

Millennium Services Group Limited
(ASX: MIL)

**2022 Annual
General Meeting
30 November 2022**

CHIEF EXECUTIVE OFFICER'S OPERATIONAL REPORT

Thank you, Stuart and welcome everyone.

I have attended many of these meetings as a Director, but this is my first as CEO. I am pleased to be given this opportunity and the challenge, and I feel fortunate to be working with an excellent team across Millennium to make a difference for our clients and the community.

The post-pandemic world, for people, communities and businesses is undoubtedly different; and for our industry, labour shortages originally born out of the pandemic have continued to be a major challenge.

We've met the challenges on the customer front; through our dedicated workforce; and our overall performance through this period has proved we are resilient.

We continue to provide excellent customer service through our experienced and hardworking team members and have captured market opportunities, including bolstering our contract book with renewals with major clients throughout the year.

Millennium's responsiveness, flexibility and partnership approach have delivered increased market confidence and resulted in these renewals and an expansion of services with several existing clients.

I am very pleased to report that in the 2022 financial year, we returned the Balance Sheet to a positive net asset position.

The health and wellbeing of our team and clients and their customers has remained our highest priority and in FY222 our lost time injury rate remained significantly below industry benchmarks.

We also sustained our focus on our board led governance program ensuring the company meets its legal, social, and ethical obligations. Being a well governed and compliant organisation is a key priority for Millennium. Apart from this being the right thing to do – we know that client and market expectations around ethical business practices and good governance are higher than ever.

We always put well-being of people at the centre of our decision making and I am extremely proud of our achievements as a team across the year.

Financial Results

Revenue for the year ending 30 June 2022 declined 4.8% to \$260.6 million (2021: \$273.7m) substantially due to the expiry of a major contract in September 2021. This was partially offset by the Group winning \$7.3m (or 2.7%) of net new contracts at market competitive margins.

The Group's net **profit after income tax** for the current year was **\$2.2m**; which included \$1.7m (after-tax) of non-recurring integration, transaction, and due diligence costs.

Despite the reduction in revenue, there was an **increase in gross margin** of \$0.8m. Pleasingly gross margin percentage grew by 1.0% to 15.3% in the year, substantially due to a continued focus on winning quality new contracts, retaining contracts at market competitive gross margins and efficient management of labour rosters with the automated time and attendance system.

The Company further **reduced its borrowing** at 30 June 2022 compared to 30 June 2021 by \$1.7m from \$7.6m to \$5.9m.

The ANZ bank term debt facility reduced from \$5.4m to \$1.8m over the course of the financial year and was fully repaid in October 2022. The Company is well underway in the process of seeking to renegotiate its financing facilities and will keep the market updated. The ANZ facility has now been extended to 28 February 2023.

The significant strengthening of the balance sheet in the last year positions Millennium well to pursue its growth agenda.

The Group announced in June 2022 it had been successful in renewing major long-term contracts with existing valued clients: Myer, Vicinity Centres, Crown Resorts Perth, and Jones Lang LaSalle for extensions out to 2026 with a combined contract value of \$150m.

These renewals demonstrate the high level of satisfaction by our clients with the quality of services that the Millennium team has been able to deliver in challenging times.

Safety & Wellbeing

The health and wellbeing of our team, our clients and their customers has remained our highest priority.

In FY22 the Lost Time Injury Frequency Rate was 4.46 which is 62% lower than the industry benchmark.

Driven by our Safety-First culture, which supports both physical and mental wellbeing, our team has continued to deliver a highly flexible range of property services to current and new clients, confidently and safely.

This year we established a Health, Safety and Wellbeing strategy which identifies clear focus areas of: culture and leadership, Health and Safety Risk Management; Health and Wellbeing and Continuous improvement.

Compliance & Governance

Our Governance approach is all about accountability and responsibilities. Millennium recognises the benefit of integrating economic, social and environmental considerations into business planning.

