

millennium



**FINANCIAL
RESULTS
2022**

17 August

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PERFORMANCE UPDATE



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2022 Highlights

Strong underlying profitability and bolstering of contract book

- \$2.2m NPAT has returned Balance Sheet to a positive net asset position
- Borrowings reduced by a further \$1.7m to \$5.9m at June 2022
- ANZ term debt reduced from \$5.4m to \$1.8m at June 2022 (reduced to \$0.9m July 2022)
- \$7.3m (or 2.7%) of net new revenue growth offset by \$20.4m (7.5%) major contract expiry (Queensland Investment Corporation (QIC)) in 1H22
- Continued Underlying Gross Margin expansion from 14.8% to 15.3%
- Underlying overheads reduced \$0.5m
- ~90% of wage inflation has been passed through to clients based on contract labour cost pass through clauses
- Underlying EBITDA of \$11.1m down 4.3% from pcp of \$11.6m due to reduced revenue
- Bolstering of Contract book with renewals totaling \$150m contract value with major clients Myer, Vicinity Centres, Crown Resorts Perth and Jones Lang Lasalle
- Investment into business development resources in FY22 provides scope for stronger diversified organic growth in FY23 and beyond
- Available marketplace opportunities provide a very positive Outlook

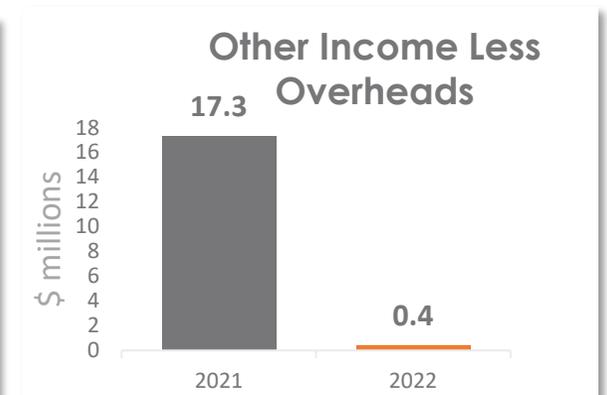
Statutory Performance



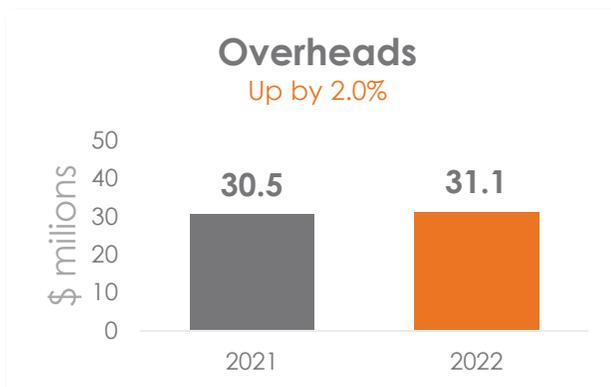
7.5% decline from major contract expiry in 1H22, offset by 2.7% in net new year revenue growth.



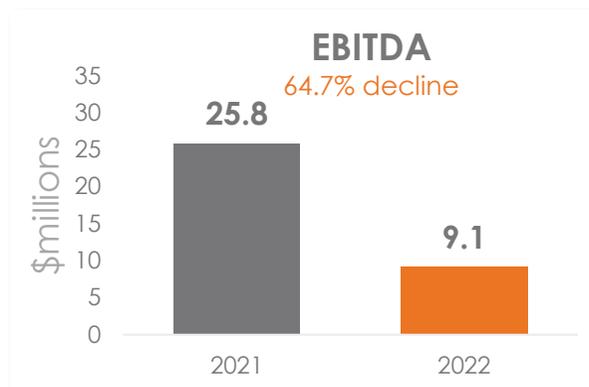
Continued focus and investment into labour rostering and consumable management strategies.



