

FY17 RESULTS
PRESENTATION
28 AUGUST 2017

millennium
SERVICES GROUP LIMITED

a new millennium in integrated services

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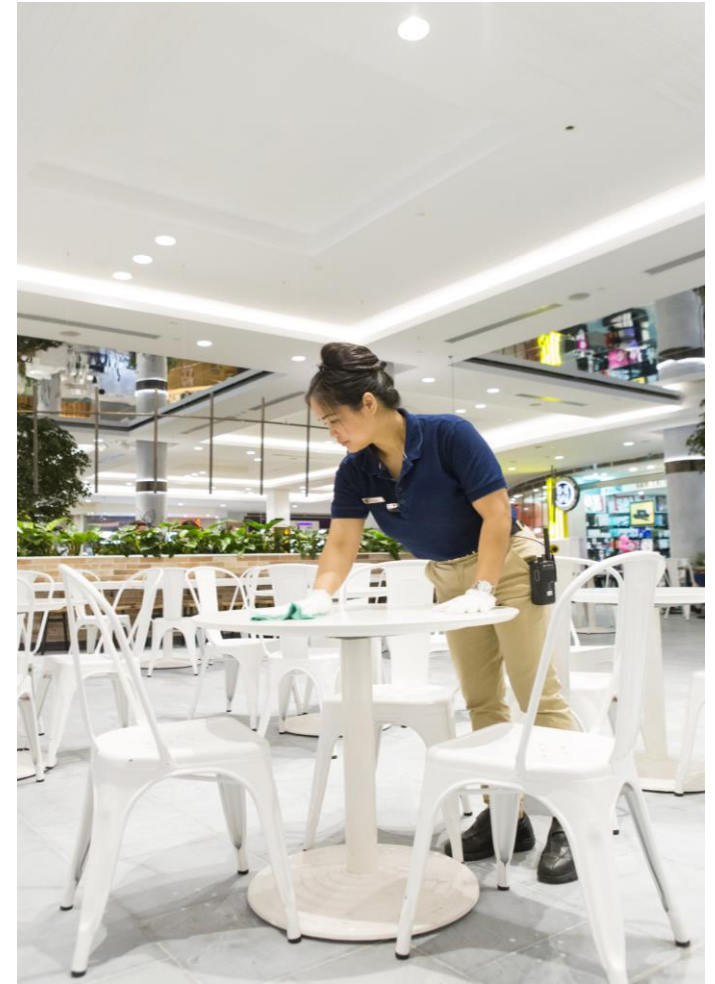
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1. FY17 Overview

Strong platform for future growth

Solid Foundation

- Strong underlying business performance
- Successfully growing cash generative business with financial performance agnostic to business cycle
- Strong, long-term relationships with blue chip clients
- Strong “through the cycle” dividend profile
- 80% contract book > 3 years expiry profile

Scale & Diversification

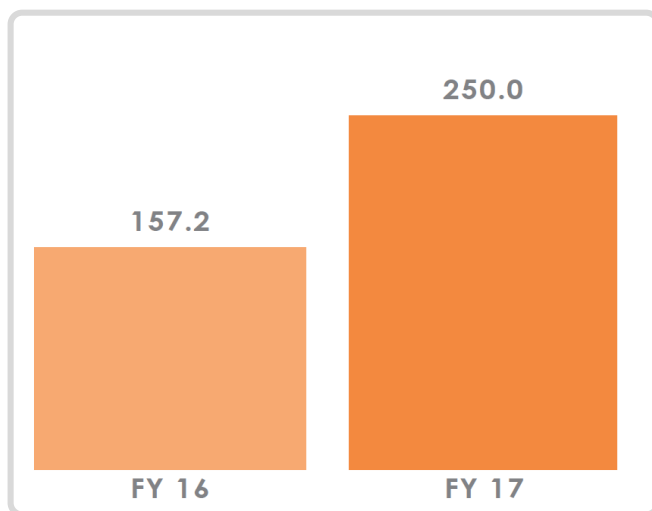
- National footprint cemented
- Scale and diversification across services, sectors, clients and geographies
- Enhanced management capability including finance and security

