FY18 INTERIM RESULTS PRESENTATION

27 FEBRUARY 2018

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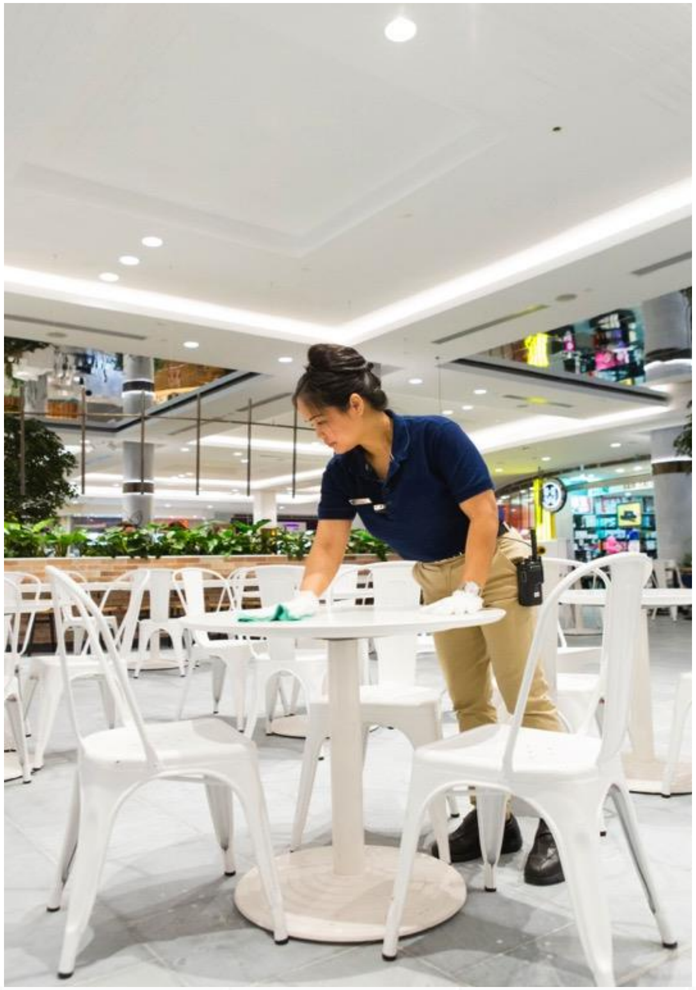
SERVICES GROUP LIMITED

a new millennium in integrated services

Presenters: Craig Hanley – Chief Executive Officer, Paul Smith – Chief Financial Officer