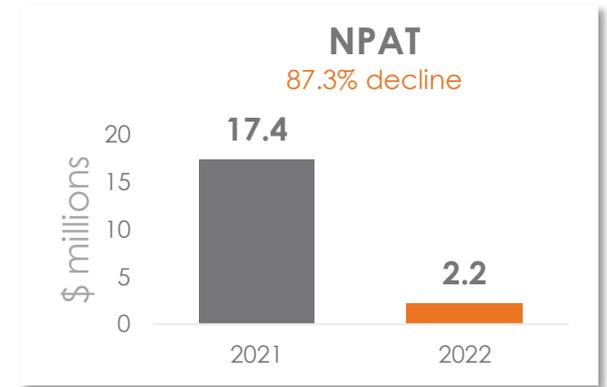
FY21 Gov't grant income \$24.7m less \$7.4m of wage top-ups associated with Gov't grants



\$0.9m non recurring increase
 \$0.5m higher labour sourcing and recruitment costs; offset by
 \$0.4m lower overhead staff employment costs and \$0.4m of other overhead savings

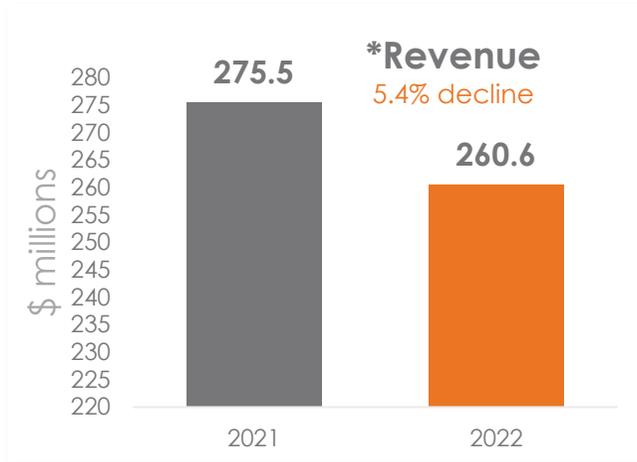


\$16.7m decline due to \$17.3m of Gov't grant income in prior year (less wage top-ups); offset by \$0.6m improvements in EBITDA from operations.



Prior year included a net benefit of \$12.1m (after income tax) of COVID-19 Gov't grants less incremental wage top ups and recognition of \$4.0m of deferred tax assets not previously recognised.

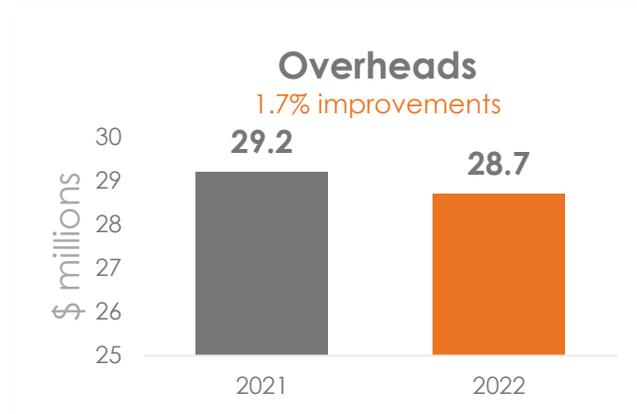
Underlying* Performance



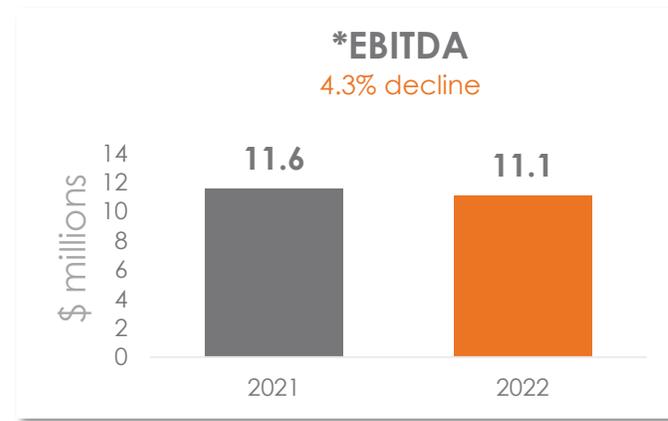
8.1% decline from major contract expiry in 1H22, offset by 2.6% in new net year revenue growth



