



# Full Year FY19 Results Presentation

29 August 2019



**millennium**

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## 1. Executive Summary

# Executive Summary

- \$4.9m turnaround in underlying EBITDA 1H19 to 2H19
- Confirmation of continuing support of ANZ Bank which will allow time for a review of debt structure and a general finance re-set.
- Business Improvement Plan underway, delivering annualised savings of \$11m and other benefits, progressively realised throughout FY20 and FY21
- Working capital improved
- Underlying organic growth with contract wins in both cleaning and security
- Investment in new technology and people creating a platform for better controls and future growth
- Actions underway to expand, diversify and de-risk the business e.g. commercial cleaning, facilities management and other related services





## 2. FY19 Highlights

# Key Highlights

## \$4.9m underlying\* EBITDA turnaround to date 1H19 \$2.4m loss vs 2H19 \$2.5m earnings



### Stronger financial position

- ✓ \$4.9m EBITDA turnaround to date
  - 1H19 \$2.4m loss vs 2H19 \$2.5m earnings
- ✓ Cash flow addressed
  - Trade finance funding secured
  - Aged debtors reduced
- ✓ Ongoing support of the bank with facilities extended to 1 September 2020 and a commitment to review terms & conditions for refinancing



### Improved accountability

- ✓ New Board appointed in October 2018
- ✓ Strategic Business Review completed
- ✓ Business Improvement Program rolled out (annualised \$11m savings progressively realised through FY20 and FY21)
- ✓ Compliance program initiated
  - Using sub-contractors only when approved by client
  - Ensured all staff correctly paid in accordance with employment conditions
- ✓ Labour Hire legislation and Modern Slavery Act embedded in everyday work practices



### Addressed margin compression

- ✓ Addressed labour inefficiencies
- ✓ Negotiated price increase with some clients
- ✓ Exited some unprofitable contracts
- ✓ Tendering at market competitive rates
- ✓ Improved controls to prevent revenue leakage



### Integrated/automated Business Processes

- ✓ Time and Attendance System rollout commenced to ensure sustainable labour controls are introduced
- ✓ Full integration of the Airlite business initiated



### Enhanced leadership capability

- ✓ New Executive Management Team appointed
  - CEO, CFO, CIO, HSE and GM People & Culture
- ✓ Operational restructure commenced



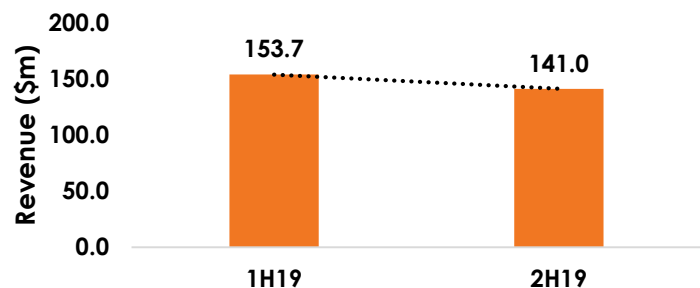
### Right sized the business to reduce overhead

- ✓ Overhead support structure right sized

# Financial recovery – 1H19 vs 2H19

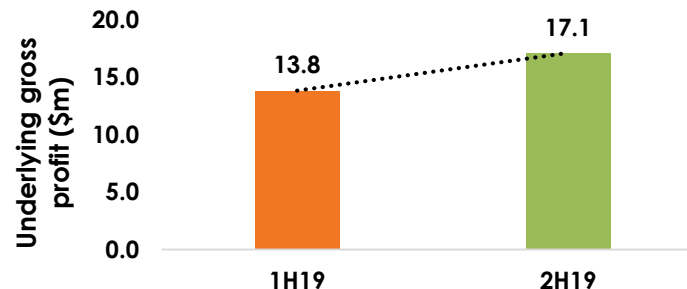
**Our 2H19 results show the positive impacts of management's actions**