Agenda



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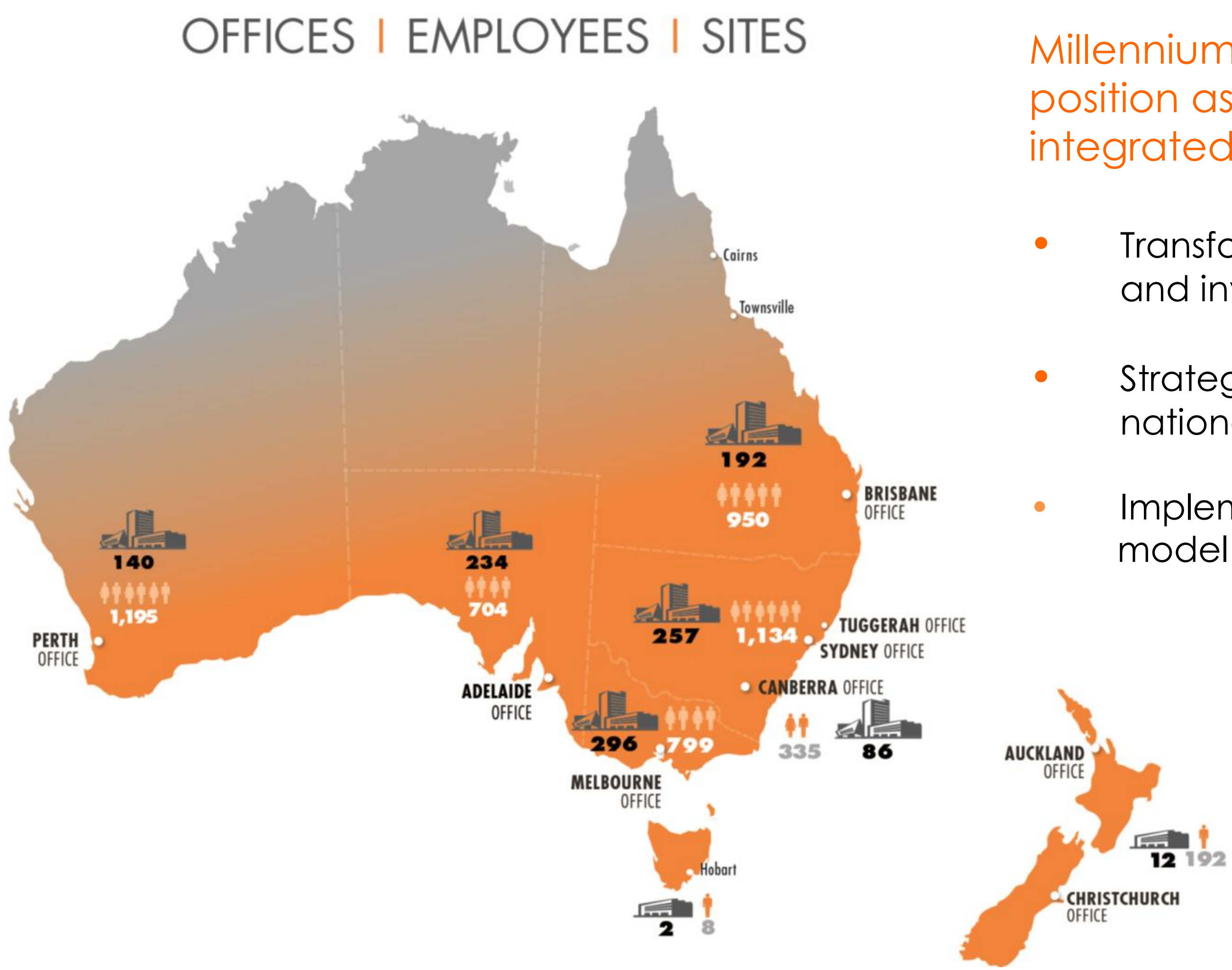
1. Overview

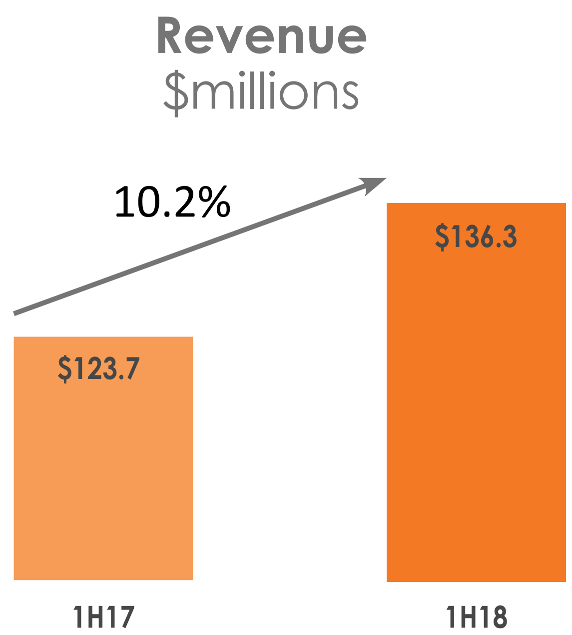
Positioned for growth as a leading integrated services provider