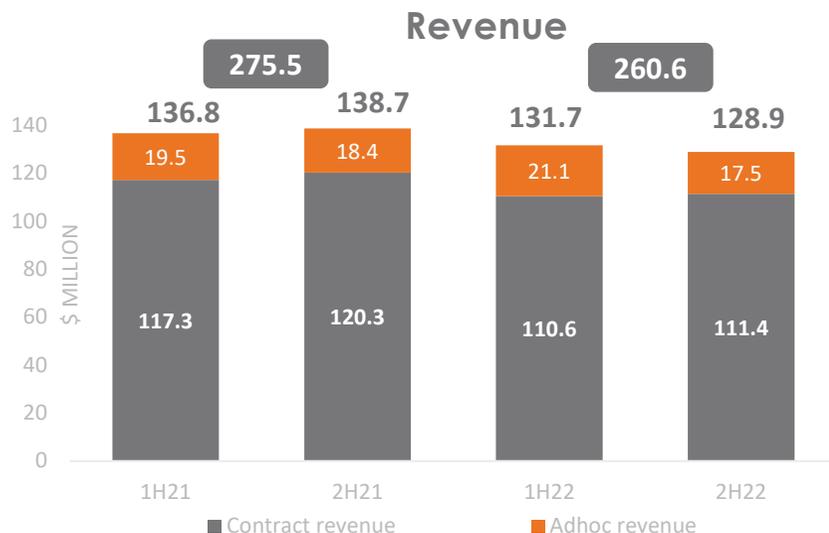
50 basis points in GP% improvement from continued focus and investment into labour roster management and consumable management strategies.



Lower overhead staff employment costs despite investing into new Business development roles to assist with future business growth and revenue diversification.



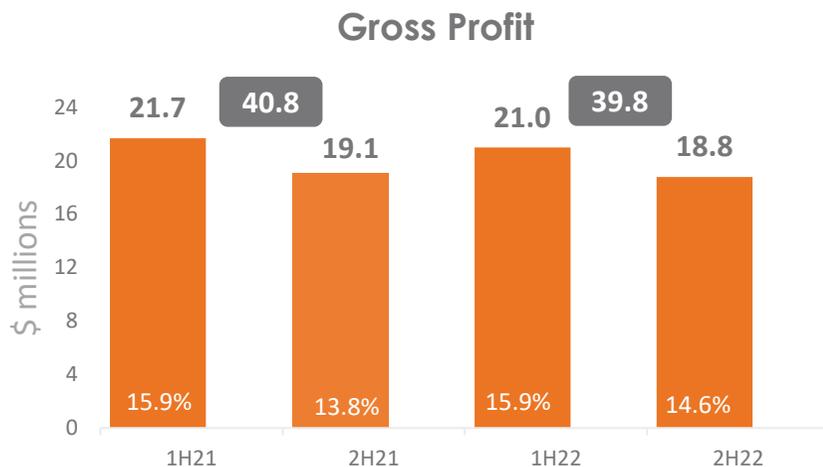
Revenue Analysis Group



- Major contract expiry in 1H22 reduced contract revenue but contract revenue back to growth mode
- Very strong higher margin COVID-19 project and Adhoc services with expected reductions starting to occur in 4th Quarter