Revenue



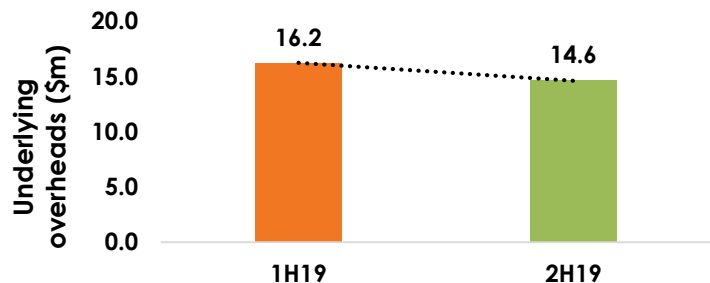
Revenue reduction due to the loss of a large contract and the exiting of unprofitable contracts, partly offset by contracts won at higher margins

Underlying\* Gross Profit



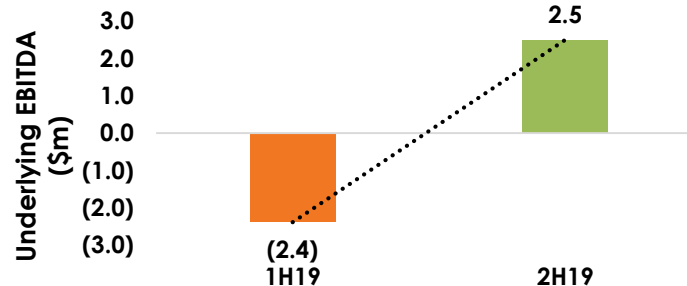
Margin improvement driven by improved contract mix, labour controls and negotiated price increases

Underlying\* Overheads



Business Improvement Plan driving cost savings including the right sizing of the back office structure

Underlying\* EBITDA



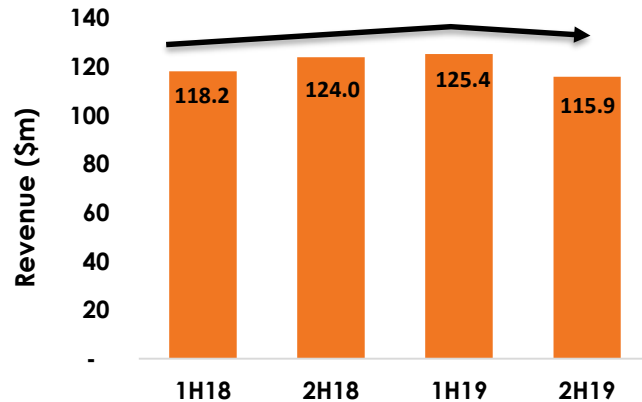
Outcome of the commencement of the Business Improvement Plan



# Cleaning segment

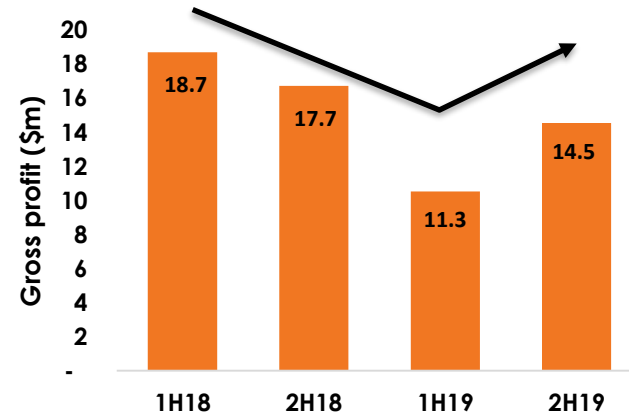
## Revenue (\$millions)