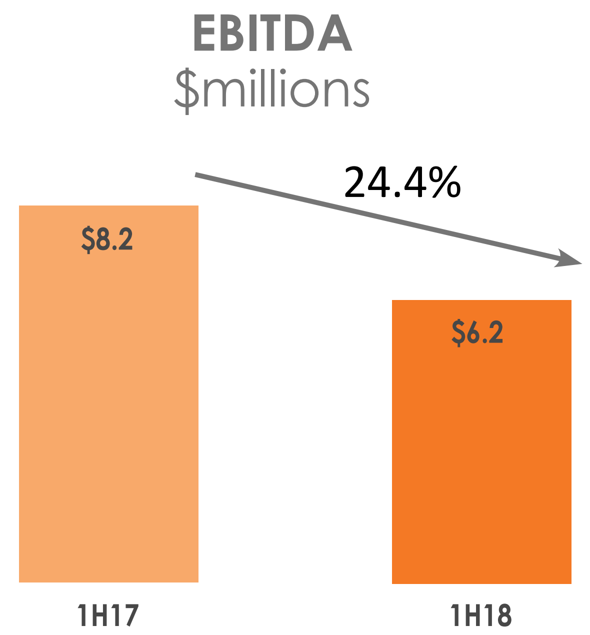


Millennium Services Group has cemented its position as one of Australasia's leading integrated services providers

- Transforming through growth, acquisition and investment
- Strategically positioning with extensive national coverage
- Implementing a scalable service delivery model

Snapshot of 1H18 Pro-forma Financials





Revenue

- In line with guidance and well ahead of industry average of 2.4%
- Successful new contract wins and re-negotiation of contracts at competitive rates
- Encouraging new sales in Security services

EBITDA

- In line with guidance
- Early stage investment for growth yet to fully deliver expected revenue benefit