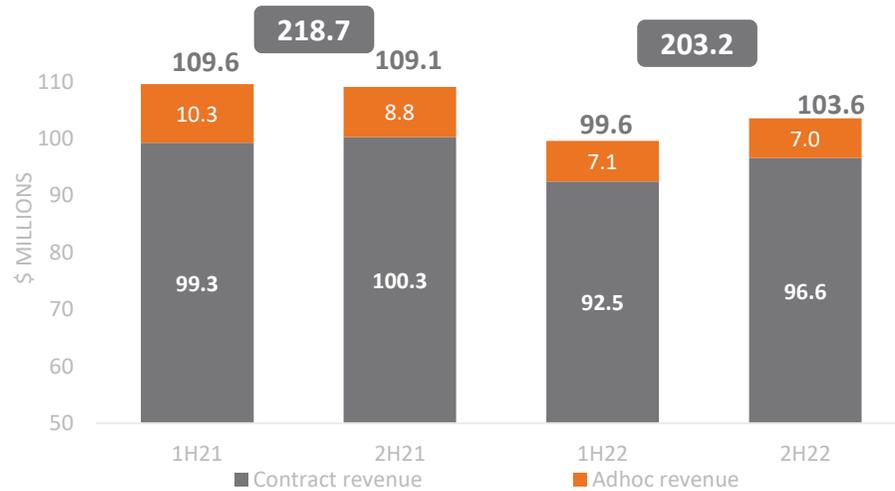
FY23 Outlook

- Expect COVID-19 related project and Adhoc services to return to 9-10% of contract income
- FY23 gross margin range expected to be around 15.5%
- FY22 investment into additional BD resource expected to drive organic growth rates of 8 - 10% into diversified market opportunities which require less capex than retail cleaning contracts
- 2nd half margins impacted by higher number of public holidays



