



Millennium Services Group Limited

FY17 Interim Results Presentation

28 February 2017

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Agenda

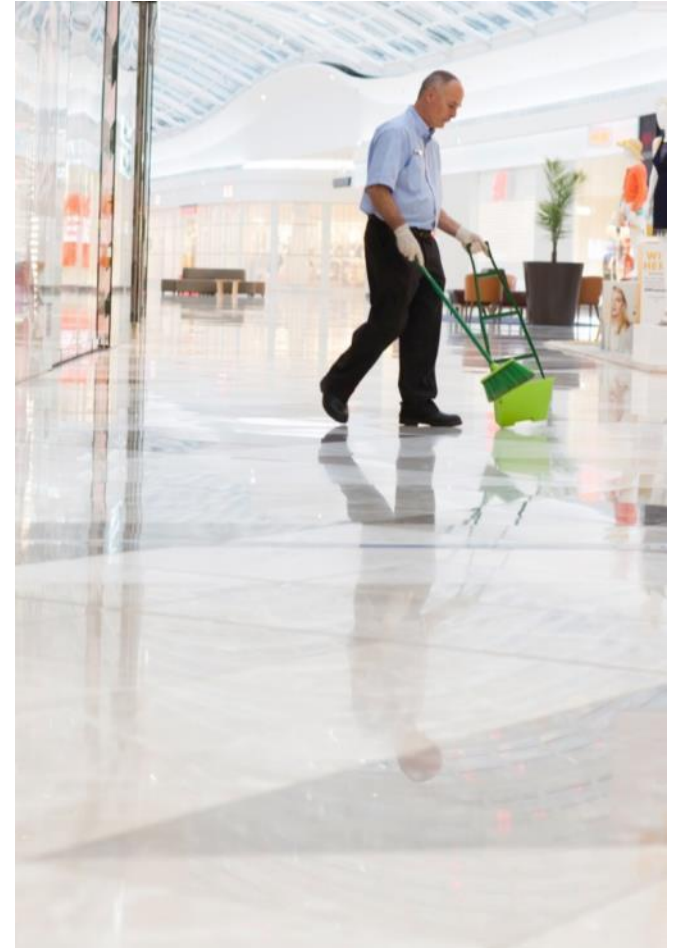
1 FY17 Interim Results Highlights

2 Operational Performance

3 Financial Performance

4 Strategy and Outlook

5 Appendices





1. FY17 Interim Results Highlights

FY17 Interim Results Highlights

- **Robust earnings and revenue momentum:** Consolidated a busy and productive FY16
- **Strong revenue and EBITDA growth:** Driven by Airlite acquisition and organic growth
- **Gross margins:** Gross margin percentages maintained
- **Airlite acquisition:** Transformational acquisition completed; integration progressing to plan
- **Strengthened contract book:** Major new contracts won and renewed
- **EPS:** \$0.0499 per share; Airlite immediately EPS accretive
- **Dividend:** Interim dividend of \$0.035 per share (fully franked)

FY17 Interim Results Highlights (cont'd)

Robust revenue and earnings momentum continued, with strong gross margins maintained

Pro-forma Results ¹			
	1H17	1H16	% var
Total Revenue	\$123.7m	\$76.3m	62%
Gross Margin	\$22.0m	\$12.6m	75%
Gross Margin (%)	17.8%	16.5%	1.3pp
Operating EBITDA	\$8.2m	\$1.2m	583%
Pro-forma EBITDA	\$9.0m ²	\$5.2m	73%

1. This incorporates the results of Millennium and Airlite as if they are a consolidated group for the period 1 July 2016 to 31 December 2016
2. Pro-forma 1H17 EBITDA exclusive of \$0.8 million of incremental acquisition and integration related costs



2. Operational Performance

Millennium Group Strategic Priorities

Millennium has a clear vision and strategy to become Australasia's leading cleaning, security and maintenance service provider



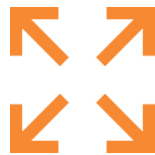
Growth

Organic

- Build on cross-selling of services following Airlite acquisition
- Aggressively grow the security division

M&A

- Continue to pursue acquisition opportunities that are accretive and fit with strategic objectives



Expansion

Geographic

- Consolidate national Australian footprint
- Expand operations in NZ

Sector

- Expand services to closely related sectors and State and Commonwealth Government departments



