

Significant optionality in FY23

Millennium Services Group Ltd (ASX:MIL) has released its FY22 results and some outlook comments. Revenues have already been reported, down 4.8% to \$260.6m, a solid result considering lockdowns across its core shopping mall space. Adjusted EBITDA was in-line with forecast and 4.5% below FY21 on the back of lower revenues. Adjusted NPAT of \$3.8m represents a PER of ~4.0x. Looking forward MIL has guided to a higher GP% in FY23 and a target of 8%-10% organic 'contracted' revenues growth. Our numbers currently reflect this. MIL's banking facilities expire in October 2022, and with shareholder funds now positive and net debt just \$4m, we expect this to pave the way for the resumption of dividends, last paid in FY17, and more optionality for industry consolidation. MIL continues to trade at a material discount to peers at a forecast 1.8x FY22 EV/EBITDA. Valuation has been further supported by the acquisition of cleaning/facilities management business BIC by Bidvest (JSE:BVT) for \$140m or an estimated forecast 8.8x FY22 EBITDA.

Business model

MIL is a human services business with a focus on the essential services of cleaning and security, bidding for predominantly long-term contracts that have annual contract adjustments to protect MIL from movements in labour resource costs. Additional volumes over and above those contracted can be gained from ad-hoc services, which represent ~15% of group revenues at a higher average margin. Satisfying contractual obligations utilising a vast workforce and procuring consumables for the jobs within the contracted price is key to profitability. Historically focusing on cleaning and security services within major shopping centres, MIL is looking to de-risk the retail exposure by moving into new sectors including aviation, aged care, education and government. An increased focus on compliance (Fair Work, Modern Slavery Act and Labour Hire regulations), and utilising the ASX-listed nature of the business to demonstrate transparency in these important areas (which most large private companies can't achieve), will be keys in this push.

Significant optionality in FY23

A strong balance sheet, 97% of FY22 revenues under contract in FY23 (and 81% in FY24) and banking facilities up for renegotiation in October 2022 provides MIL with significant optionality around organic growth, acquisitions and the resumption of dividends (currently not permitted under existing banking covenants). Any progress on the above is likely to narrow the current valuation gap between MIL and the peer group.

Relative EV/EBITDA implies a \$1.20 valuation

Our assessed peer group average FY22 EV/EBITDA multiple implies a \$1.20/share valuation for MIL (5.4x EV/EBITDA), and we see no reason why this business does not deserve multiples closer to the peer average given average contract length (three-five years), relative working capital intensity and market opportunities. Recent M&A activity would imply a valuation of \$0.84/share based on the (ASX:ASH) purchase of Linc Personnel, and \$2.14/share based on the (JSE:BVT) acquisition of BIC. To sense check, our DCF valuation is \$1.15/share.

Historical earnings and RaaS estimates (in A\$m unless otherwise stated)

Year end	Adj. revenues	Und. EBITDA	NPAT (rep.)	EPS (adj.) (c)	P/E (x)	EV/Adj EBITDA
06/21a	273.7	11.6	2.2	0.07	5.1	1.5
06/22a	260.6	11.1	2.3	0.09	4.5	1.9
06/23f	266.0	11.8	5.2	0.11	3.4	1.5
06/24f	276.6	12.5	5.9	0.13	3.0	1.1

Source: Company data, RaaS estimates for FY23f and FY24f

Human Services

19th August 2022

Share Details

ASX code	MIL
Share price	\$0.38
Market capitalisation	\$17.5M
Shares on issue	45.9M
Net debt at 30-Jun-22	\$4.0M
Free float	~31.5%

Share Performance



Upside Case

- Converting a portion of the tender pipeline over the next 18 months
- Successfully diversify industry exposure to include government, education and aged care
- EPS accretive/complementary acquisitions

Downside Case

- Competitive margin pressures re-emerge
- Sizable contract loss
- Wages growth above contracts clauses