-7% 2H19 vs 1H19



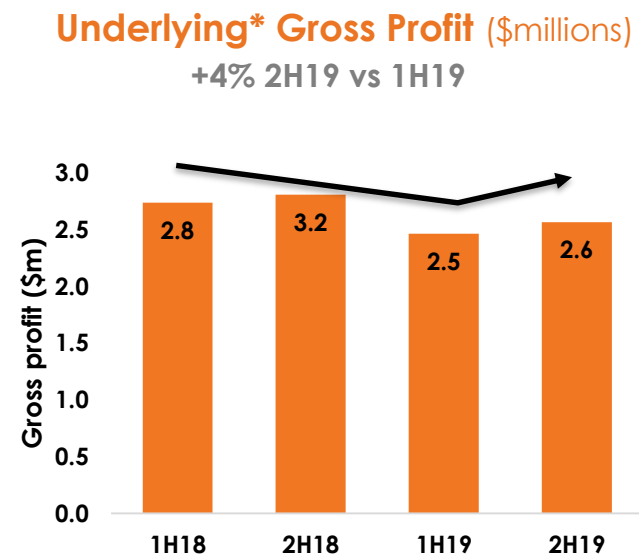
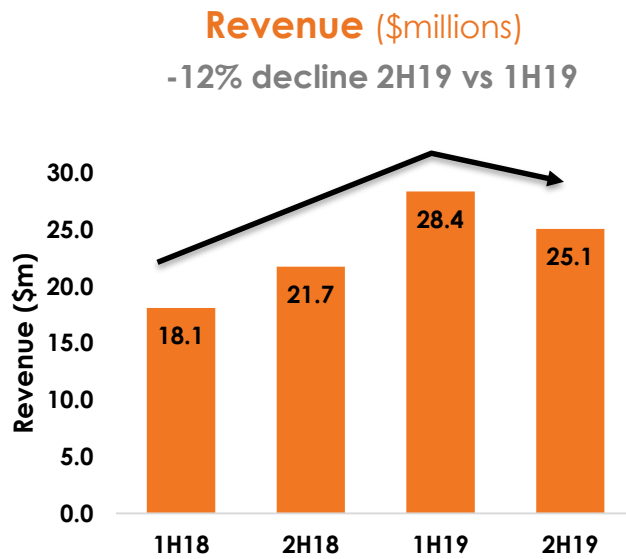
## Underlying\* Gross Profit (\$millions)

+36% 2H19 vs 1H19



- Millennium continues to win new contracts (including contracts with Stockland and Scentre Group) however this was offset as a result of the loss of a large contract and exiting loss making contracts resulting in a decline in revenue in 2H19
- There has been significant improvement in 2H19 as a result of management actions with gross profit margin improving from 9.0% in 1H19 to 12.5% in 2H19

# Security segment



- The business continues to win new contracts (including contracts with Metro Trains Sydney and Crown) however this was offset as a result of exiting loss making contracts resulting in a decline in revenue in 2H19
- There has been improvement in 2H19 as a result of management actions with gross profit margin increasing from 8.7% in 1H19 to 10.2% in 2H19