Diversification

Services

- Expand facilities management, maintenance and integrated services
- Provide specialist value-add cleaning services

Customer base

- Deepen market penetration with existing major clients, leveraging ASX-listed status
- Establish long-term partnerships through delivery of integrated service solutions



People & Systems

People

- Invest in senior, experienced security talent
- Strengthen HR and training capabilities

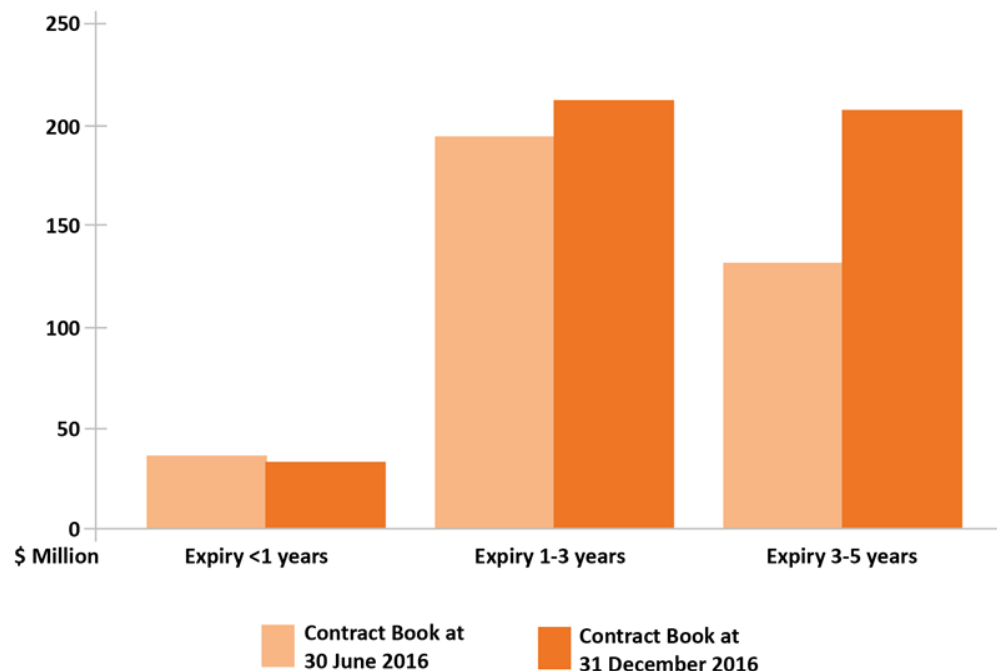
Systems

- Invest in integrated finance and contract management systems that support the expanding business and provide value-add management capability
- Lead market in robotic technology

Growth – Organic

Significant uplift in the value and longevity of contract book from new and renewed contracts

**Contract Book Value and Expiration Profile
(30 June 2016 VS 31 December 2016)**



- New contracts won and major portfolio renewals, including:
 - Scentre Group
 - Westfield Doncaster (cleaning);
 - Westfield Geelong, Airport West and Plenty Valley (security);
 - Westfield Newmarket and St Lukes, NZ (cleaning)
 - Vicinity Centres – renewal of cleaning contracts in VIC, NSW & QLD
 - QIC – renewal of major cleaning contracts in QLD
 - ISPT – award of new cleaning contracts in ACT
 - Blackstone – award of new cleaning contract in SA
 - Charter Hall – award of new cleaning contracts in NSW

Growth – M&A

Transformational acquisition of Airlite delivered on our strategic objective to consolidate our national footprint

- In October 2016, Millennium acquired Airlite, WA's premier integrated services business
- Strategically significant acquisition, transforming Millennium's geographic reach, scale, scope of services and customer base
- Airlite has performed well during the half, with strong gross margins maintained
- Immediately EPS accretive
- Integration progressing to plan
- Committed management team

Expansion & Diversification

The right foundations are in place for Millennium to leverage its national footprint, scale, broader service offering and increased competitiveness



- Acquisition of Airlite consolidates national Australian footprint
- Capacity to now provide facility and maintenance services in the East and security services in the West
- New contract wins in New Zealand build on strong start