Board of Directors

Stuart Grimshaw	Chairman
Royce Galea	CEO
Rohan Garnett	Non-Executive Director
Darren Perry	Non-Executive Director

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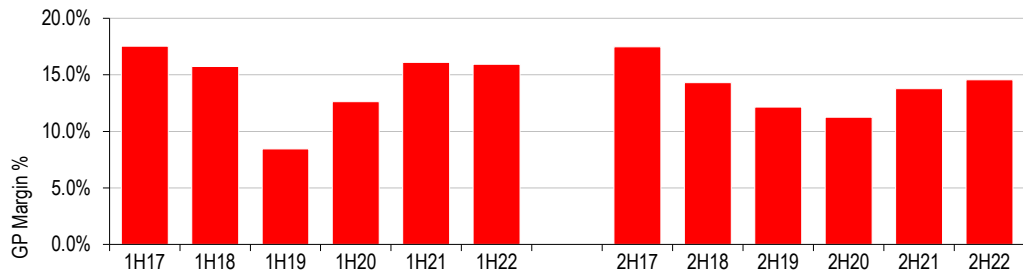
*The analyst owns shares

FY22 Result Summary

Key takeaways from the FY22 full-year result are:

- **Revenues.** Already reported via the 4C at \$260.6m, a 4.8% decline on FY21 due mainly to the expiry of the \$28m QIC contract in September 2021. There was significant disruption from lockdowns during H1 FY22, offset somewhat by higher-than-average 'ad-hoc' work (Covid-related) which represented 15% of revenues in FY22 against an average 10%.
- The **gross margin** reached 15.3%, up 40bps on FY21 with H2 FY22 margins the highest H2 since 2017. Based on guidance gross margins have now stabilised at these levels.

Exhibit 1: MIL gross margin history by half year



Source: Company announcements

- **Adjusted EBITDA** declined 4.5% to \$11.1m, in-line with forecast and a solid result considering lockdowns, wage pressures and the management of COVID-related absentees. A testament to contract structures, MIL reported 90% of wage increases were passed through to clients over the year.
- **Adjusted NPAT** was in-line with forecast at \$3.8m, while reported NPAT was also in-line with forecast at \$2.1m after one-off costs in the year.
- **Adjustments** for the period included NZ wage support (-\$0.9m), incremental NZ wage costs (+\$0.6m) and corporate (+\$2.3m), including advisory, due diligence and share-based payments.

Exhibit 2: MIL FY22 underlying earnings summary

Variable (A\$'000')	FY21	FY22	% CHG	Comments
Sales	273.7	260.6	(4.8)	Loss of QIC contract
Cleaning	216.9	203.2	(6.3)	
Security	56.8	57.4	1.1	Ad-hoc benefits
Gross profit	40.8	39.8	(2.6)	
GP%	14.9	15.3	40bps	Holding at solid levels aided by ad-hoc
Operating costs	29.2	28.6	(1.8)	
EBITDA	11.6	11.1	(4.5)	Solid considering contract loss and inflation
Depreciation	4.9	4.6	(6.5)	Lower underlying
EBIT	6.8	6.6	(3.1)	
Abnormals	15.2	0.0		Job Keeper in H1 FY21
Adjustments	(1.2)	(1.6)	34	Incorporates all "one-off's"
Adjusted NPAT	3.4	3.8	10	
Reported NPAT	17.4	2.1	(88)	
Net debt	0.3	4.0	nm	Payment cycles can dramatically impact

Source: Company announcements

Contracted sales through the year are very similar quarter-to-quarter and highlight the predictability of the business. Ad-hoc sales vary modestly quarter-to-quarter, averaging 15% of total revenues in FY22 with a range of 11% to 17%.