2. Operational Performance

Safety & our people are paramount to success

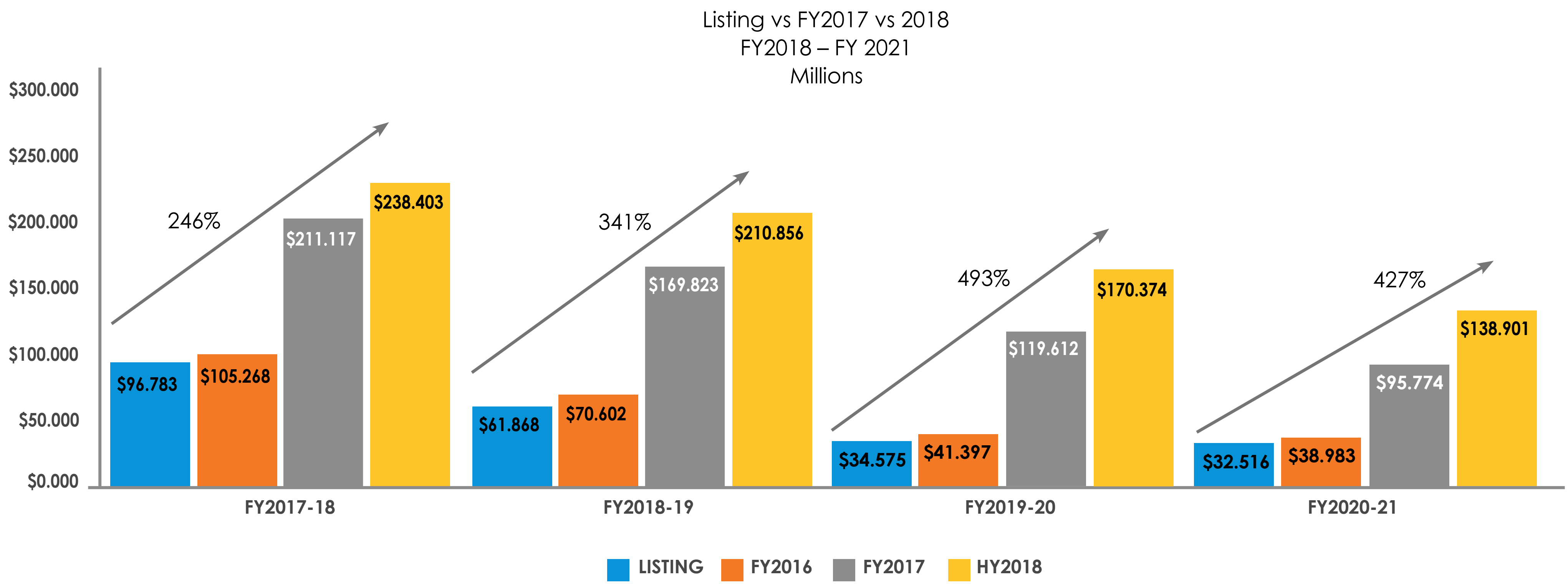
Safety, Training & Compliance

- LTIFR better than industry standards
- Revised organisational structure targeting HSE
- Customer Service Excellence focus
- Re-accreditation of ISO standards

Diversity & Social Responsibility

- Diversity – WGEA compliance
- Social responsibility program review
- Increased engagement with indigenous partners

Strengthened contract book value & longevity



- **Contract book has grown by 27.2% in the past 6 months**
- **Average length of contract from 2.6 years to 3.8 years**

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Continued track record of contracting success

High-quality and diverse clients with emerging cross-selling opportunities across Integrated Services and Security.

AMP
NEW – INTEGRATED SERVICES
QLD

JLL
NEW – SECURITY SERVICES
VIC

Government of South Australia
Department for Education and Child Development
NEW + RENEWED INTEGRATED SERVICES
SA

MYER
NEW INTEGRATED SERVICES
NATIONAL

Colliers INTERNATIONAL
NEW – CLEANING SERVICES
NEW ZEALAND

Stockland
NEW – SECURITY / INTEGRATED SERVICES
NSW

PRADA
NEW – INTEGRATED SERVICES
NSW I WA

DENNIS FAMILY CORPORATION
NEW – SECURITY SERVICES
VIC

QIC
NEW + RENEWED INTEGRATED SERVICES
VIC

ACT Government
NEW/RENEWED CLEANING SERVICES
ACT

Market leader in innovation and technology

Investment in innovation has enabled national contract wins & quality assurance

AVIDBOTS

iMOPS

iVACS

iCARTS

METRASENS

DRIVEPRO Body 10 Camera

TRANSCEND

Motorola TRBOnet

INNOVATION

- Leading adopter of automated floor scrubbers

CLEANING EQUIPMENT

- Cutting edge 'state of the art' cleaning equipment

DETECTION

- Adopting detection technologies in the management and deterrence of anti social behaviour