Innovation & Opportunity

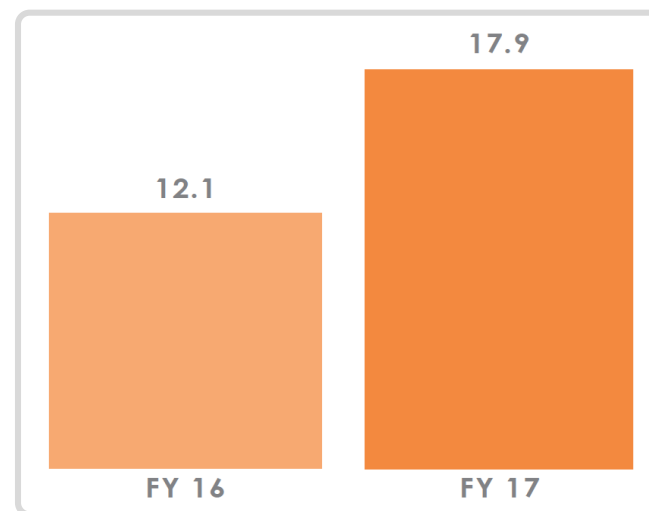
- Strong pipeline of opportunities in key target markets especially security
- Growth prospects in adjacent sectors and from industry consolidation
- Strategic plan to leverage market leading innovation capabilities

Revenue and EBITDA growth

REVENUE (\$m)



OPERATING EBITDA (\$m)



- Pro-forma revenue of \$250.0m up 59% on FY16 – in line with guidance
- Pro-forma operating EBITDA of \$17.9m up 48% on FY16 – in line with guidance



2. Operational Performance

Committed to safety, equality and training



SAFETY

- **Safety** of our 4500 employees is our primary focus



EQUALITY

- **Millennium achieves WGEA compliance**
 - key to diversity goals

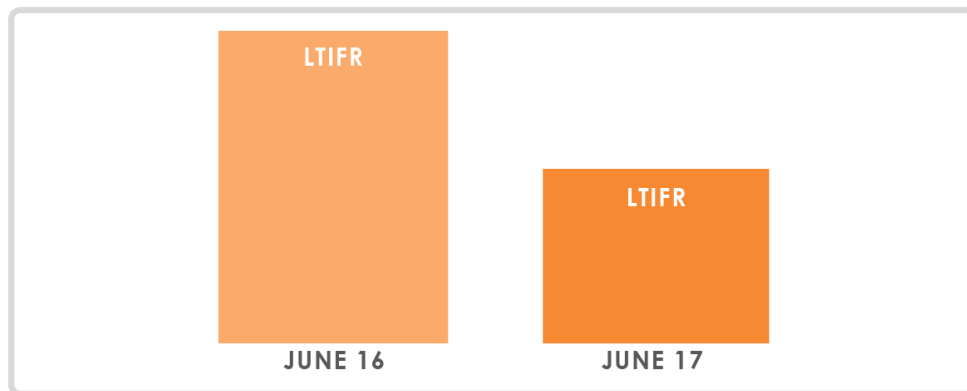


TRAINING INITIATIVES

- **Training Initiatives**
 - Customer Service program
 - m2m online training
 - Toolbox Programs

Committed to safety and compliance

LTIFR RATES



COMPLIANCE

- **Compliance** is governed by our IMS and aligned to international ISO: 9001 standards

LOST TIME INJURY FREQUENCY RATES – LTIFR

- **Improved performance:**
 - Millennium has actively reviewed its safety program and workplace approach
 - LTIFR reduced by more than 42% from 2016 to 2017