Exhibit 3: MIL quarterly sales history (in A\$m unless otherwise stated)					
	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	FY22
Sales	65.6	66.1	65.9	62.9	260.6
Contract	55.9	54.8	55.4	55.9	222.0
Ad-hoc	9.7	11.4	10.5	7.0	38.6
% contract	85	83	84	89	85
% ad-hoc	15	17	16	11	15

Source: Company announcements

Outlook

Revenues

Management is targeting 8%-10% organic contract revenues growth in FY23, which is in-line with our current expectations, reconciled in the table below. This growth will be required to offset lower ad-hoc revenues (forecast at 10% of revenues against 15% in FY22) and a further quarter of QIC contract expiry.

We had already lowered ad-hoc revenues into FY23 at the release of the June quarter 4C on the back of lower Q4 ad-hoc revenues.

Management has revealed 97% of FY22 revenues are contracted in FY23, 81% in FY24 and 53% in FY25, highlighting the longer-term nature of contracts relative to our selected peers.

Exhibit 4: FY23 MIL sales reconciliation	
Variable	A\$
Starting revenues base (FY22)	260.6
Less ad-hoc normalisation (from 15% to 11% of sales)	(9.6)
Less remaining QIC contract expiry (Sept qtr)	(7.0)
Add implied contract organic growth	21.0
FY23 RaaS forecast revenues	266.0
(Implied contract revenues growth)	9%

Source: RaaS estimates

Gross margin

The gross profit margin has been guided to 15.5%, up from 15.3% in FY22 despite the reduction in the ad-hoc mix (higher margin) on the back of procurement initiatives.

This is higher than our previous estimates and we have adjusted higher accordingly.

Operating costs

Despite wage costs being passed through we have increased our wage cost assumptions modestly to reflect further business development investment. Other costs remain relatively flat and exclude any assumptions of "one-off" costs.

The result is negligible change across key line-item assumptions between FY23 and FY25.

Exhibit 5: RaaS earnings adjustments (A\$m unless stated)

Variable	FY22	FY23	FY24	FY25	Comments
Revenue					
Old	260.6	265.8	276.4	287.5	
New	260.6	266.0	276.6	287.7	
% CHG	0.0	0.1	0.1	0.1	
Gross profit					
Old	39.4	39.9	41.5	43.1	
New	39.8	41.1	42.6	44.0	
% CHG	0.9	3.2	2.7	2.2	
Adj EBITDA					
Old	11.0	11.4	12.4	13.4	
New	11.1	11.8	12.5	13.4	
% CHG	0.9	2.8	1.1	(0.5)	
Adj. NPATA					
Old	6.5	7.6	8.8	10.0	
New	6.6	7.8	8.7	9.7	
% CHG	1.1	2.2	(0.3)	(2.3)	

Source: Company announcements and RaaS estimates

Supportive M&A In Recent Quarters

There has been two M&A transactions during the quarter that provide valuation support for MIL.

Linc Personnel

Ashley Services (ASX:ASH) acquired 75% of Linc Personnel Pty Ltd for a 100% equivalent of \$4.8m at an FY22 EBITDA multiple of 3.4x (EBITDA \$1.4m). Disclosed FY22 revenues of \$14m implies a revenues acquisition multiple of 0.35x.

Linc Personnel is a Western Australia-based company providing professional labour hire and recruitment services to the oil and gas industry.

An equivalent multiple for MIL would imply a share price of \$0.84 based on RaaS FY22 EBITDA forecasts.

BIC

Bidvest (JSE:BVT) out of South Africa acquired commercial cleaning business BIC for A\$160m in July 2022. RaaS understands BIC derives revenues of around \$140m and EBITDA of \$18m, implying a purchase price of 8.8x EBITDA and 1.1x revenues.

BIC is predominantly a commercial cleaning business operating in Sydney with contracts to clean ~50% of the commercial buildings in the Sydney CBD, according to its website. The group also offers educational services and a customer experience platform for compliance tracking. The group has 2,500 employees across 3,250 sites.