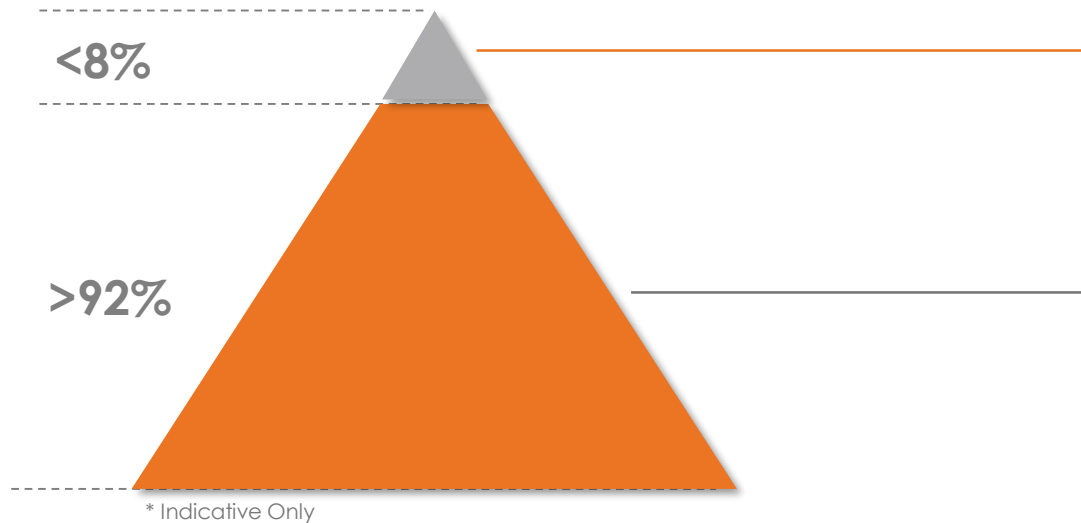


### 3. Operational Performance

# Contract Book as at 30 June 2019

## – Cleaning & Security

Figure 1: Contract book profile\*



### Observations

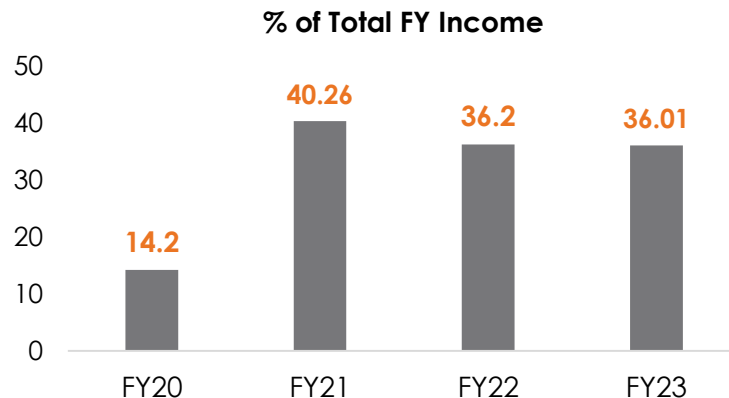
#### Additional billings

- Periodical works, ad-hoc requests, events

#### 92.1% in contract

- 13 contracts >\$3m p.a.
- 45 contracts \$1m-\$3m p.a.
- 614 contracts <\$1m p.a.

Figure 2: Contract book expiration profile as at 30 June 2019



- Contract book significantly strengthened
- Increased longevity of contract expiration profile
- Large increase in 3-5 year expiry segment
- Significant growth in total volume of contracts