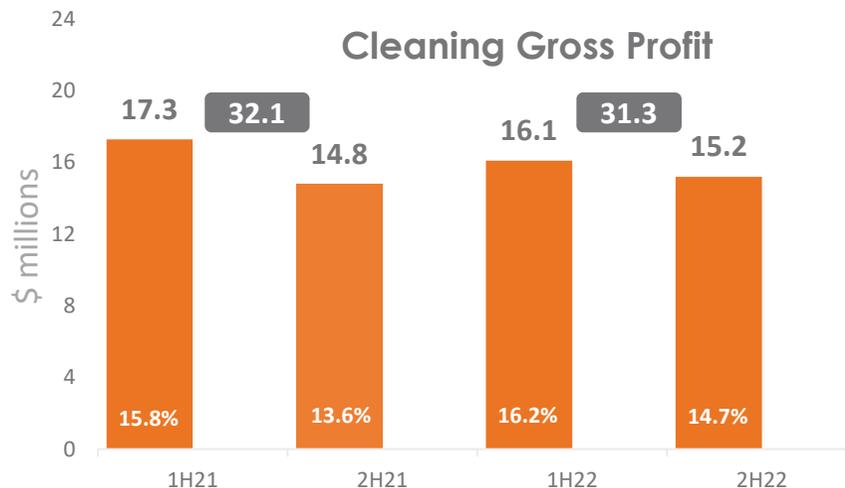
Revenue Analysis - Cleaning

Cleaning Revenue

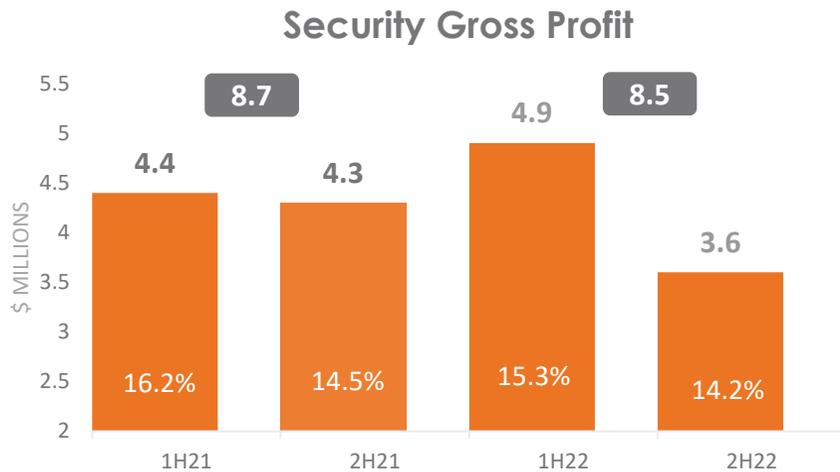
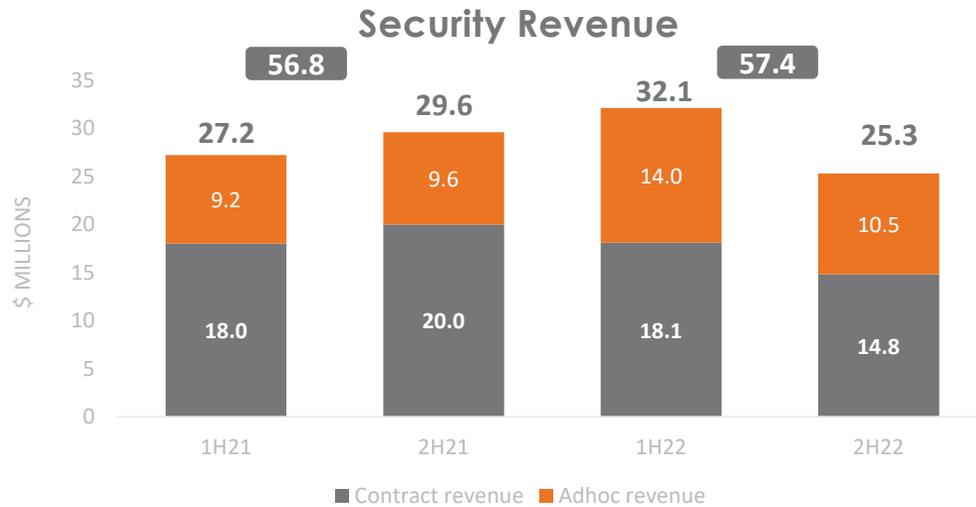


- New contract wins in 2H22 after major contract expiry in 1H22.
- Gross Profit improved from 14.7% to 15.4% in FY22 from continued focus and investment into labour rostering and consumable management strategies.
- Positive impact of the new time and attendance system implemented

Cleaning Gross Profit



Revenue Analysis - Security



- Contract revenue to now grow off 2H22 levels post a major contract expiry in 1H22
- COVID-19 related opportunities for Adhoc services reduced in last Qtr FY22
- COVID related Adhoc services with Department of Health in Victoria have now largely ceased
- In FY23 Adhoc services expected to return to around 15-20% of contract income which is well above historical pre COVID levels

* Figures in this slide refer to underlying performance

Total Revenue Bridge

	\$m	
Statutory Revenue FY2021	273.7	
Credit to client COVID-19*	1.8	
Underlying revenue FY2021	275.5	
Major contract expiry 1H22	-22.2	-8.1% of revenue
Rebased revenue FY2021	253.3	
Other net growth in revenue	7.3	2.9% growth rate
Total Revenue FY2022	260.6	

* Refer to Appendix 2 for details of non IFRS / normalization adjustments

BUSINESS GROWTH



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Growth Strategy

Significant focus on improving business development outcomes as the business aims to enhance its Integrated Service capabilities with a view to expanding diversification of portfolios.

The key operating sectors of Cleaning, Security and Integrated Services offer significant opportunity for organic growth. Importantly, growth in core markets is not particularly capital intensive.

1. Growth from existing clients:

- Expansion from a single core service offering to the supply of multiple or fully integrated services, including maintenance, organic waste management and concierge.

2. Sector and geographic diversification and expansion: Continued growth in New Zealand, WA and Security Services markets. Continue to renew and win new contracts and diversify the portfolio, with a focus on:

- Education
- Transport
- Health Care
- Government
- Aviation (see slide 29*)

3. Partnerships

Millennium will continue to explore opportunities to partner with large Australian and International property and facilities management companies providing multi-faceted facilities support and maintenance services.