Diverse blue-chip client base

SCENTRE GROUP

AMP CAPITAL 

Charter Hall 



SUPER
PROPERTY



QIC



STRENGTH

In long-term relationships with blue-chip clients

LOYALTY

Strong 30+ year client relationships

REWARDS

Top 7 clients represent 65% of FY17 revenue

LESS RISK

No one client contributes more than 21% of revenue

Strengthened contract book – metrics

\$229.987m

**FY17 CONTRACT
REVENUE**

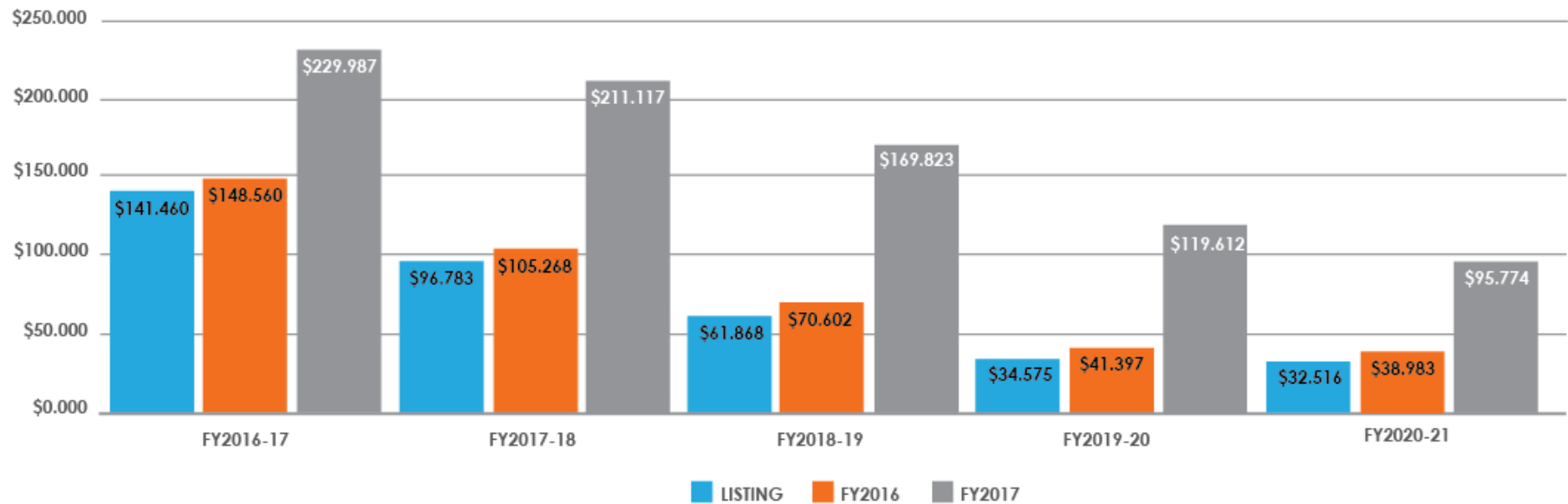
**91%
OF REVENUE
IN
CONTRACT**

**747
CONTRACTS**

**80%
OF CONTRACTS
> 3 YEAR
EXPIRY**

Strengthened contract book – longevity

Contract Book Movement
Listing vs FY16 vs FY17
FY17 – FY21



Contracting success



**NEW –
SECURITY/INTEGRATED
SERVICES**
Nth QLD | VIC



EQUINIX

**NEW – SECURITY
SERVICES**
NSW | VIC



**NEW – SECURITY
SERVICES**
NSW | VIC

**SCENTRE
GROUP**

**NEW + RENEWED
INTEGRATED
SERVICES**
QLD | NSW | VIC
SA | WA



**NEW + RENEWED
INTEGRATED & FM
SERVICES**
QLD | NSW | VIC
SA | WA

**Charter
Hall**



**NEW –
CLEANING/SECURITY
SERVICES**
NSW | QLD

QIC

**NEW + RENEWED
INTEGRATED
SERVICES**
VIC | ACT

MYER

**NEW – INTEGRATED
SERVICES**

NATIONAL

Acquisitions: consolidating national footprint



- National footprint cemented through transformational acquisition of Airlite Group
- Airlite successfully integrated with “best of breed” systems and processes embedded across Millennium’s network
- Leveraging reputation, scale and geographical reach to secure contracts with national clients
- Disciplined approach to evaluating opportunities for further growth

Strong segment performance

CLEANING

87% of
total FY17
revenue

OUTLOOK

New sectors &
opportunities
identified

- Aviation
- Commercial
- Event
- Retail
- Universities
- Transport



SECURITY

13% of
total FY17
revenue

OUTLOOK

New sectors &
opportunities
identified

- Retail
- Event
- Government
- Commercial
- Healthcare
- Education
- Aviation



Investment in innovation and technology

- Millennium is a market leader in innovation



AVIDBOTS

INNOVATION

- Millennium is a leading adopter of automated floor scrubbers



iCARTS

iMOPS

CLEANING EQUIPMENT

- Millennium invests in cutting edge 'state of the art' cleaning equipment



TRBO net

**Motorola
TRBO two
way radio**



COMMUNICATION

- Millennium researches and tests the latest phone, reporting and systems technologies

A photograph of a modern office lobby. On the left, a large mural depicts a blue sky with white clouds and a green landscape. In front of the mural is a tall, rectangular, metallic vase containing a bouquet of yellow orchids. The floor is highly reflective, showing the surroundings. In the background, there is a seating area with two armchairs and a small table. A sign above a doorway in the distance reads "Lift to Level 1".