## Millennium serves a range of prestigious clients



Government of South Australia  
Department for Education and  
Child Development



Murdoch  
UNIVERSITY



SCENTRE GROUP



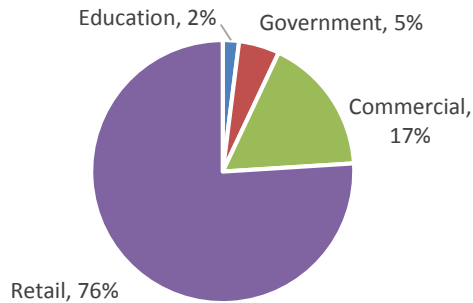
ZAGAME  
AUTOMOTIVE



## Millennium serves a range of customers, industries and geographies

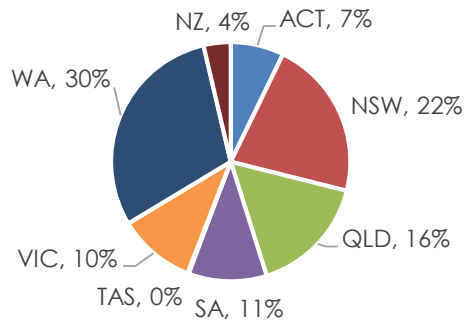
### Cleaning - Industry Segments

#### % revenue by industry



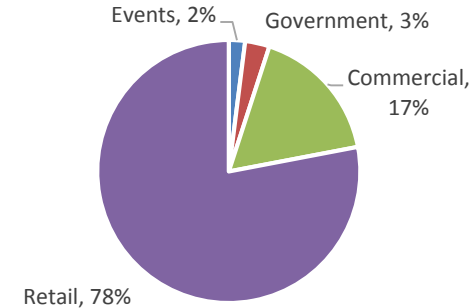
### Cleaning - Geographies

#### % of revenue by state



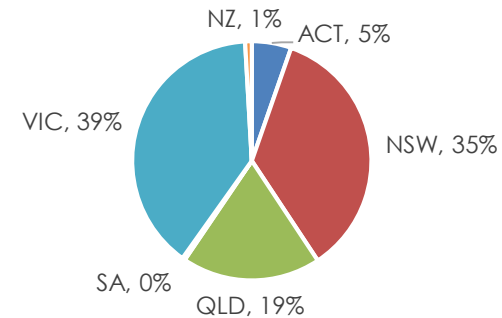
### Security - Industry Segments

#### % revenue by industry

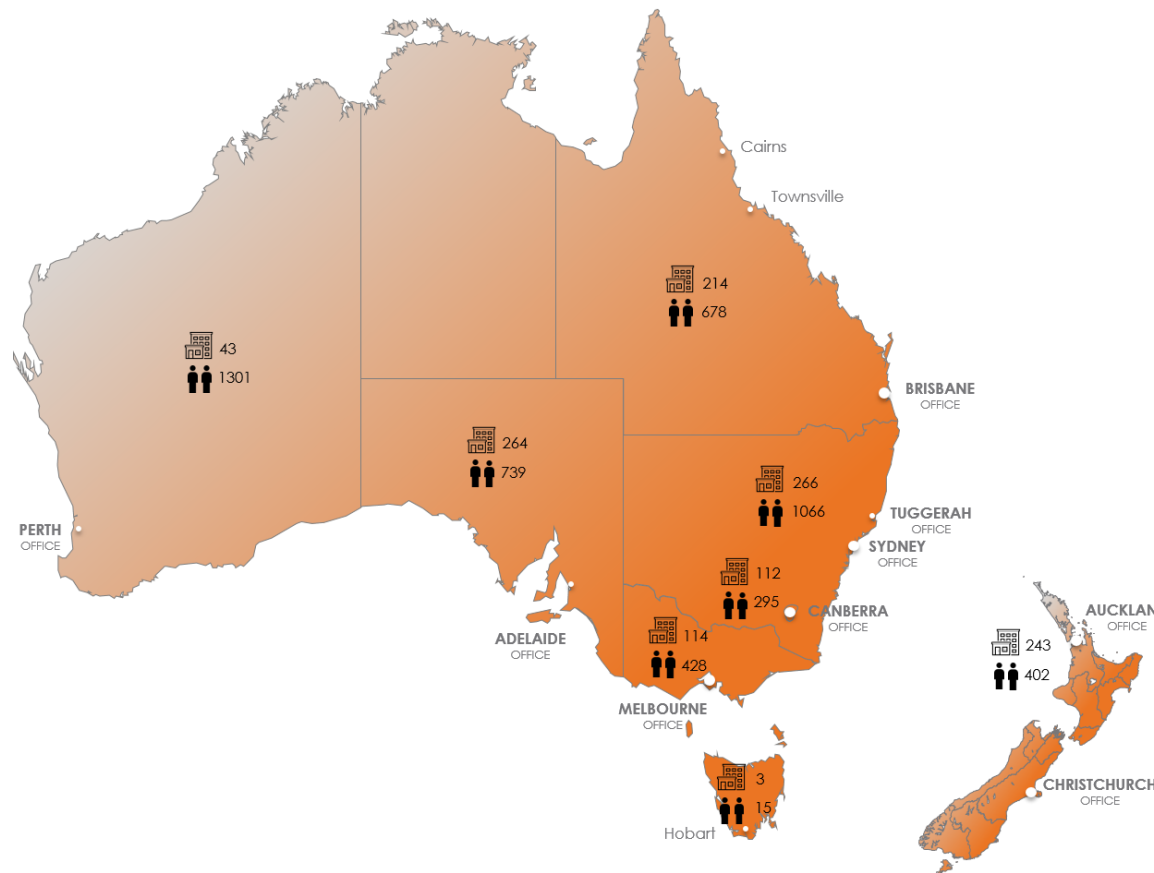


### Security - Geographies

#### % revenue by state



# Current Geographic Reach



- Acquisition of ACS business (completed at IPO) is providing a regional base in the high growth corridors of NSW Central Coast and the Hunter
- NCSA acquisition in Canberra (completed Feb 2016) has provided a solid platform for ongoing expansion in Government commercial cleaning
- Recent business development wins have significantly increased regional reach into NSW, QLD and SA
- New Zealand operations launched in FY16. Growth of Millennium's North & South Island Businesses is exceeding expectations



1044 Integrated Services Sites\*  
215 Security Sites\*



4628 Integrated Services People\*  
618 Security People\*  
67 Management\*

\* As at 30 July 2019

# Key findings of the strategic review

**The Board has addressed the challenges identified and is building on Millennium's core strengths**

## Strengths



Blue-chip clients



Quality of service



Scale of operations



Integrated service offering



Geographic diversity



Long-term recurring contract book  
(c\$300m)

## Challenges identified



Improve accountability



Enhance leadership capability



Integrate/automate Business Processes



Address margin compression



Reduce overheads

# Business recovery & reset

## Millennium has initiated a range of actions to improve our business



### Implemented Business Improvement Plan

- On track to achieve \$11m annualised savings
- Significant progress on renegotiation of low margin contracts, labour management initiatives, overhead and discretionary cost reductions



### Improved decision making & accountability

- New senior management appointments
- Organisation right sized to ensure effective delivery of services