Growth Strategy

Case Study: Food to Fertiliser

Millennium is proud to offer clients a smart, sustainable, and affordable solution to manage food waste, reducing waste to landfill and mitigating environmental impacts by contributing to the circular economy.

This year we've invested in a number of waste dehydrators in order to expand our waste management service offering to clients.

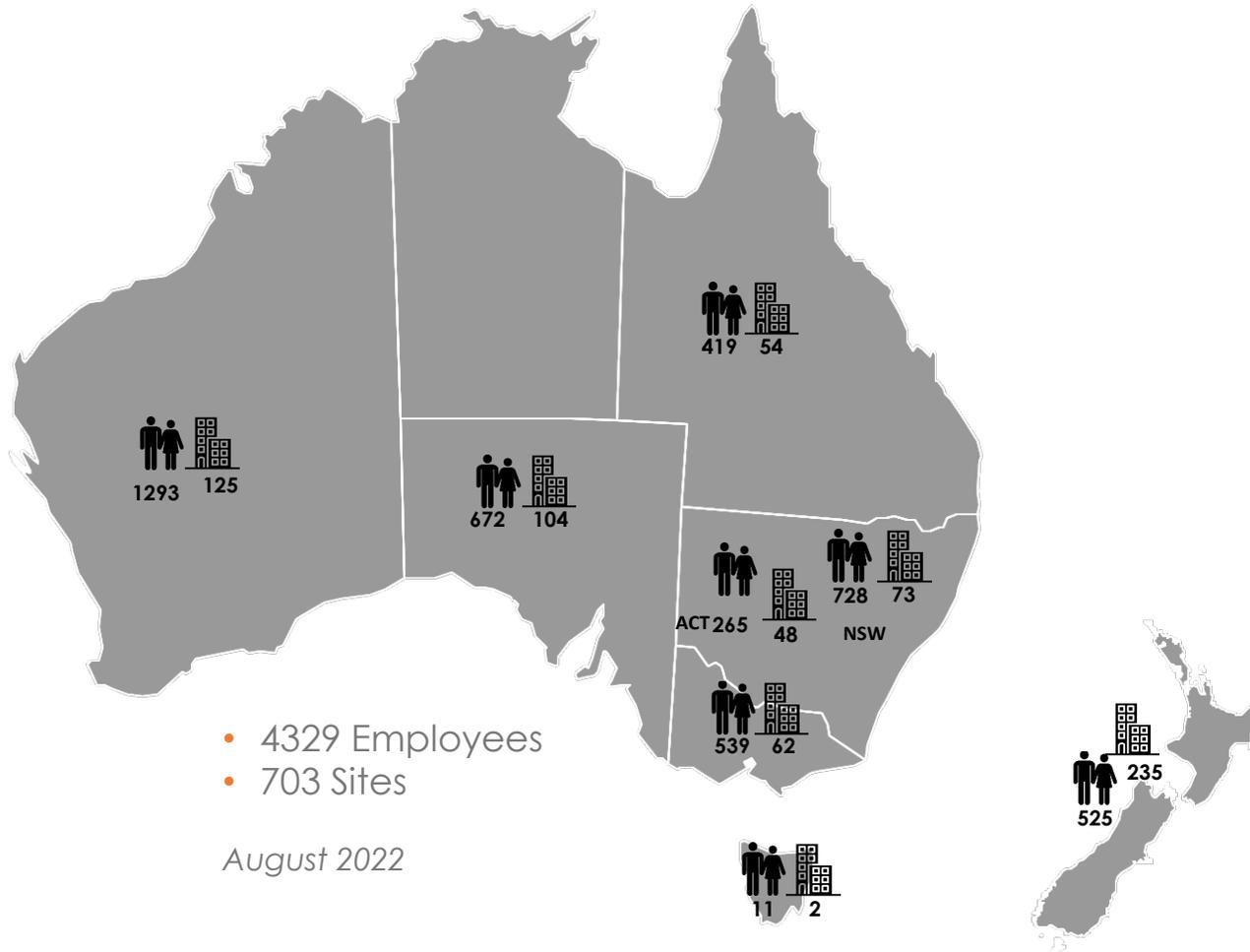
We're converting organic waste collected from food traders into fertiliser using innovative waste dehydrator systems for key clients in Victoria. With this approach, we are helping to divert tonnes of food waste from landfill and reducing greenhouse gases heating the planet.