People, Systems & Safety

Millennium is committed to safety, training & development

- Employee base grown to 4200 employees
- Track record of service and customer satisfaction
- Continued focus on safety as a #1 Board priority and appropriate funding and resources for induction, training and supervision, equipment choice and maintenance and monitoring of safety standards by the Board of MIL
- Maintenance of 'triple-certification' to international standards in QA, OHS & EMS





3. Financial Performance

Summary Pro-forma Income Statement

Robust revenue and earnings momentum continued, with strong gross margins maintained

Summary Pro-forma Income Statement			
	1H17 ¹	1H16	% var
Total Revenue	\$123.7m	\$76.3m	62%
Gross Margin	\$22.0m	\$12.6m	75%
<i>Gross margin %</i>	17.8%	16.5%	1.3pp
Operating EBITDA	\$8.2m	\$1.2m	583%
Transaction costs	\$(0.8)m	\$(4.0)m	(80)%
Pro-forma EBITDA	\$9.0m ²	\$5.2m	73%

- Pro-forma revenue increase of 62% underpinned by significant contribution from Airlite and organic business growth
- Operating EBITDA impacted by higher overhead costs as forecasted in our October Outlook
- Strong gross margins across the business

1. This incorporates the results of Millennium and Airlite as if they are a consolidated group for the period 1 July 2016 to 31 December 2016
 2. Pro-forma 1H17 EBITDA exclusive of \$0.8 million of incremental acquisition and integration related costs

Summary Balance Sheet

Balance sheet supports further opportunistic growth opportunities

Summary Balance Sheet			
	1H17	FY16	% var
Current Assets	\$29.6m	\$16.6m	78.6%
Non-Current Assets	\$56.1m	\$23.7m	136.7%
Total Assets	\$85.7m	\$40.2m	113.1%
Current Liabilities	\$38.2m	\$21.3m	79.3%
Non-Current Liabilities	\$34.7m	\$6.5m	433.8%
Total Liabilities	\$72.9m	\$27.8m	162.2%
Net Assets	\$12.7m	\$12.5m	1.6%
Issued Capital	\$19.0m	\$19.0m	-%
Retained Earnings & Reserves	\$(6.2)m	\$(6.5)m	(4.5)%
Total Equity	\$12.7m	\$12.5m	1.8%

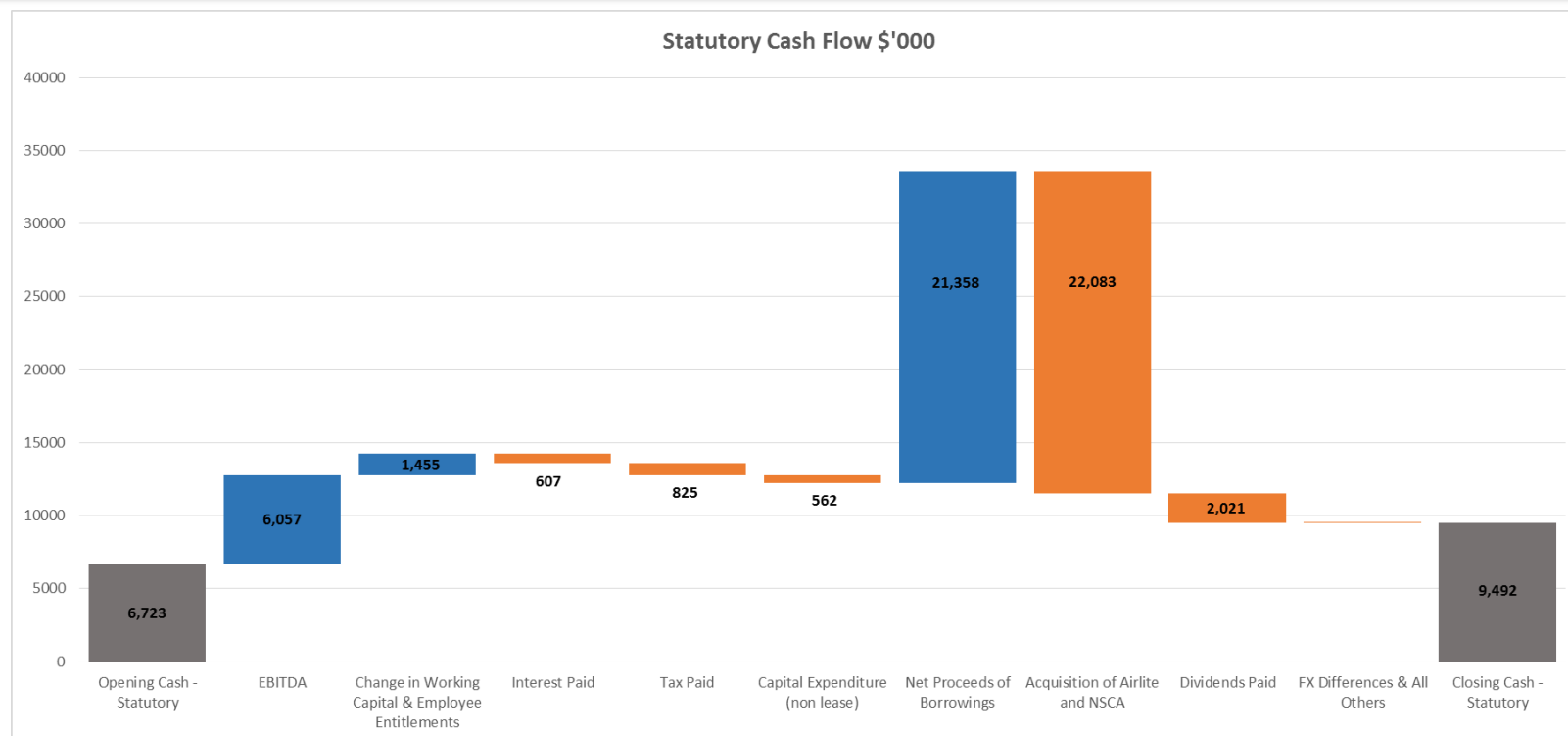
- Material movements attributable to acquisition of Airlite
- Cash balance of \$9.5 million as at 31 December 2016
- Well-funded within existing debt facilities with headroom to continue to fund future growth initiatives