While known as a food services business in Australia, Bidvest has been expanding its offshore facilities management operations beginning with the purchase of Noonan in the UK (2018) and followed by a number of bolt-on acquisitions. BIC is the first move into facilities management in Australia.

An equivalent multiple for MIL would imply a share price of \$2.11 based on RaaS FY22 EBITDA forecasts.

Relative Peer Group Valuation

We compare MIL to other listed small-cap players that rely heavily on human resources and to a lesser extent equipment to deliver their services to typically larger clients.

The table below summarises current FY22 metrics across a wide range of variables. MIL currently trades at a material (75%) discount to the FY22 EV/EBITDA peer average of 5.4x despite generally better contract terms, similar gross margins, and generally lower working capital requirements. Since 31 March 2022, the peer group has risen an average of 9% against a 24% decline in the MIL share price.

Exhibit 6: Peer group financial comparison – FY22 (in A\$m unless otherwise stated)

Company name	Ticker	Share price (cps)	Mkt. cap.	FY22 net debt	Adj. FY22 (f) EBITDA	FY22 (f) revenues	GP%	Working capital/sales %	EV/Sales (x)	EV/EBITDA
Service Stream *	SSM	1.04	641	47.0	123.0	1,750	22.7	(-7.2)	0.39	5.6
GR Engineering	GNG	2.30	357	-93.6	48.5	590	12.1	(-3.0)	0.45	5.4
Licopodium	LYL	6.03	239	-63.6	29.0	245	33.0	9.5	0.72	6.1
Southern Cross Electrical	SXE	0.71	185	-53.0	35.0	500	13.2	12.8	0.26	3.8
Ashley Services	ASH	0.80	115	4.0	19.0	400	16.0	4.5	0.30	6.3
AVERAGE							19.4	3.3	0.42	5.4
Millennium	MIL	0.38	17	4.0	11.1	261	15.3	0.7	0.08	1.9

Sources: Company financials, RaaS estimates; *Pro-forma

DCF Valuation

Our DCF valuation sits at \$1.15/share with key assumptions including:

- WACC 11.3% including a RFR of 3.5%, beta of 1.2x and equity risk premium of 6.5%;
- Medium-term growth rate of 3.0%, perpetuity growth of 2.2%; and
- Sustainable gross margin of 15.3% and EBITDA margin of 4.6%.

Exhibit 7: MIL base-case DCF valuation

Parameters	Outcome
Discount rate / WACC	11.3%
Beta	1.2x
Terminal growth rate assumption	2.2%
Sum of PV (\$m)	28.9
PV of terminal value (\$m)	27.9
PV of enterprise (\$m)	56.8
Debt (cash) (\$m)	4.0
Net value – shareholder (\$m)	52.8
No. of shares on issue (m)	45.9
NPV (\$/share)	\$1.15

Source: RaaS estimates

Outlook And Investment Case

- The group operates in markets worth an estimated \$11.7b (cleaning) and \$9.8b (investigation and security services), according to IBISWorld. In the cleaning business (~70% of MIL revenues) MIL has less than 2% market share in a market where the top-four largest players have less than 10% of the market, offering significant market-share opportunities.

- A recent IBISWorld report on the Australian cleaning sector suggests following CAGR growth of -0.5% between FY17 and FY21f, the cleaning sector will grow by a CAGR of 3.6% between FY22 and FY26 on the back of a COVID recovery and a trend to more regular and comprehensive cleans.
- The group's three-year growth strategy will look to use the current balance sheet, ASX listing and trading history to increase "value-add" services, participate in industry rationalisation, and use technology such as rostering and traffic-flow systems and robotics to improve operating efficiencies.
- The acquisition of 49% of Codee Cleaning Services in December 2021 overlays industry consolidation with an increasing focus on ESG.
- Net debt was just \$4.0m as at June 2022 (including trade finance), providing a solid base from which to grow and/or acquire while looking at capital management options. MIL has undrawn banking facilities of \$14.9m.
- Gross margins are back to "targeted" levels and based on historical and peer analysis we feel these margins are sustainable at ~15% and EBITDA margins 4.5%-5.0%.
- A change in debt covenants would pave the way for the resumption of dividends. Based on FY22 RaaS adjusted EPS forecasts, a 50% pay-out ratio at current prices would imply a dividend yield of 12%.
- Recent M&A transactions of similar businesses add valuation support to MIL, namely the 75% purchase of Linc Personnel by Ashley Services for 3.4x EBITDA, and the 100% acquisition of BIC by Bidvest for ~8.8x EBITDA.