- Introduction of Short Term Incentive plan incentivising business and operational managers on improving profitability, safety and compliance



### Ensured compliance with customer requirements and statutory obligations

- Addressed historical EBA issues
- Using sub-contractors only when approved by client
- Compliance with new labour laws and awards



### Stronger financial position

- New \$10m trade finance facility with Scottish Pacific
- Ongoing support of ANZ with facilities extended to 1 September 2020 and commitment to review terms & conditions for refinancing
- Net working capital reduced
- All related party loans have been repaid



### Enhanced operational controls

- Roster optimization reducing labour costs
- Reduced non-billable overtime
- Increased revenue from ad hoc and periodical work



### Reset tendering strategy

- Focus on winning new business at higher and more sustainable margins
- Diversification into new industry segments to de-risk the business

# Business reset & recovery

## Management is focussed on a number of key objectives for the business

### Investment in internal capabilities

- Strengthening operational structure to promote sustainable delivery of services
- New senior appointments in HR, Health & Safety and Business Development

### Investment in key systems upgrades

- **Time & Attendance** – time and attendance system
- **PPM** – tracking for periodical & ad-hoc work
- **Quality** – on-site management systems
- **Beacon Tracking** – on-site labour rotation management

### Airlite integration

- Single national Millennium brand and business

### New business growth strategy

- Expansion in key target sectors: Government, Infrastructure, Commercial and Education segments
- Continued focus on winning profitable business

### Timing to complete

December 2019

December 2019

June 2020

Underway





## 4. Financial Performance

# Introduction

- The reported FY19 statutory results have been adversely affected by a number of non-recurring one-off costs\* associated with:
  - Historic issues inherited by the New Board
  - Organisational restructure
  - Non-cash asset impairments allowing a resetting of the Millennium Balance Sheet of items that were restricting the opportunity to take the Company forward
- Underlying results have been shown to allow stakeholders to appreciate the impact of these one-off costs
- 2H19 has seen significant improvement in underlying EBITDA