[Watch the Food to Fertiliser Video Here.](#)



Positioned for Growth

Millennium is a true ANZ national provider with scale to deliver growth



- 4329 Employees
- 703 Sites

August 2022

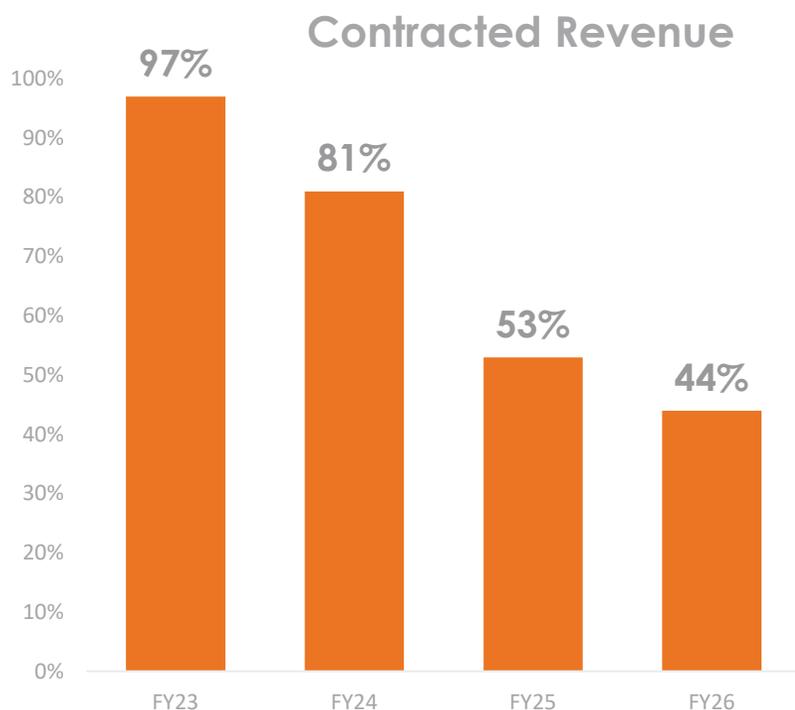
- Leading cleaning, security and integrated services business servicing key customers in the commercial property, retail and Government sectors with extensive Australia / NZ presence
- Scalable service delivery model through substantial employee base and trusted specialist partners
- Controls and Governance in place to ensure we can meet any future changes in compliance obligations or legislation
- Broad ranging client and industry base

Key Customers

Millennium manages long term contracts (~3-5 yrs) with a range of blue chip customers.



Contract Revenue **Roll-off**



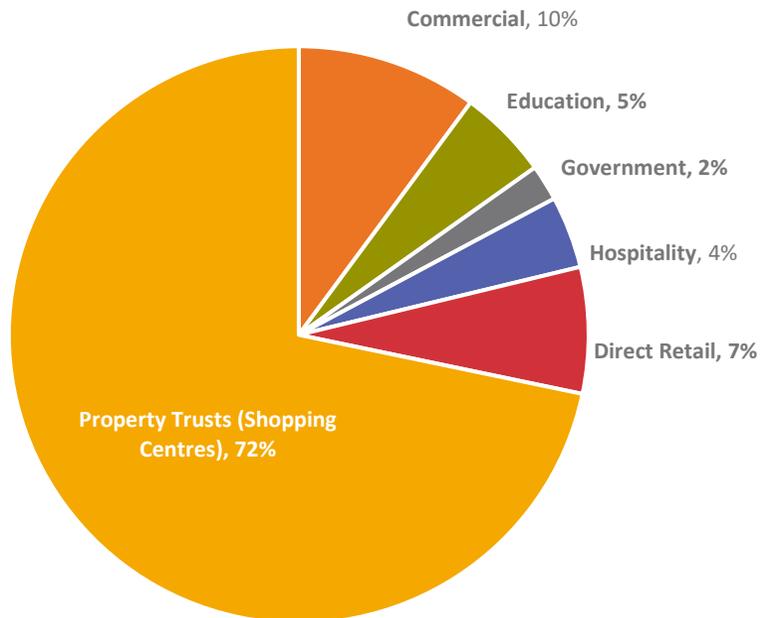
In 3 years time more than half of contracted revenue is still in place.

