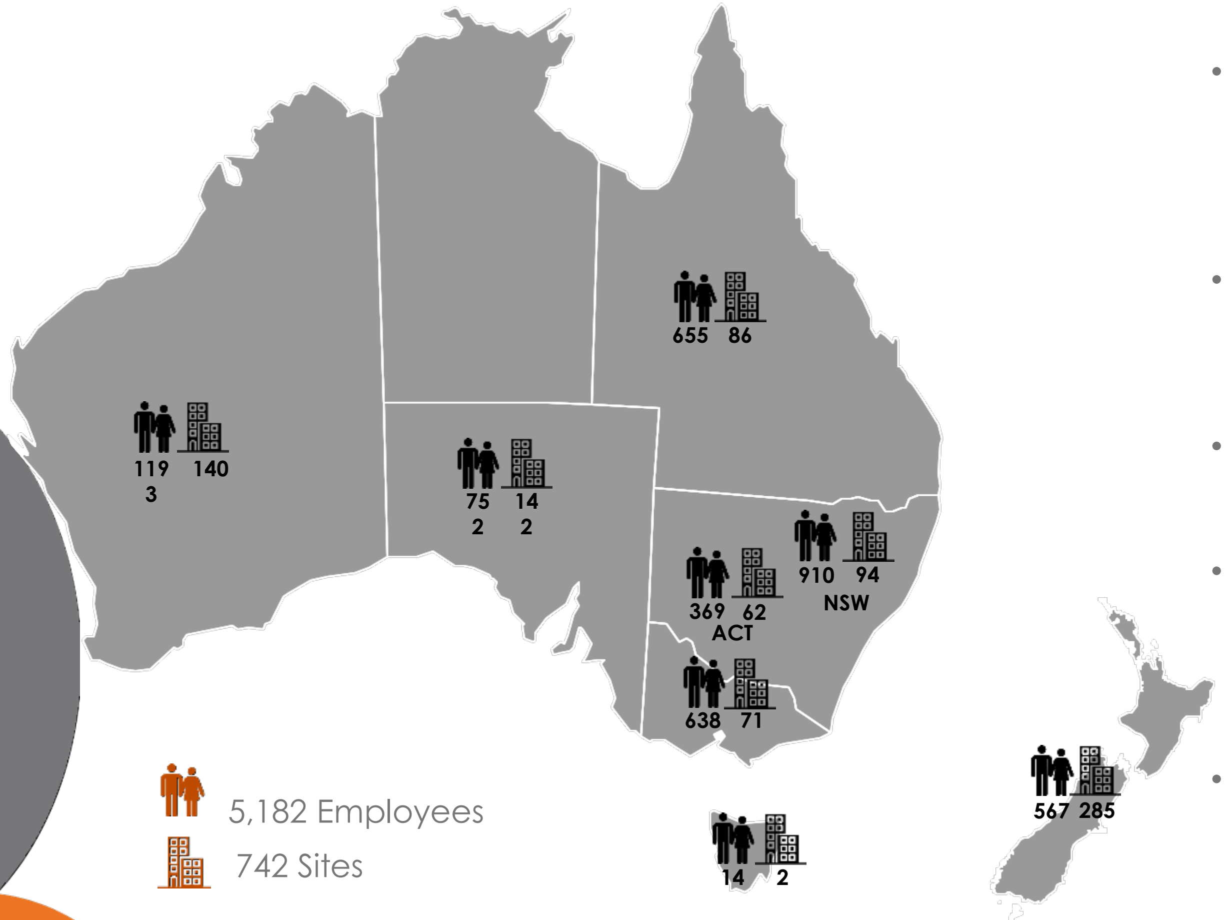
	1H21 $m	
	1H Reported	Underlying
EBITDA	**22.1**	**7.0**
Increase in trade and other receivables	(3.1)	(3.1)
Decrease in grants receivable (Job Keeper)	7.1	0.0
Increase in employee benefits and provisions	0.3	0.3
Increase in trade payables, net of change in prepayments	3.9	3.9
Net operating cash inflows (excluding interest)	**30.3**	**8.1**

- Tight focus on working capital management yielded $1.1m of working capital efficiencies above $7.0m of underlying EBITDA. This resulted in $8.1m of net operating cash inflows (excluding COVID-19 grants, COVID-19 wage top-ups and other non-recurring items).
- Trade receivables increased in Q2 compared to June 2020, with revenue returning to pre COVID-19 restrictions activity in Q2.