COMMUNICATION

- Researching & testing the latest radio, reporting and systems technologies

3. Financial Performance

Establishing a track record of solid revenue growth

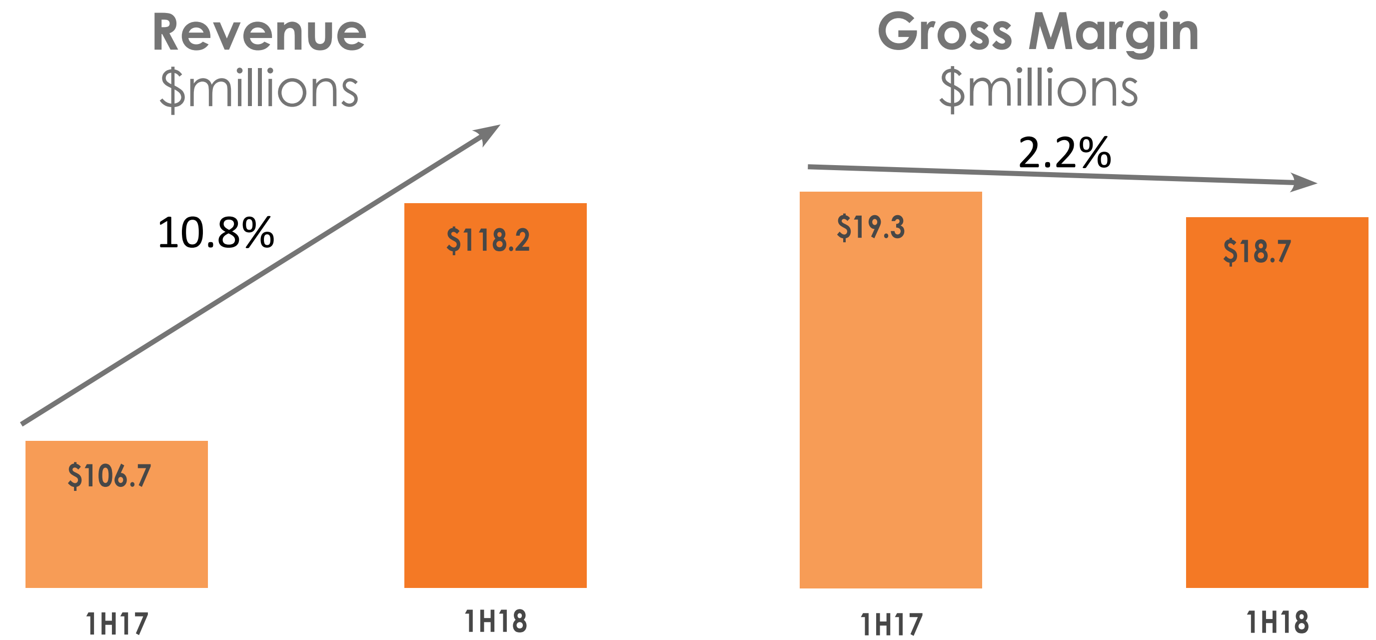
Summary Pro-forma Income Statement				
	1H18 $m	1H17 $m	$m var	% var
Total Revenue	$136.3m	$123.7m	$12.6	10.2%
Gross Profit	$21.4m	$22.0m	-$0.6	-2.6%
Gross margin %	15.7%	17.8%		-2.1%
Overheads	-$15.3m	-$13.8m	-$1.5	-10.8%
Pro-forma EBITDA	$6.2m	$8.2m	-$2.1	- 25.1%

(1) This incorporates the results of Millennium and Airlite as if they are a consolidated group for the period from 1 July 2016

- Revenue increased in line with guidance due to both increased tendering activity and improved conversion rates
- Gross profits declined by 2.6% primarily due to upfront investment to extend contract tenures and position for labour efficiency savings
- Overheads in line with forecast. Increases due to on-boarding of additional expertise in management, finance and Security personnel to build capacity for future growth