3. Financial Performance

Growth momentum

| Summary Pro Forma Income Statement | | | |
|------------------------------------|-----------------|-----------------|---------------|
| | FY17 | FY16 | % var |
| Total Revenue | \$250.0m | \$157.2m | 59.0% |
| Gross Margin | \$43.3m | \$27.1m | 59.8% |
| <i>Gross margin %</i> | <i>17.2%</i> | <i>17.2%</i> | <i>0pp</i> |
| Operating EBITDA | \$17.9m | \$7.6m | 135.5% |
| Integration costs | \$(1.0)m | \$(4.6)m | (78.3)% |
| Normalised EBITDA | \$18.9m | \$12.1m | 56.0% |

- Pro forma revenue increased 59% underpinned by significant contribution from Airlite and organic business growth
- Gross margin percentage has remained steady on a full year basis, though second half was impacted by higher operational costs across former ACS sites
- Strong EBITDA growth year-on-year

Solid balance sheet to support future growth

| Summary Balance Sheet | | | |
|------------------------------|----------------|----------------------------|---------------|
| | FY17 | FY16 Restated ² | % var |
| Current Assets | \$27.6m | \$16.6m | 66.5% |
| Non-Current Assets | \$57.9m | \$27.6m | 109.9% |
| Total Assets | \$85.4m | \$44.1m | 93.6% |
| Current Liabilities | \$38.0m | \$25.2m | 80.8% |
| Non-Current Liabilities | \$32.3m | \$6.5m | 397.4% |
| Total Liabilities | \$70.3m | \$31.7m | 122.0% |
| Net Assets | \$15.2m | \$12.5m | 20.7% |
| Issued Capital | \$19.0m | \$19.0m | -% |
| Retained Earnings & Reserves | \$(3.8)m | \$(6.5)m | 41.5% |
| Total Equity | \$15.2m | \$12.5m | 21.6% |

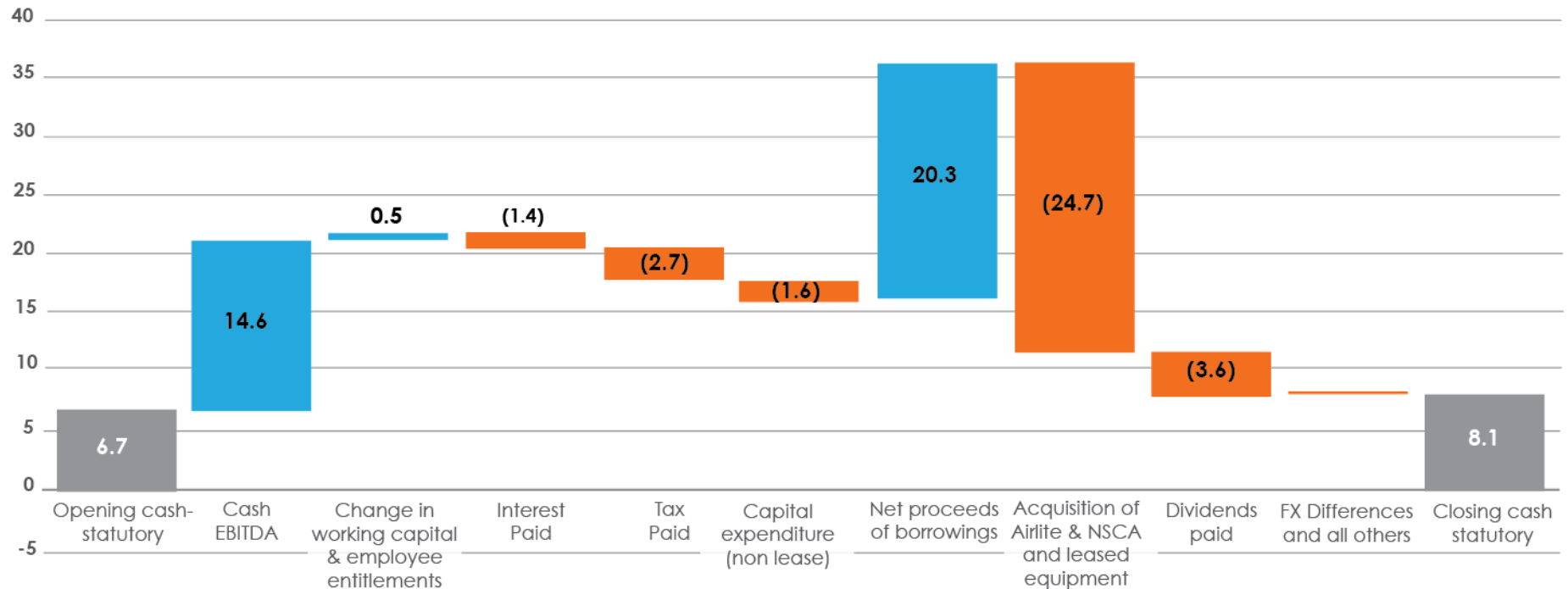
| Net Debt / EBITDA | |
|---|----------------|
| Statutory Basis | FY17 |
| Borrowings | \$28.9m |
| Bank guarantees outstanding | \$0.9m |
| Cash & Cash Equivalents | \$8.1m |
| Net Debt¹ | \$21.7m |
| Pro-forma Operating EBITDA³ | \$17.9m |
| Net Debt / EBITDA | 1.21 |

