

## **ASX Announcement**

**(ASX: MIL)**

**27 November 2018**

### **Restructure and Earnings Guidance**

Millennium Services Group Limited (ASX: MIL, the “Company”) today announced that a preliminary draft report has just been received from external consultants undertaking the whole-of-business review initiated by the Company’s New Board on 1 November 2018 (the “Preliminary Report”).

The Preliminary Report notes that Millennium remains well positioned in growing their cleaning and security services market share. The Company continues to have strong relationships with blue chip customers, a large contract book and geographic diversity. This has resulted in the Company experiencing strong revenue growth during the first four months to the end of October 2018 (\$102.5m, up \$14.6m or 16.6% compared with the same four-month period in FY18).

The consultant’s Preliminary Report notes that this revenue growth has been at lower gross profit margins than historically generated by the Company. As a result, Millennium’s overall profitability has been negatively impacted and, should current trends continue, the Company’s FY19 EBITDA is anticipated to be at close to breakeven levels. This is significantly below the guidance provided by the Company on 31 August 2018 (issued by the previous board).

The Preliminary Report notes that the current financial headwinds faced by the Company actually commenced during early 2018 under the oversight of the previous board and that the Company had failed to properly identify and appropriately address the significant underlying issues.

Recommendations received in the Preliminary Report include the necessity for the Company to have a renewed focus on undertaking only profitable contracts (rather than pursuing top-line revenue growth), stricter cost controls (including for overheads and consumables) and enhanced cash management (based on more effective working capital measures).

After careful consideration of the Preliminary Report, the New Board has commenced a comprehensive restructure of the Company. Immediate corrective measures identified in the Preliminary Report are now being undertaken.

The corrective measures being undertaken will stabilise the Company but will ensure that it continues to provide an ongoing quality service to our customers. This is intended to increase margins for Millennium whilst ensuring that no current client service offerings are compromised – particularly over the important December/January retail period.

The New Board believes the current issues that the Company faces can be resolved. FY19 will be a year to rebuild the Company (including incurring any one-off costs associated with the restructure). As a result, the benefits of the restructure are anticipated to be fully realised in FY20.

The New Board will provide a further update on its progress together with the Company’s first half 2019 results, which will be issued by the end of February 2019.

For further information please contact:

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