

21 October 2016

Millennium to acquire Airlite Group

Highlights

- MIL enters into a binding agreement to acquire 100% of Airlite Group (“Airlite”) for cash consideration of \$25.1 million
- The acquisition will be funded through a \$42 million consolidated debt facility package finalised with ANZ Bank
- Airlite is a leading provider of cleaning, maintenance and integrated services in Western Australia
- Airlite gives MIL a national footprint, a broader service offering and increased competitiveness with clients that have national portfolios
- The acquisition is expected to be immediately EPS accretive

Millennium Services Group (ASX:MIL) today announces that it has entered into a binding agreement to acquire 100% of the Airlite Group (“Airlite”) for \$25.1 million¹. The acquisition price represents an indicative multiple of approximately five times Airlite’s 2016 audited EBITDA and approximately 4 times Airlite’s anticipated 2017 pro-forma EBITDA. The acquisition of Airlite is expected to be immediately EPS accretive and completion is expected to occur imminently, subject to several conditions precedent.

About Airlite

Airlite is a leading provider of cleaning and integrated services in Western Australia, with satellite offices in Sydney, Melbourne and the Gold Coast, offering a responsive and comprehensive service to its blue-chip client base.

Established in Perth in 1967, Airlite originally provided cleaning services to the commercial property sector. Following 50 years of growth, expansion and diversification, Airlite today employs approximately 1,500 people and provides specialist cleaning, maintenance and integrated services to a broad range of clients, sectors and premises types, from small to large facilities.

Upon completion of the acquisition, Ross Gavranich, Executive Chairman of Airlite Group, will join the Millennium Services Group Board. Ross is a veteran of the facility services industry and brings over 30 years of experience to the Board. Ross has been Executive Chairman of Airlite Group since 2012, following senior management roles at Airlite in operations and marketing.

Benefits to Millennium

Commenting on the acquisition, Millennium CEO Mark Baldwin said “the acquisition of Airlite represents a transformational step change in scale and national footprint for Millennium and is fully aligned with the Company’s stated growth strategy. The Directors look forward to welcoming Ross to the Board of Millennium and the significant experience Ross brings”.

“Strategically, the acquisition brings together two respected and culturally aligned service providers that share a common long term commitment to client service and innovation.”

¹ \$25.1 million cash, plus the right for a further earn out of 4 times the amount that Airlite’s 2017 Earn Out EBITDA exceeds \$6.25 million.

“Airlite is a well-established business with a strong reputation, underpinned by 50 years of consistent high-quality service delivery. It brings together both companies’ combined facility services offer to a broader client base and new sectors on a national scale”.

“Airlite has a large and skilled direct labour force, with experience in value-added services, similar to the profile of Millennium’s existing workforce, giving us confidence the integration process will proceed smoothly,” said Mr Baldwin.

Transaction Funding

The acquisition will be 100% debt funded, utilising a revised \$42 million consolidated facility package finalised with ANZ Bank.

2017 Outlook

Millennium’s acquisition of Airlite is expected to materially alter Millennium’s full year FY17 revenue and profit guidance provided on 29 August 2016.

Millennium now expects FY17 pro-forma² revenue to be in the range of \$246 million to \$256 million, with FY17 pro-forma EBITDA to be in the range of \$17.7 million to \$18.6 million (inclusive of approximately \$1.3 million of incremental acquisition and integration related costs).

Pro-forma capital expenditure is expected to be in the range of \$4.1 million - \$4.6 million.

Given that Millennium does not have an existing presence in Western Australia, it is not anticipated that the acquisition will lead to material overhead savings for the combined Group in FY17.

-ENDS-

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² This incorporates the results of Millennium and Airlite as if they were a consolidated group for the whole 12 months.