- Material movements attributable to acquisition of Airlite
- Cash balance of \$8.1 million as at 30 June 2017
- Adequately funded within existing debt facilities to continue to fund future growth initiatives

1. Net Debt = Borrowings at 30 June 2017 + Bank Guarantees – Cash & Cash Equivalents
2. The 2016 Balance Sheet has been restated for Deferred Taxes associated with the Airlite acquisition & ACS Contingent Consideration as disclosed in the June 2017 Appendix 4E.
3. Pro-forma operating EBITDA includes Airlite operations from 1 July 2016 instead of 1 November 2016 effective acquisition date

Cash flow and capital expenditure

Statutory Cash Flow \$m



- Pro-forma capital expenditure for the year was \$3.7m of which \$2.1m was financed under existing asset finance facilities.

Sustainable earnings and growth outlook

| FY17 Dividend Reconciliation | |
|--|-----------------|
| Statutory Basis (\$m) | FY17 |
| Cash flow from operating activities | \$15.1m |
| Add interest received | \$- |
| Less interest and other financial costs paid | \$(1.4)m |
| Less income taxes paid | \$(2.7)m |
| Net cash flow from operations | \$11.0m |
| | |
| Statutory capex | \$(3.7)m |
| Debt funded capex | \$2.1m |
| Cash capex | \$(1.6)m |
| | |
| Free cash flow | \$9.4m |
| FY17 dividend | \$(4.1)m |
| Remaining free cash flow | \$5.3m |

- Final fully franked dividend of 5.4 cents per share
- Total dividends for FY17 of 8.9 cents per share
- Record date: 15 September 2017
- Payment date: 5 October 2017
- Dividend policy remains unchanged



4. Strategy

Strategy

1.

CONSOLIDATE **Executive Leadership Group**

- Strengthened management capability
- Enhanced finance function
- Investment in talent – Security

2.

GROW **Security** **Cleaning** **Integrated Services**

- Grow security to circa 30% of group revenue within 2 years
- Drive organic growth from critical mass in cleaning and integrated services
- Strategic acquisitions in complementary sectors and services

3.

CENTRALISE **Processes**

- Improve quality, efficiency and consistency through centralisation of internal services

4.

ENHANCE **CRM** **Governance** **Incentives**

- Implement enhanced CRM and strengthened governance structures to support strategic plans
- Introduce STI & LTI

Executive Leadership Group

- Redesigned leadership team to support the operations and growth prospects
- Strengthened Finance capability
- Investment in talent – Security



SECURITY

- Following the investment in talent made earlier in 2017, the Board is committed to aggressively growing the Security division to circa 30% of total Group revenue within two years
- Opportunities
 - Sectors: Retail Shopping Centres, Event, Government, Commercial, Healthcare, Education, Aviation
 - Markets: Static Guarding, Crowd Control