4. Growth & Outlook

Positioned for Growth

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

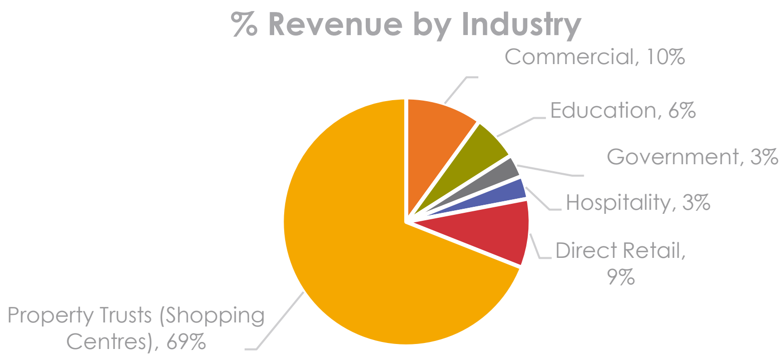


- Leading national integrated services provider strategically positioned with extensive Australia / NZ presence
- Scalable service delivery model through substantial employee base and trusted specialist partners
- Overhead right sized to deliver significant growth
- Controls and Governance introduced to ensure we can meet any future changes in compliance obligations or legislation
- Broad ranging client and industry base to withstand and/or capitalise on market changes in demand for services – including COVID-19

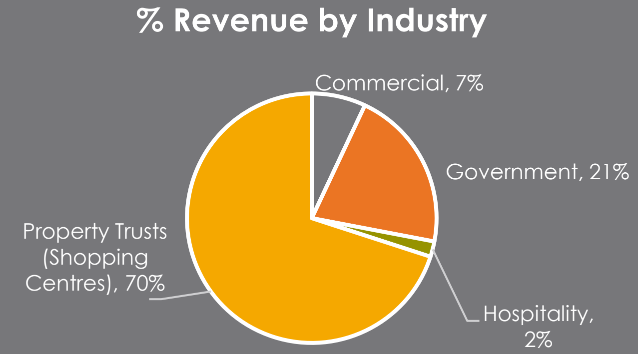
Business Profile

Millennium serves a range of customers, industries and geographies. Charts show 1H21 revenues

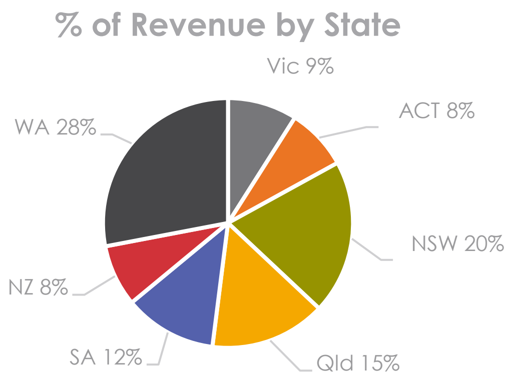
Cleaning - Industry Segments



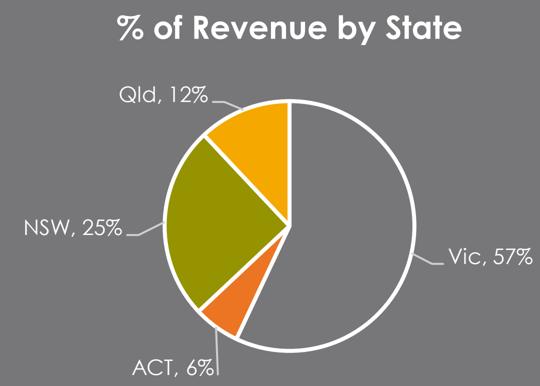
Security - Industry Segments



Cleaning - Geographies



Security - Geographies



Market Potential Remains Strong

The Australian and New Zealand commercial cleaning market is estimated to be $13B and the security market $7B - creating a large opportunity for potential growth. Both services are expected to benefit from the post COVID-19 economic recovery.

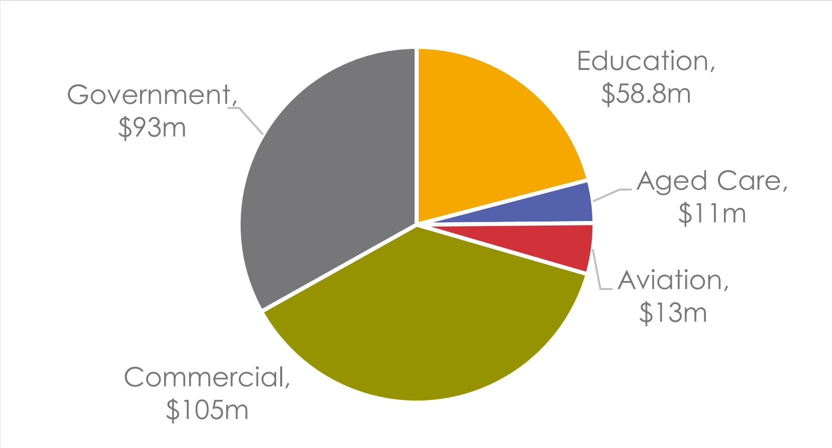
Millennium's organic growth objective remains : to diversify and target sectors with the following drivers:

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

The target pipeline identified in the FY20 presentation remains valid as COVID-19 pushed procurement processes out by 6-12 months.

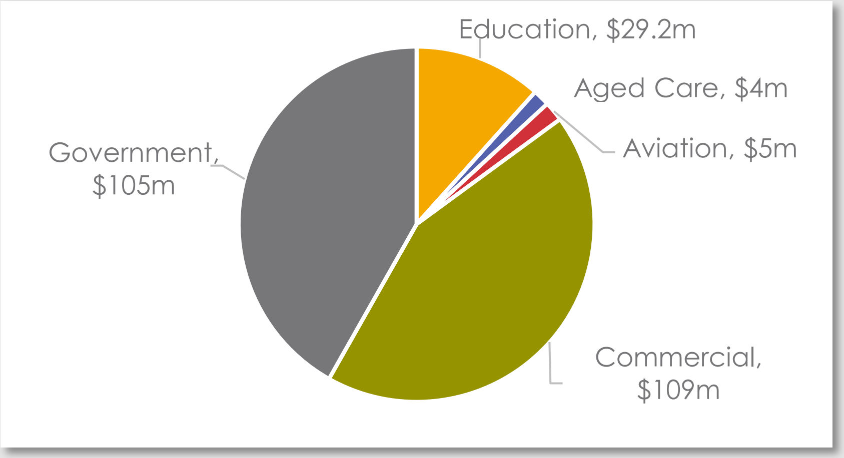
Cleaning – Target Industry Segments

(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)



Outlook – business set for growth

- Core revenue is back to pre COVID-19 c$20m per month (excluding ADHOC) and we expect this to be ongoing baseline for growth.
- Business is well placed to continue to deliver additional project and ADHOC services in response to the continued uncertain impact of COVID-19.
- Expect this to decline during 2H21 with ADHOC services to represent 10% to 12% of total monthly revenue by the end of Q4.
- Gross Margin is expected to trend towards target range of 14% to 14.5% by the end of Q4 as the ADHOC services reduce.
- Overheads are right sized to deliver growth without materially increasing.
- Business is focused on growth and expect to see increased market activity in 2H21 and FY22.
- Business continues its focus on governance and compliance with the Human Resources Information System to commence roll out in 2H21, further strengthening recruitment, induction and training systems. Well positioned for any tightening of compliance or legislation obligations.
- Continue focus on further improving the debt position and cash management.

5. Appendices

Appendix 1 -Summary Statutory Income Statement

	1H20 $m	1H21 $m
Total Revenue	135.1	135.0
Gross Margin	**17.0**	**19.9**
Other income	-	24.7
Incremental wage top-ups (Job Keeper)	-	(7.3)
Overheads	(13.7)	(15.2)
Reported EBITDA	**3.3**	**22.1**
Depreciation	(2.4)	(2.2)
Interest	(1.7)	(1.1)
Profit / (Loss) Before Tax	**(0.8)**	**18.8**
Deferred tax asset (in relation deductible differences) recognised / (not recognised)	(0.2)	4.0
Income Tax Benefit / (Expense)	0.2	(5.7)
Total Income Tax Benefit / (Expense)	**0.0**	**(1.7)**
Net Profit / (Loss) After Tax (NPAT)	**(0.8)**	**17.1**

Appendix 2 -Summary of Non-Recurring Items

	1H20 $m	1H21 $m
EBITDA reported	**3.3**	**22.1**
Adjust for non-recurring items		
Revenue and Gross Profit impact : COVID-19 related customer incentives	-	1.8
Gross Profit impact: Reversal of prior year EBA provision - cleaning	(0.6)	-
Gross Profit impact: Reversal of prior year EBA provision - security	(0.5)	-
Other income: Government grants recognised (Job Keeper)	-	(24.7)
Overheads: Incremental wage top-ups (Job Keeper)	-	7.3
Overheads: Advisor fees & other overheads	0.2	0.5
EBITDA Underlying	**2.4**	**7.0**