Cleaning underpinned by contracting success

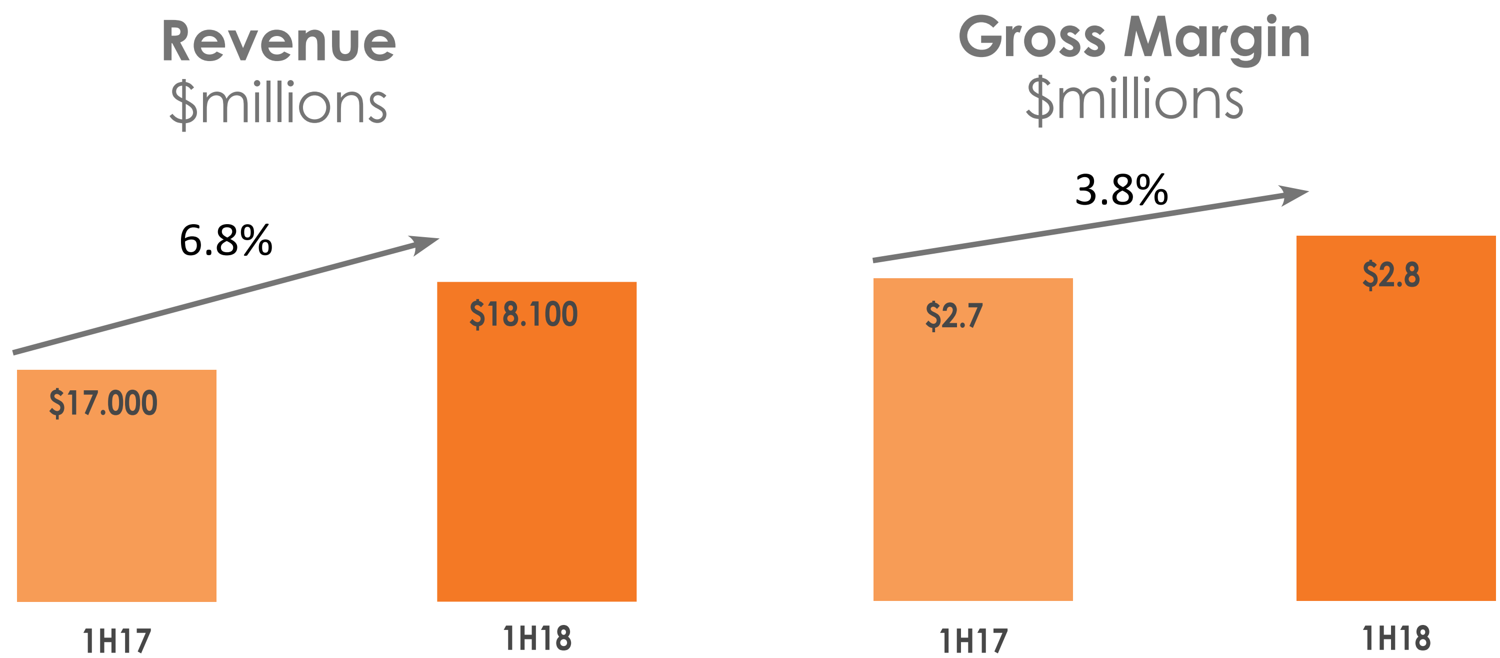
Cleaning & Integrated Services – Summary & Highlights



- Revenue growth underpinned by new & renewed Cleaning contracts (Valued at $50.4m per annum)
- New national contract wins also position for geographical expansion
- Gross margin contraction due to upfront investment to increase contract tenures and slower than expected realisation of cost savings associated with labour efficiencies

Security delivering on strategic imperative

Security – Summary & Highlights



- Growth well ahead of industry averages (1.5%) reflecting market share gains
- New contract wins valued at $13.1m annualised
- Security now 13.3% of total revenue (December tracking at of 19% of total revenues)
- Maintenance of strong gross margins reflecting strong pricing outcomes on new contract wins
- The Group progressed in its efforts to secure national licensing to springboard revenue expansion