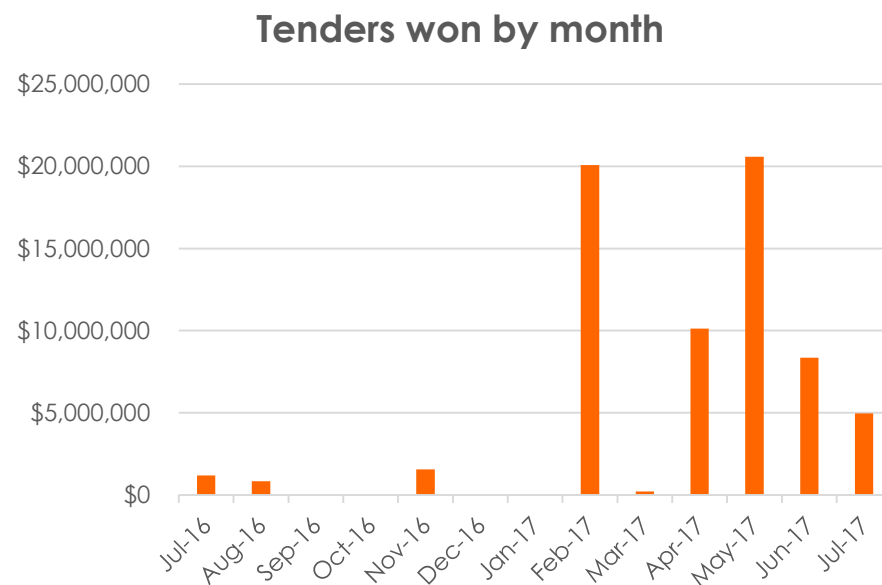
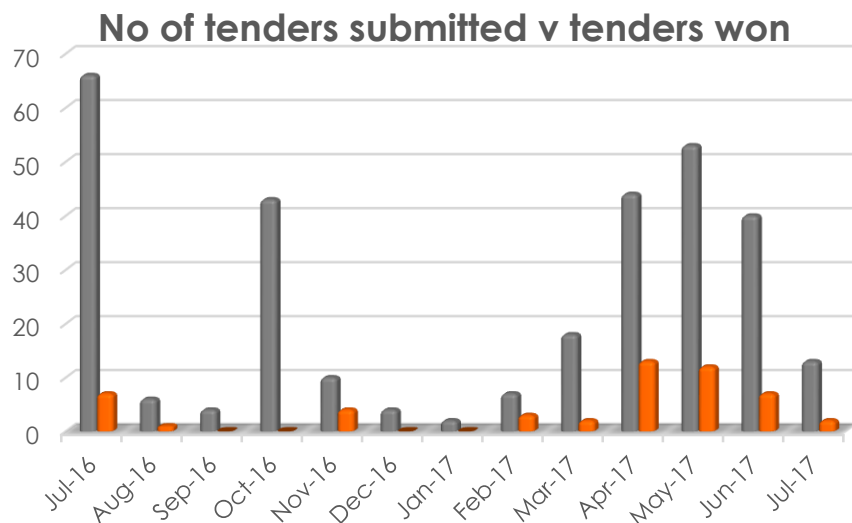
CLEANING and INTEGRATED SERVICES

- Drive organic growth from critical mass
- Focus on diversification across services, sectors, clients and geographies



Centralised processes

- Following extensive growth pre and post-listing, Millennium has consolidated a range of legacy systems and structures
- Bid processing and business development systems centralised



- Major volume of tender and costing activity conducted in April and May
- Total FY17 tender activity = 310 tenders; Tender activity since 1st March = 168 tenders

CRM, governance and incentives

- Formalised CRM structures
- Enhanced organisational governance structures
- Introduced STI and LTI incentive schemes to:
 - Support operations and growth of business to deliver shareholder returns
 - STI scheme in operation for 2018 for approximately 55 employees
 - Subject to achievement of Board approved performance metrics, (including EBITDA delivery) STI scheme will deliver cash incentives ranging from 5% to 50% (inclusive of superannuation) of base salary + super
 - LTI scheme will also be launched during 2018
 - Further details of the LTI scheme is contained within the remuneration report