Exhibit 8: Financial Summary (in A\$m unless otherwise stated)

Millennium Services (ASX:MIL)						Share price (18 August 2022)						A\$	0.380				
Profit and Loss (A\$m)						Interim (A\$m)						H121	H221	H122A	H222A	H123F	H223F
Y/E 30 June	FY20A	FY21A	FY22A	FY23F	FY24F	Revenue	159.7	138.7	131.7	128.9	131.9	134.1					
Revenue	257.3	273.7	260.6	266.0	276.6	EBIT DA	7.0	4.7	6.7	4.4	6.5	5.3					
Gross profit	30.8	40.8	39.8	41.1	42.6	EBIT	4.7	2.0	4.4	2.2	4.4	3.3					
GP margin %	12.0%	14.9%	15.3%	15.5%	15.4%	NPAT (normalised)	2.5	0.9	2.7	1.0	2.9	2.1					
Underlying EBITDA	4.0	11.6	11.1	11.8	12.5	Minorities (AT)	0.0	0.0	0.0	0.1	0.1	0.1					
Depn	(5.9)	(4.9)	(4.6)	(4.0)	(3.8)	NPAT (reported)	1.9	0.3	1.9	0.2	2.9	2.1					
Minorities (AT)	0.0	0.0	0.1	0.1	0.1	EPS (normalised)	0.041	0.007	0.041	0.005	0.062	0.045					
EBIT	(1.9)	6.8	6.7	7.9	8.9	EPS (reported)	0.041	0.007	0.041	0.005	0.062	0.045					
Interest	(3.2)	(1.8)	(1.2)	(0.6)	(0.5)	Dividend (cps)	0.000	0.000	0.000	0.000	0.000	0.000					
Tax	5.3	(1.6)	(1.6)	(2.2)	(2.5)	Imputation											
NPAT (adj)	0.3	3.4	3.9	5.2	5.9	Operating cash flow	na	na	na	na	na	na					
Adjustments	1.7	(1.2)	(1.6)	0.0	0.0	Free Cash flow	na	na	na	na	na	na					
NPAT	2.0	2.2	2.3	5.2	5.9	Divisionals	H121	H221	H122A	H222A	H123F	H223F					
Abnormals (net)	14.5	15.2	0.0	0.0	0.0	Cleaning	107.9	109.0	99.6	103.5	100.4	107.8					
NPAT (reported)	16.5	17.4	2.3	5.2	5.9	Security	27.2	29.7	32.1	25.3	31.5	26.3					
Cash flow (A\$m)						(Other)	24.7	-	-	-	-	-					
Y/E 30 June	FY20A	FY21A	FY22A	FY23F	FY24F	Total Revenue	159.7	138.7	131.7	128.9	131.9	134.1					
EBIT DA (inc cash rent/JK)	19.4	29.3	10.0	10.7	11.4	Gross profit	21.7	19.1	21.0	18.8	21.1	20.1					
Interest	(3.2)	(1.8)	(1.2)	(0.6)	(0.5)	Underlying GP Margin %	16.1%	13.8%	15.9%	14.6%	16.0%	15.0%					
Tax	0.5	(0.1)	(2.4)	(2.2)	(2.5)	Operating Costs											
Working capital changes	(16.6)	12.9	(1.6)	(0.1)	(0.1)	Employment	15.9	9.4	8.8	8.9	9.0	9.1					
Operating cash flow	0.1	40.3	4.8	7.8	8.3	Other	6.2	5.0	5.5	5.5	5.6	5.7					
Mtce capex	(2.2)	(2.2)	(1.8)	(1.9)	(1.9)	Exceptional	-	7.3	-	-	-	-					
Free cash flow	(2.1)	38.1	3.0	6.0	6.4	Total costs	14.8	14.4	14.3	14.4	14.6	14.8					
Growth capex	0.0	0.0	0.0	0.0	0.0	EBITDA	7.0	4.7	6.7	4.4	6.5	5.3					
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	EBIT DA margin %	4.4%	3.4%	5.1%	3.4%	4.9%	3.9%					
Other	(1.7)	(2.1)	(2.2)	(2.0)	(2.0)	Margins, Leverage, Returns		FY20A	FY21A	FY22A	FY23F	FY24F					
Cash flow pre financing	(3.8)	36.0	0.8	4.0	4.4	EBIT DA margin %		1.6%	4.3%	4.3%	4.4%	4.5%					
Equity	0.0	0.0	0.0	0.0	0.0	EBIT margin %		(0.7%)	2.5%	2.6%	3.0%	3.2%					