Balance sheet consolidating to support growth

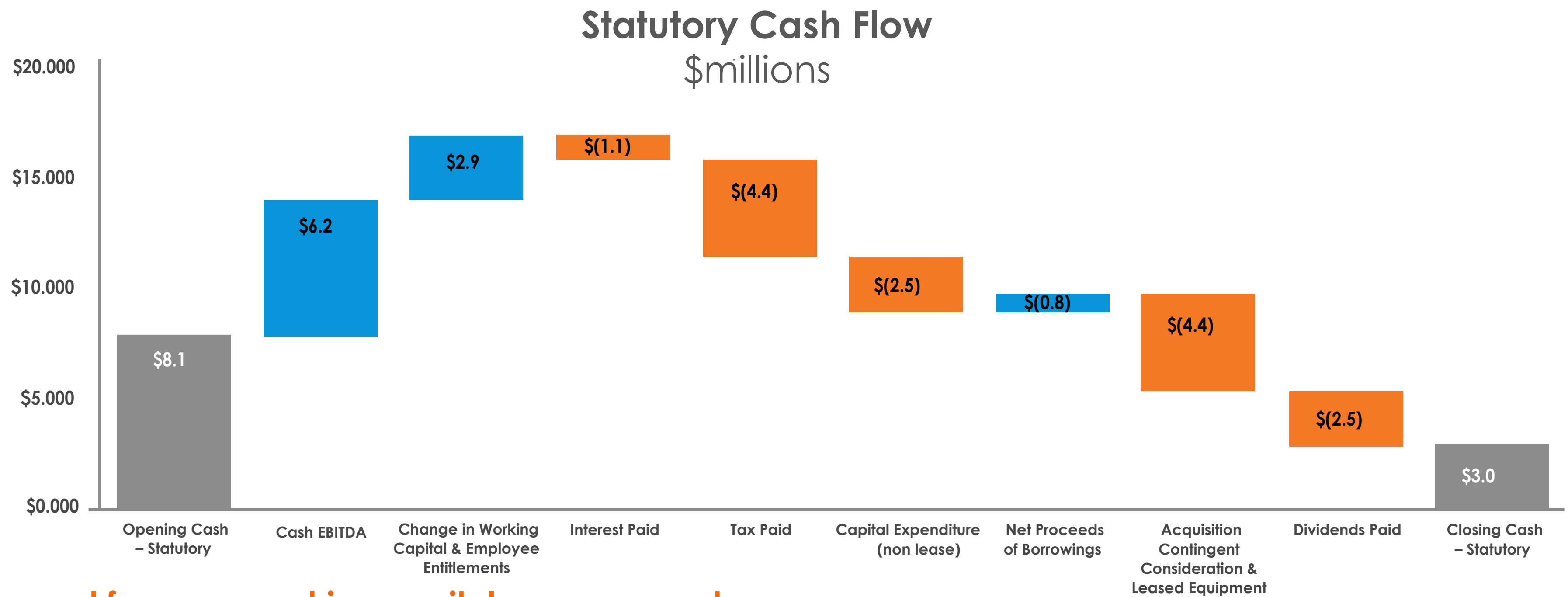
Summary Balance Sheet			
	1H18	FY17	% var
Current Assets	$26.7m	$27.6m	(3.1)%
Non-Current Assets	$61.1m	$57.9m	5.6%
Total Assets	**$87.8m**	**$85.4m**	**2.8%**
Current Liabilities	$42.6m	$38.0m	12.2%
Non-Current Liabilities	$31.6m	$32.3m	(2.3)%
Total Liabilities	**$74.1m**	**$70.3m**	**5.5%**
Net Assets	**$13.7m**	**$15.2m**	**(10.0)%**
Issued Capital	$19.0m	$19.0m	-%
Retained Earnings & Reserves	$(5.3)m	$(3.8)m	(40.0)%
Total Equity	**$13.7m**	**$15.2m**	**(10.0)%**

Net Debt /EBITDA	
Statutory Basis	1H18
Borrowings	$29.7m
Bank guarantees outstanding	$1.1m
Cash & Cash Equivalents	$3.0m
Net Debt[1]	**$27.7m**
Pro-forma Operating EBITDA	**$14.9m**
Net Debt / EBITDA	1.86

- New investment in robotics, plant & equipment to support growth in business
- Existing debt facilities retained to continue to fund future growth initiatives
- Business remains within all agreed banking covenants

1. Net Debt = Borrowings at 31 December 2017 + Bank Guarantees – Cash & Cash Equivalents
2. The Net Debt / EBITDA financial measure is based on 12 months of EBITDA, being the operating EBITDA from 1 January 2017 to 31 December 2017 (excluding once-off other income).

Cash profile reflecting investment for future growth



Renewed focus on working capital management

- Days Sales Outstanding (DSO) reduction was a strong contributor
- Capex reflected investment in major contract transitions and innovation
- Acquisition cash flow predominantly represents repayment of Airlite loan financing
- Further investment to capitalise on the near-term growth opportunity is likely to be required, resulting in a decision to not declare an interim dividend
- The medium-term dividend policy remains unchanged at 40-60% of sustainable earnings