Net Debt /EBITDA	
Statutory Basis (\$m)	1H17
Borrowings	\$31.3
Bank guarantees outstanding	\$1.0
Cash & Cash Equivalents	\$9.5
Net Debt²	\$22.7
Annualised pro-forma EBITDA ¹	\$18.0
Net Debt / EBITDA	1.26

1. Annualised pro-forma EBITDA = 1H17 pro-forma EBITDA x 2
2. Net debt = Borrowings at 31 December 2016 + Bank Guarantees – Cash & Cash Equivalents

Cash Flow & Capital Expenditure

Solid cash position at the half year



- Capex of \$0.6 million was cash-funded with the balance lease financed
- Total statutory capex for the period was \$1.9 million
- Closing cash and working capital impacted positively by ATO portal issues deferring GST payment of \$1.2 million to January 2017

Interim Dividend

Interim dividend reflects sustainable earnings and growth outlook

FY17 Interim Dividend Reconciliation	
Statutory Basis (\$m)	1H17
Cash flow from operating activities	\$7.4
Add interest received	\$0.1
Less interest and other financial costs paid	\$(0.5)
Less income taxes paid	\$(1.0)
Net cash flow from operations	\$6.0
Statutory capex	\$(1.9)
Debt funded capex	\$1.3
Cash capex	\$(0.6)
Free Cash Flow	\$5.5
FY17 Interim Dividend	\$(1.7)
Remaining Free Cash Flow	\$3.8

- The Board is pleased to declare a fully franked interim dividend of \$0.035 per share
- Record date: 10 March 2017
- Payment date: 4 April 2017
- Dividend policy remains unchanged