\* See Appendix 1 for details

# Financial Snapshot – FY19

1H19	2H19	Full Year FY19
Revenue		
\$153.7m	\$141.0m	<b>\$294.7m</b> Up 4.5% on pcp
Underlying* EBITDA		
(\$2.4m)	\$2.5m	<b>\$0.1m</b> Down from \$15.4m on pcp
Statutory EBITDA		
(\$5.9m)	\$1.6m	<b>(\$4.3m)</b> Down from \$8.8m on pcp
Statutory NPAT		
(\$23.2m)	(\$22.4m)	<b>(\$45.6m)</b> Negative change of \$44.8m on pcp

- Year on Year growth due to security contracts won in FY18
- 8% revenue reduction in 2H due to loss of a large contract and handing back of non profitable contracts
- Reduction partially offset by winning new contracts
- Reduced full year gross margin due to impact of 1H revenue sources (mix of wins/renewals at lower margins and losses of higher margin contracts), higher labour costs, inefficient roster control and overhead costs being too high
- Significant second half margin improvement as a result of remedial actions initiated during the first half
- EBITDA loss driven by a number of non-recurring costs and one-off catch up costs totalling \$4.4m\*
- Includes full year impairment of goodwill and customer contracts of \$26.8m and \$12.7m of tax assets not recognised

pcp = previous corresponding period, being the 12 months to 30 June 2018

\* Refer Appendix 1

# Income Statement

**FY19 results reflect a \$4.9m underlying\* EBITDA turnaround from 1H19 to 2H19**

## Summary Income Statement

\$m	FY19	FY18	Variance \$m	Variance %
Total revenue	294.7	282.1	12.6	4.5
Gross profit	30.1	41.0 <sup>#</sup>	(\$10.9)	(26.5)
Gross margin %	10.2%	14.5%		(30%)
Overheads	(34.4)	(32.2) <sup>#</sup>	(2.2)	(6.8%)
Statutory EBITDA	(4.3)	8.8	(13.1)	NM
Underlying EBITDA	0.1	15.4	(15.3)	(99%)
Reported NPAT	(45.6)	(0.7)	(44.8)	NM

## Observations

- Business Improvement Plan of \$11m annualized savings underway, targeting improved profitability
- Difference between Statutory and Underlying EBITDA driven by \$4.4m of non recurring costs. See Appendix 1 for detail.
- Increase in overheads (net of prior vendor reimbursements) was related to non recurring expenses
- Reported NPAT contains:
  - \$26.8m in non cash impairments
  - \$12.7m of tax assets not recognised
  - \$4.4m of non recurring expenses

\*Refer Appendix 1

<sup>#</sup> Net of \$1.5m of prior vendor reimbursements

# Balance Sheet

## Balance Sheet

	Jun-19	Jun-18	% variance
Cash & cash equivalents	2.7	3.9	-31%
Trade receivables	19.5	23.3	-16%
Inventory	0.8	1.6	-50%
Other current assets	1.2	2.5	-52%
Intangible assets	7.5	37.4	-80%
Non-current assets	11.6	24.8	-53%
<b>Total Assets</b>	<b>43.4</b>	<b>93.4</b>	<b>-54%</b>
Trade payables	22.2	24.4	9%
Other current liabilities	26.1	23.5	-11%
Borrowings	29.8	28.2	-6%
Non-current liabilities	1.8	7.9	77%
<b>Total liabilities</b>	<b>79.8</b>	<b>84.1</b>	<b>5%</b>
<b>Net Assets</b>	<b>(36.4)</b>	<b>9.3</b>	<b>-491%</b>
Working capital	(1.8)	0.4	550%
Net debt	27.1	24.3	-12%

## Observations

- Current assets: Reduction in working capital as a result of improved debtor collections and inventory management
- Intangible assets: Non-cash write-down of goodwill, trademarks and customer contract intangibles
- Non-current assets: Derecognition of deferred tax assets
- ANZ facility extended to 1 September 2020 to allow time to review terms & conditions of a debt restructure
- Net debt impacted by \$4.4m of non recurring costs