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4. Strategic Initiatives

Continuing to deliver against strategic initiatives

Project Baseline has been initiated to focus strategic implementation process

	Strategic Target	Actions
CONSOLIDATE Executive Leadership Group	• Strengthened Management Capability • Enhanced Finance Function • Investment in talent - Security	• Largely Complete. Security, finance and management teams strengthened • Next stage to add high level HR capability
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	• Key account management – more systematic approach to corporate relations and addressing national footprint outcomes • Realign Business development with a sector focus concentrating on commercial assets in NZ and Australia • Heavy focus of cross-sell to continue to drive success in Security contracts. Still on target for 30% revenue contribution from Security in 18 months • Continuing to assess complementary acquisition aligned with ROIC objectives
CENTRALISE Processes	• Improve quality, efficiency and consistency through centralisation of internal services	• Ongoing adoption of Airlite methodology across the group targeting improved cost and public liability management of 1% or $2.2million • Centralisation of strategic development team complete resulting in strong contract outcomes
ENHANCE CRM Governance Incentives	• Implement enhanced CRM and strengthened governance structures to support strategic plans • Introduce STI & LTI	• Rigorous approach to HSE compliance maintained • STI and LTI plan developed and to be rolled out effective July 2018

5. Outlook & FY18 Guidance

Longer-term business fundamentals remain strong

- A clear vision to build on positioning as a leading integrated service provider through business and geographical diversification
- Strong revenue with diversification across market segments and clientele
- Targeted and systematic approach to growth
- National footprint and scalable platform from which to grow
- Focus on quality of contract book
- New contracts worth $63.5 million revenue per annum gaining momentum
- Strong tender pipeline with multiple imminent opportunities
- Acquisition opportunities in adjacent service sectors will be assessed on strategic and ROIC merits

Upfront investment to deliver on long-term outcome has impacted FY18 underlying guidance

- New CFO has completed a comprehensive review of financial systems, processes and forecasts
- The review identified the following items affecting FY18 guidance:
  - Delays in the realisation of efficiency gains from roster management initiatives
  - More conservative approach to accounting treatment around LSL, Public Liability etc.
  - Overhead reduction vis a vis previous guidance due to administrative cost savings
- Revised guidance for underlying FY18 results are expected to be:

Pro-forma Results				
	FY17	FY18 Old $m	FY18 New $m	Explanation
Total Revenue	$250.0m	$290.0m	$280.0 –$290.0m	Increased contract book reflecting bid & tender growth
Gross Profit	$43.3m	$49.9m	$43.0 - $46.0m	Labour efficiency programs built to improve performance in accordance with Project Baseline
Overheads	$25.4m	$29.9m	$29.0 – $30.0m	Factors for increased overheads include strategic expertise across finance, management and Security personnel
Pro-forma EBITDA	$17.9m	$20.0m	$15.5 - $17.5m	

6. Appendices

Summary statutory income statement

Summary Statutory Income Statement		
	1H18	1H17
Total Revenue	**$136.3m**	**$101.0m**
Gross Margin	**$21.4m**	**$17.7m**
Operating EBITDA	**$6.3m**	**$6.8m**
Transaction & Other Costs	$(0.1)m	$(0.8)m
Reported EBITDA	**$6.2m**	**$6.1m**
Depreciation & Amortisation	$(3.7)m	$(2.1)m
Interest	$(1.1)m	$(0.6)m
Profit Before Tax	**$1.4m**	**$3.3m**
Income tax benefit/(expense)	$0.4m	$(1.1)m
Net Profit After Tax (NPAT)	**$0.9m**	**$2.3m**

Accounting impacts impacting guidance

Statutory EBITDA reconciliation		
	FY EBITDA $m	Explanation
Underlying Pro-forma EBITDA	$15.5 - $17.5m	
Accounting Adjustments		
DEBTOR RECOVERIES	($0.462)m	Realised provision for doubtful debts > 90 days
EMPLOYEE ENTITLEMENTS	($0.546)m	Recognition of accounting adjustments for provision of LSL
OTHER ACCOUNTING ADJUSTMENTS	($0.454)m	Provision for legal liabilities and contingent liabilities
REVISED GUIDANCE EBITDA	$14.0 - $16.0m	

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