Debt drawdown/(repay)	1.6	(21.4)	(2.0)	(3.0)	(1.6)	NPAT margin (pre significant items)		0.8%	0.8%	0.9%	1.9%	2.1%					
Net Dividends paid	0.0	0.0	0.0	0.0	0.0	Net Debt (Cash)		34.6	0.3	4.0	0.1	-4.2					
Net cash flow for year	(2.2)	14.6	(1.2)	1.0	2.8	Net debt/EBIT DA (x)	(x)	8.6 x	0.0 x	0.4 x	0.0 x	-0.3 x					
Balance sheet (A\$m)						ND/ND+Equity (%)	(%)	63.5%	11.5%	111.7%	(1.8%)	32.4%					
Y/E 30 June	FY20A	FY21A	FY22A	FY23F	FY24F	EBIT interest cover (x)	(x)	n/a	0.3x	0.2x	0.1x	0.1x					
Cash	1.8	7.3	1.9	2.8	5.5	ROA		(6.0%)	11.6%	13.1%	16.2%	17.1%					
Accounts receivable	29.8	18.0	17.3	17.7	18.4	ROE		nm	nm	nm	nm	nm					
Inventory	1.2	1.1	1.2	1.3	1.3	ROIC		nm	nm	nm	nm	nm					
Other current assets	2.6	2.3	1.9	4.6	4.9	NTA (per share)		-0.60	-0.21	-0.15	-0.04	0.03					
Total current assets	35.5	28.8	22.3	26.3	30.1	Working capital		14.8	1.9	3.5	3.6	3.7					
PPE	8.6	7.0	6.8	5.8	5.0	WC/Sales (%)		5.7%	0.7%	1.3%	1.3%	1.3%					
Goodwill	7.5	7.5	7.5	7.5	7.5	Revenue growth		(12.7%)	6.4%	(4.8%)	2.1%	4.0%					
Right of use asset	2.9	3.0	1.7	1.7	1.7	EBIT growth pa		nm	(463.7%)	(1.1%)	18.3%	12.2%					
Deferred tax asset	7.4	8.5	7.8	7.8	7.8	Pricing		FY20A	FY21A	FY22A	FY23F	FY24F					
Equity accounted Investee	0.0	0.0	1.3	1.3	1.3	No of shares (y/e)	(m)	45.9	45.9	45.9	45.9	45.9					
Total non current assets	26.4	26.0	25.0	24.0	23.2	Weighted Av Dil Shares	(m)	45.9	45.9	45.9	45.9	45.9					
Total Assets	61.9	54.9	47.4	50.3	53.3	EPS Reported	cps	0.359	0.379	0.049	0.112	0.129					
Accounts payable	16.3	17.3	15.0	15.4	16.0	EPS Adjusted	cps	0.006	0.074	0.085	0.112	0.129					
Short term debt	36.4	5.5	4.7	1.7	0.1	EPS growth (norm/dil)		nm	nm	14%	32%	15%					
Provisions	22.4	22.6	20.0	20.4	21.2	DPS	cps	0.000	0.000	0.000	0.000	0.010					
Lease liabilities/other	0.8	5.5	3.4	3.4	3.4	DPS Growth		n/a	n/a	n/a	n/a	n/a					
Total current liabilities	76.0	50.9	43.1	40.9	40.7	Dividend yield		0.0%	0.0%	0.0%	0.0%	2.6%					
Long term debt	0.0	2.1	1.2	1.2	1.2	Dividend imputation		30	30	30	30	31					
Other non current liabs	5.8	4.1	2.7	2.7	2.7	PER Adjusted (x)		nm	5.1	4.5	3.4	3.0					
Total long term liabilities	5.8	6.2	3.9	3.9	3.9	PE market		15	15	15	15	15					
Total Liabilities	81.8	57.1	47.0	44.7	44.6	Premium/(discount)		nm	(66.0%)	(70.2%)	(77.4%)	(80.3%)					
Net Assets	(19.9)	(2.3)	0.4	5.6	8.8	EV/EBIT DA		12.9	1.5	1.9	1.5	1.1					
Share capital	19.0	19.1	19.1	19.1	19.1	FCF/Share	cps	(4.535)	83.023	4.895	13.012	13.902					
Reserves	(8.5)	(8.3)	(7.9)	(7.9)	(7.9)	Price/FCF share		(8.379)	0.458	7.764	2.920	2.733					
Retained Earnings	(30.3)	(13.1)	(10.8)	(5.6)	(2.5)	Free Cash flow Yield		(11.9%)	218.5%	12.9%	34.2%	36.6%					
Minorities	0.0	0.0	0.0	0.0	0.0												
Total Shareholder funds	(19.9)	(2.4)	0.4	5.6	8.7												

