

27 February 2018

Millennium FY18 Interim Results Announcement

Millennium delivers solid revenue growth

- Revenue of \$136.3 million, up 10% on a proforma basis compared with the previous corresponding period (pcp)
- EBITDA of \$6.2 million in line with previous guidance
- Statutory net profit after tax of \$0.9 million
- Contract book strengthened with new and renewed contracts totalling \$63.5 million of annualised revenues
- FY18 guidance reduced on the back of delays in labour efficiency realisation

Millennium Services Group (ASX: MIL) today announced an EBITDA of \$6.2 million for the half year ended 31 December 2017. The revenue and earnings performance was in line with previous guidance to the market.

The Company's revenue performance was underpinned by a strong underlying business which delivered solid organic growth. This was enhanced by the first full half year contribution from the high quality Airlite business acquired in November 2016.

As reported at the Annual General Meeting in November, the start to 1H18 was impacted by increased investment in bidding for new contracts; one-off investments in internal processes, including finance restructure and IT developments; and investment in security talent and new technologies. These initiatives are now substantially complete and, while incurring a cost impact in 1H18, have positioned the Company for long-term growth.

Summary Financials

\$ million	1H18	1H17	Variance
Pro-forma results¹			
Revenue	136.3	123.7	10.2%
EBITDA	6.2	8.2	(24.4)%
Statutory results			
Revenue	136.3	101.0	35.0%
EBITDA	6.2	6.1	1.6%
NPAT	0.9	2.3	(60.9)%
Dividend (cps)	-	3.5	Na

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

Operational Performance

During the half year, Millennium commenced new and renewed contracts valued at over \$63.5 million in annual revenues including long-term, national contracts with Myer and the renewal of the Scentre Group book of business. Pleasingly, the Company's share of revenue attributable to security increased, moving from 13% in FY17 to 19% for December 2017.

Mr Craig Hanley, Chief Executive Officer of Millennium said, "During the half year, we have been successful in securing contracts with many existing and new clients. We are also well progressed on a number of tenders for potentially major contracts.

“Our reputation in the market for delivering high-quality services continues to reap rewards. The business is in a strong position to progress our strategy of building a diverse contract book”, Mr Hanley said.

Dividend

Whilst Millennium maintains a strong balance sheet and cash position, no dividend has been declared for 1H18. It is the view of the Board that it is best to preserve the Company’s cash position to ensure that new contract and innovation related investment can continue to be funded out of existing cash reserves and operating cash flow.

Millennium maintains a comfortable financial position, with a cash balance of \$3.0 million and net debt¹ of \$27.7 million as at 31 December 2017. The group is adequately funded within its existing debt facilities, with headroom to continue to fund future growth initiatives.

FY18 Guidance & Outlook

As announced on 5 February 2018, Mr Damien Gray stepped down from his role as Chief Financial Officer and Company Secretary and Mr Paul Smith assumed the role in an interim capacity. Since his appointment, Mr Smith has undertaken a comprehensive review of the Company’s financial systems, processes, and forecasting, taking into account January results.

This detailed review identified items affecting the outlook for FY18, including delays in the realisation of efficiency gains from roster management initiatives.

As a result, the Company now expects to deliver revenue for FY18 in the range of \$280 million to \$290 million, underlying EBITDA in the range of \$15.5 million to \$17.5 million and statutory EBITDA in the range of \$14 million to \$16 million.

Mr Hanley said, “Millennium notes that the financial results expected for 2H18 are below our targeted expectations, however we are meeting these challenges head-on through a renewed focus on tender procurement management, productivity improvements and cost reductions. In particular, labour efficiency is a key area of focus with a 1% reduction in labour costs having a \$2.2m positive EBITDA impact.

“The underlying business is strong and profitable. We remain confident in our ability to profitably grow the business and enhance shareholder value.”

-ENDS-

¹ Net debt = Borrowings as at 31 December 2017 + bank guarantees – cash & cash equivalents

Conference call details

The Company will hold an analyst and investor conference call today at 9.30am AEDT to discuss today's announcement. The conference call will also be webcast. Please see full details below.

Date: Tuesday 27 February 2018

Time: 9:30am AEST

Speakers: Craig Hanley (CEO) and Paul Smith (Interim CFO)

Conference-call dial-in

***After dialling relevant number below please ENTER CONFERENCE ID: 8373827**

Australia Toll: +61 2 8038 5221

Australia Toll-free: 1800 123 296

New Zealand: 0800 452 782

Hong Kong: 800 908 865

Singapore: 800 616 2288

United Kingdom: 0808 234 0757

United States: 1855 293 1544

Live webcast link

The presentation slides and audio webcast of the result will be available live at:

<http://webcast.openbriefing.com/4216>

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