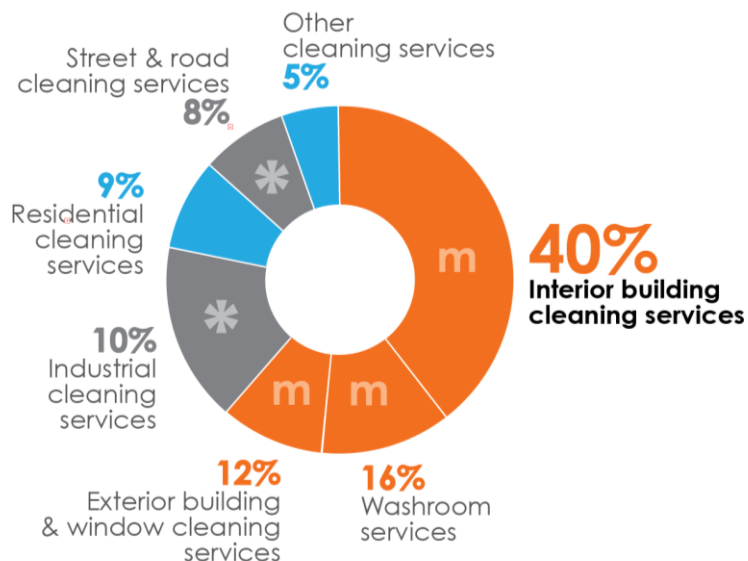
5. Outlook

Attractive industry fundamentals

CLEANING

Revenue: \$8.6bn

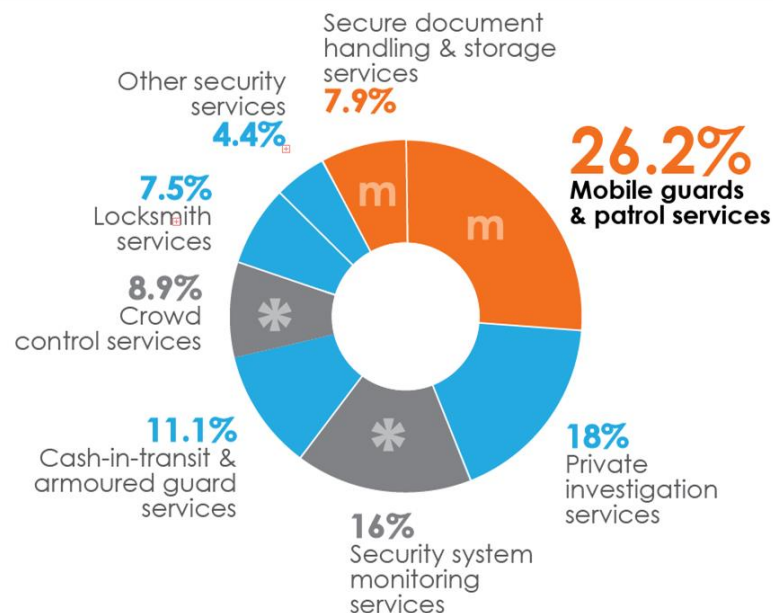
Annualised growth 2.7%



SECURITY

Revenue: \$6.2bn

Annualised growth 1.8%



Current sectors Future growth sectors Other sectors

Source: www.ibisworld.com.au

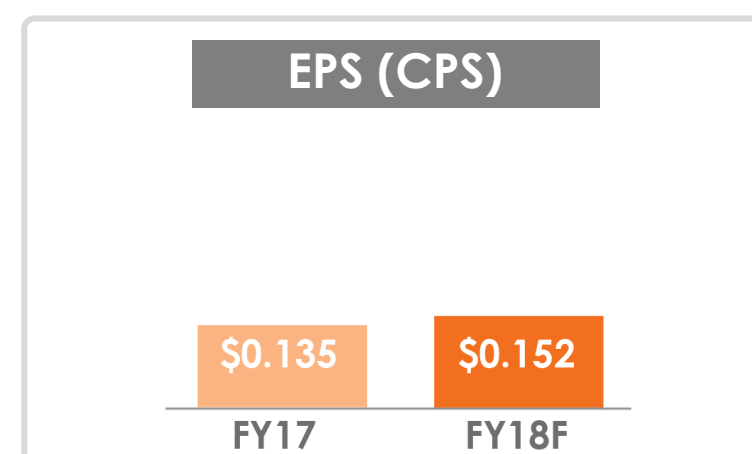
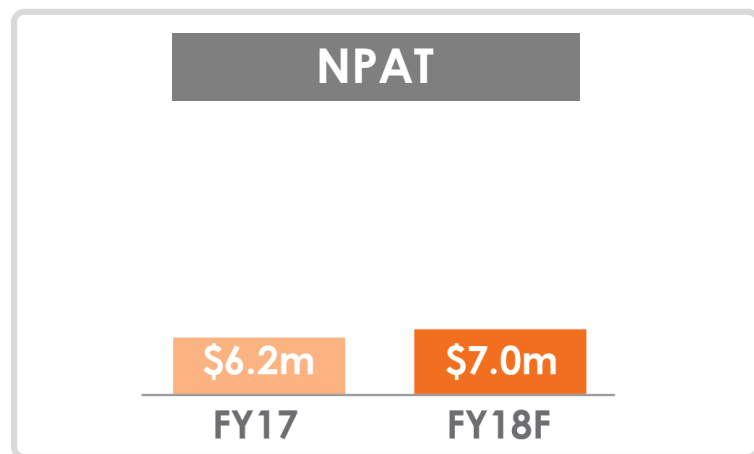
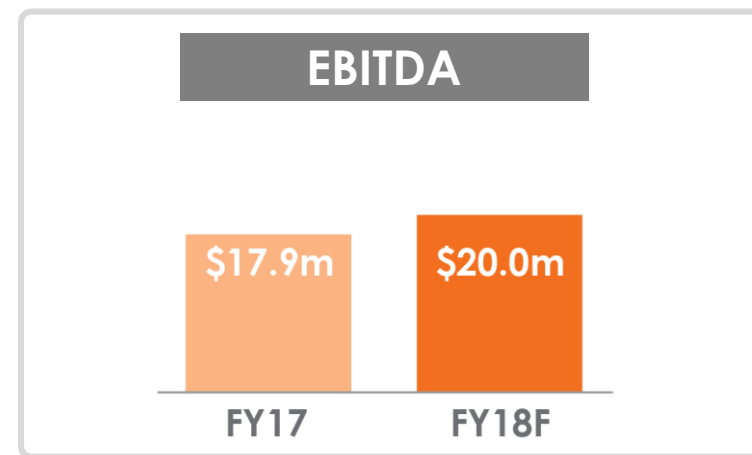
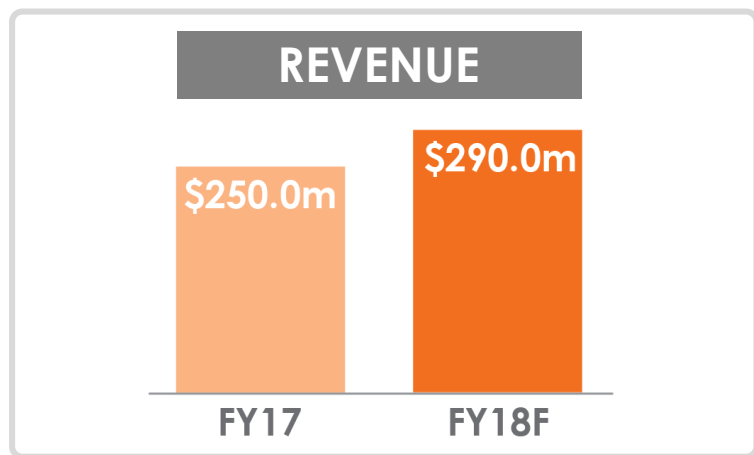
Source: www.ibisworld.com.au

Outlook

- Millennium has a clear vision to be Australasia's leading integrated service provider
- Well-positioned for continued growth through competitive advantages:
 - Enhanced management capability
 - Scale and diversification
 - Australian-owned
 - Further opportunities for M&A
 - Innovation and technology
 - Strong client relationships
 - Reputation for delivering on commitments
 - Strong employee attrition rates
 - Employee engagement
 - National presence
 - Reliability
 - Speed to market



FY18 Guidance



- 1H/2H weighting revenue: 46/54

- 1H/2H weighting EBITDA: 30/70

Summary

- Strong FY17 result underpinned by acquisition of Airlite and organic growth providing a strong platform for future growth
- Strongest contract book in the Company's history, both in terms of value and longevity
- Scale and diversification across services, sectors, clients and geographies
- Strong cash flow generation to fund capital expenditure, acquisitions and dividends
- Positive start to FY18 with a strong pipeline of opportunities in key markets, especially Security
- Growth prospects in adjacent sectors and from industry consolidation



6. Appendices

Summary statutory income statement

| Summary Statutory Income Statement | | |
|------------------------------------|-----------------|-----------------|
| | FY17 | FY16 |
| Total Revenue | \$227.3m | \$105.4m |
| Gross Margin | \$38.8m | \$18.6m |
| Operating EBITDA | \$16.8m | \$9.1m |
| Transaction & Other Costs | \$(1.0)m | \$(4.9)m |
| Reported EBITDA | \$15.8m | \$4.2m |
| Depreciation & Amortisation | \$(5.6)m | \$(1.8)m |
| Interest | \$(1.6)m | \$(0.4)m |
| Profit Before Tax | \$8.5m | \$2.0m |
| Income tax benefit/(expense) | \$(2.3)m | \$(1.3)m |
| Net Profit After Tax (NPAT) | \$6.2m | \$0.7m |

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