Source: RaaS



FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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of

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About Us

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This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS's services and includes such things as

- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

Contact Details, BR and RaaS

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RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

What Financial Services are we authorised to provide? RaaS is authorised to

- provide general advice to retail and wholesale clients in relation to
 - Securities
- deal on behalf of retail and wholesale clients in relation to
 - Securities

The distribution of this FSG by RaaS is authorized by BR.

Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice. We will provide you with recommendations on securities

Our dealing service

RaaS can arrange for you to invest in securities issued under a prospectus by firstly sending you the offer document and then assisting you fill out the application form if needed.

How are we paid?

RaaS earns fees for producing research reports. Sometimes these fees are from companies for producing research reports and/or a financial model. When the fee is derived from a company, this is clearly highlighted on the front page of the report and in the disclaimers and disclosures section of the report.

We may also receive a fee for our dealing service, from the company issuing the securities.

Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS's representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

Complaints

If you have a complaint about our service you should contact your representative and tell them about your complaint. The representative will follow BR's internal dispute resolution policy, which includes sending you a copy of the policy when required to. If you aren't satisfied with an outcome, you may contact AFCA, see below. BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.

Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

Professional Indemnity Insurance

BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorized representatives.

DISCLAIMERS and DISCLOSURES

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Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments in listed or unlisted companies yet to achieve a profit or with an equity value less than \$50 million should collectively be a small component of a balanced portfolio, with smaller individual investment sizes than otherwise.

The science of climate change is common knowledge and its impacts may damage the global economy. Mitigating climate change may also disrupt the global economy. Investors need to make their own assessments and we disclaim any liability for the impact of either climate change or mitigating strategies on any investment we recommend.

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