While compliance begins with getting the basics like compliance to Awards and Labour Hire regulations right; we are also working to go beyond this.

This year Millennium submitted its second annual Modern Slavery Statement, setting out the actions taken by Millennium to identify, assess, and address modern slavery risks across our operations and supply chains in the twelve months ending 30 June 2021.

All our top 100 suppliers have completed a new Approved Supplier Application that includes key points from the Modern Slavery Act.

Having recently completed audits across Australia and New Zealand, Millennium has successfully maintained its triple ISO accreditation for Quality, Safety and Environment management systems.

Customers

This year we have welcomed new clients and renewed and expanded contracts both within the retail sector which has traditionally accounted for a large majority of our revenue but also in other sectors such as education, government, aviation and commercial sectors. A milestone achievement for the company was our success in winning the Newcastle Airport contract, which commenced on 1 October this year, and since winning this we've been invited to tender in multiple other airport contract opportunities.

Throughout the year Millennium has bolstered its contracted revenue pipeline with blue chip clients whilst simultaneously expanding gross margins and investing into business development resources as a launch-pad to future organic growth into diversified and less capital-intensive markets.

We are continuing to pursue diversification and gaining traction through gradual building and strengthening of relationships this year with property asset managers such as CBRE, Colliers, Knight Frank and JLL. As part of this strategy, in 2022 we were a major sponsor of Australia's biggest property conference, Property Congress, the industry's premier annual national event bringing together leaders from commercial, residential, retail, industrial and investment sectors.

Partnerships, Social & Environmental Responsibility

We are now approaching the 12-month anniversary of the beginning of our partnership with Indigenous-owned company, Codee Cleaning Services. So far, our focus has been mainly on getting to know each other and providing corporate support services to Codee. Codee is now co-located in our WA Office and Millennium has shared our approaches and processes for induction, reporting and site inspections. We have also responded to several tenders as a partnership, and we are exploring joint procurement opportunities. We are optimistic about the potential for the relationship to reap benefits for both parties going forward.

Working with Codee, Millennium gains a unique opportunity to improve our understanding and connection and build relationship with Aboriginal and Torres Strait Islander Peoples. This aligns strongly with Reconciliation Action Planning work which has been a major focus in 2021/22.

On the environmental sustainability front, in 2022 we invested in several waste dehydrators to expand our waste management service offering to clients. We will continue to listen and respond to emerging demand in the waste management space.

Connected to this, I am particularly proud of a program we have initiated this year to employ people with disabilities as Sustainability Ambassadors supporting our waste management services in Shopping Centres. This project is partnership with a major client and the Government's Disability Employment Services, who are referring candidates to us. We are currently employing several team members as part of this program, which we hope to expand in 2023.

Looking forward

There is still more work to be done to realise our potential for employees, clients, and shareholders.

Being a people business, with more than 4,400 people, we continue to look to improve how we support and develop our human resources and manage the people and underlying business processes that power our business.

In recent months, the gross margin has been impacted by labour management issues. Corrective actions have now been implemented to improve second half gross profit performance.

Supporting our growth and business development agendas in FY23 we will be working to optimise our organisation structure, operating models and overall efficiency to support sustainable growth of the Group.

This includes continuing investment in technology and automation to underpin and improve service delivery for clients and to enable workforce productivity. We continue to leverage innovative robotic cleaning equipment to deliver productivity, cost and service benefits to clients.

The business has also recently consolidated procurement activities for consumables and waste management nationally to gain better price with larger volumes under a single supplier organisation.

Finally and most importantly, I would like to thank the dedicated Millennium team members who deliver service to our clients, the Executive and our business support team that are working tirelessly to keep improving; our clients who continue to show confidence and trust in Millennium, the Chairman and the Board for their valued guidance and our Shareholders for your support.

I will now hand back to the Chairman for the formal business of today's meeting.

For further information please contact

Royce Galea

Chief Executive Officer and Managing Director

m. 0412 660 006