## Millennium continues to have ongoing support from its financiers

\$000 Facility	Available	Drawn Down	Term
Trade Finance Facility	10,000	-	No expiry
Interchangeable Loan Facility	19,136	18,137	01 September 2020* to allow time to review terms & conditions of a debt restructure
Overdraft Facility	10,000	7,176	
Asset Finance Facility	4,000	3,515	
Standby Letter of Credit or Guarantee Facility	1,200	1,172	
Electronic Payway / Commercial Card Facility	825	123	
<b>Total</b>	<b>45,161</b>	<b>30,123</b>	

### Scottish Pacific facility

- Company entered into a Scottish Pacific facility in April 2019
- Initial size of \$10m, with facility increased by another \$2m in August 2019
- Minimum 24 month term
- Provides additional financing flexibility for working capital requirements and new business growth

### ANZ Debt facility\*

- ANZ waived the debt facility covenants for period ending 30 June 2019 and 30 September 2019
- Bank deferred the scheduled principal repayment due June 2019 and October 2019

\* Subject to certain conditions



## 5. Outlook

**Millennium has made significant progress on its objectives in FY19**

Strategic review



COMPLETE

Business recovery & reset



UNDERWAY

Profitable growth



UNDERWAY

# Millennium Group Strategic Priorities

**Mission:** To deliver innovative and class leading services by a team of engaged, motivated and empowered employees who care for our client's interests and treat the company as their own



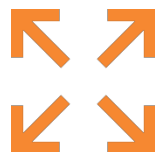
## Growth

### Organic

- Leverage growth from existing clients and their development pipeline
- Investment in sales into new sectors (commercial, education, government & infrastructure)

### M&A

- Once Business Improvement Plan completed, target medium size opportunities in sectors that align with sector and geographic expansion program



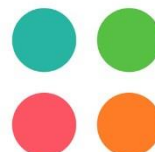
## Expansion

### Geographic

- Focus on key markets where margins are higher
- Continue to grow in NZ

### Sector

- Expand services to commercial offices where there are synergies with current client base
- Target education, government and infrastructure where compliance is critical



## Diversification

### Services

- Grow security division
- Grow maintenance and integrated services
- Pursue commercial cleaning, facilities management, and related services opportunities

### 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

- Re-align operating structure to focus on client engagement and performance
- Build capability across the business
- HSE and Compliance to underpin operating culture

### Systems

- Focus on the 4 key operating systems (Time & Attendance, PPM, Quality and Beacon Tracking)
- Transition to a cloud environment and automate key processes

## **2020 will see continued positive momentum in the rebuild of Millennium**

- FY19 was a year of major restructure and change, with a range of actions initiated to improve business sustainability, profitability and financial position
- FY20 will be a year of transition as the Company benefits fully from recent initiatives, continues investment to enhance its capabilities and broadens its exposure to more new market segments

**The Board acknowledges every one of our Millennium and Airlite staff for their ongoing commitment to delivering outstanding service to the Company's many clients**





## 6. Appendices

# Appendix 1 - One-off charges

**The statutory results is impacted by a number of one-off charges**

## Summary of One-Off Charges

	1H19	2H19	FY19
<b>Non-recurring items impacting EBITDA</b>			
Non recurring items & accruals	2.7	-	2.7
Doubtful debts provisioning <sup>#</sup>	0.8	-	0.8
Restructure costs	-	0.9	0.9
Total	3.5	0.9	4.4

## Non-recurring items impacting NPAT

Impairment of goodwill and customer contracts	14.6	12.2	26.8
Tax assets not recognised	1.7	11.0	12.7

## Observations

- Non recurring and accrual items include tax claims and public liability provisioning

<sup>#</sup> In cleaning segment gross profit



Thank you