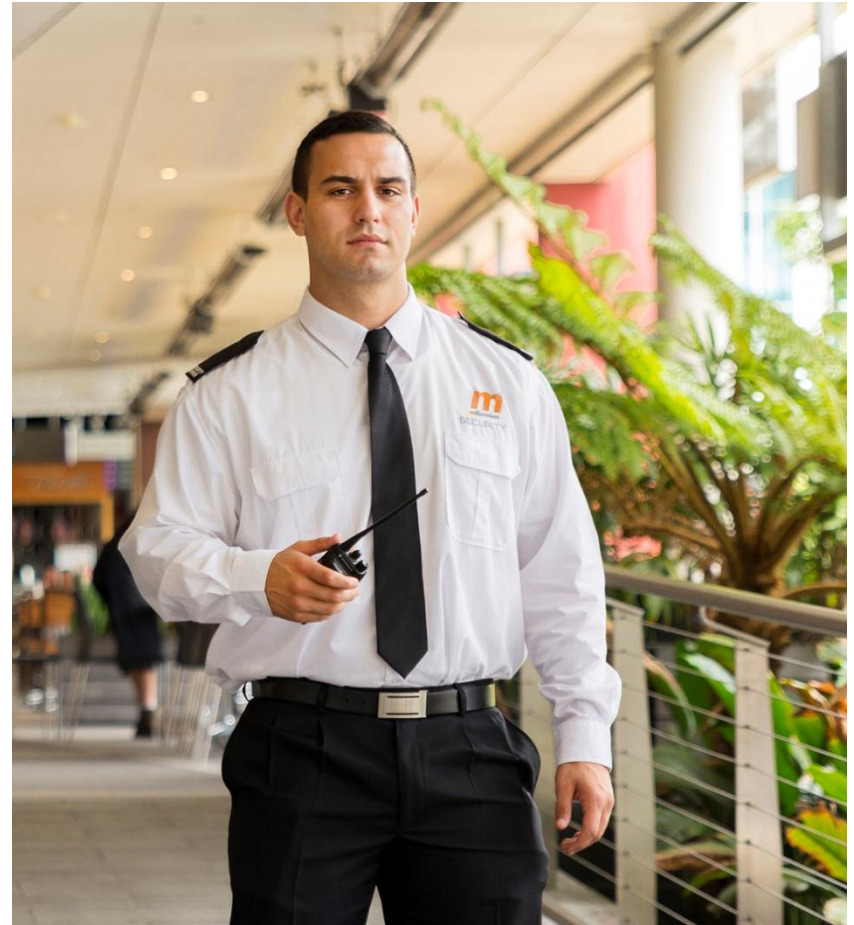


4. Strategy & Outlook

FY17 Strategic Priorities

Growing the Security division is the top strategic priority for the Group

- The Board is aggressively pursuing its strategic intent to grow the Security division to > 30% of total Group earnings
- Significant opportunities now present themselves in this sector and Millennium is strategically positioned to respond
- In order to capitalise on these emerging initiatives Millennium has opportunistically secured 5 key security executives, bolstering our current capability – this was not budgeted in FY17
- The enhanced Security division growth will be lead by experienced industry specialist Craig Hanley (Chief Operating Officer) who commenced 1 February 2017



FY17 Strategic Priorities (cont'd)

As the market leader in innovation and technology, Millennium is excited to be first-to-market with the best robotic technology now available

- Market leader in **innovation and technology**
 - Australian-first, preferential supply of Avidbot Neo Robotic Floor Scrubbers
 - First shipment in testing at client site and expected to be rolled out by April 2017
- Pursuing **attractive, accretive acquisition opportunities**
- **Cross-selling services** to new and existing clients



FY17 Outlook

FY17 outlook reaffirmed with pro-forma EBITDA expected to be at the lower end of the guidance range on account of unbudgeted opportunistic investment in Security division

- **FY17 pro-forma EBITDA** expected to be at the lower end of the October 2016 Outlook range of **\$17.7 million - \$18.6 million** (inclusive of incremental acquisition and integration related costs) on account of investment in Security division
- Full Year **FY17 pro-forma revenue** expected to be in the range of **\$246 million - \$256 million**
- Full Year **FY17 pro-forma capital expenditure** expected to be in the range of **\$4.1 million - \$4.6 million**



5. Appendices

Appendix 1: Summary Statutory Income Statement

Summary Statutory Income Statement		
	1H17	1H16 ¹
Total Revenue	\$101.0m	\$24.6m
Gross Margin	\$17.7m	\$4.1m
Operating EBITDA	\$6.8m	\$1.6m
Transaction costs	\$(0.8)m	\$(4.0)m
Reported EBITDA	\$6.1m	\$(2.4)m
Depreciation & Amortisation	\$(2.1)m	\$(0.4)m
Interest	\$(0.6)m	\$(0.1)m
Profit Before Tax	\$3.3m	\$(2.9)m
Income tax benefit/(expense)	\$(1.1)m	\$0.2m
Net Profit After Tax (NPAT)	\$2.3m	\$(2.7)m

1. 1H16 represents 6 week period from listing date (19 November 2015) to 31 December 2015



Thank you