- Millennium has bolstered the contracted revenue pipeline with blue chip clients whilst simultaneously expanding gross margins and investing into more business development resources as a launch pad to further organic growth into diversified less capital intensive markets.
- Based on past performance, Millennium typically re-contracts 90% of its book from year to year.

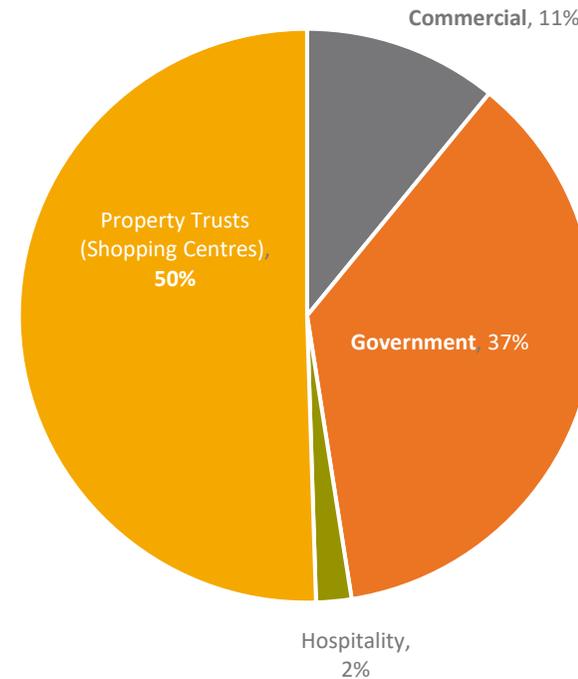
Revenue by Industry

Millennium serves a range of customers, industries and geographies.

Cleaning - % revenue by industry FY22



Security % revenue by industry FY22



BUSINESS SUPPORT UPDATE



Business Support Update

Safety

- Millennium's Lost time injury frequency rate of 4.46 in FY22 is 62% lower than the industry benchmark.
- This year has seen the establishment of the Millennium Health, Safety and Wellbeing Strategic Plan 2022 to 2024.

The four key focus areas of the strategy are:

- Safety Culture, Leadership and Engagement
- Health and Safety Risk Management
- Health and Wellbeing
- Continual Safety Improvement



Business Support Update

Compliance

- Strong commitment to compliance with Labour Hire legislation and Modern Slaver Act embedded in every day work practices.
- Second annual Modern Slavery Statement submitted in December 2021. Millennium has reinforced its prevention of Modern Slavery commitment by joining the Property Council's **informed 365** tech platform to engage suppliers around Modern Slavery risks
- Millennium WA has successfully maintained its tripe ISO accreditation for Quality Safety and Environment Management System with the rest of the business being audited in August - September 2022
- Millennium completed its Annual Reporting obligations under Workplace Gender Equality Act 2012
- Millennium is registered and prequalified via the following Third Party HSEQ Management Platforms: Cm3, Pulse Connect, Avetta, Beakon, Rapid Induct



Business Support Update

Community

- We are committed to being a positive member of the communities in which we operate and being respectful to all stakeholders in these communities. Our top priority in this space in FY22 was to develop our first formal Reconciliation Action Plan
- We elected to undertake the Innovate RAP, reflecting our readiness to implement reconciliation initiatives over a 2-year timeframe (2022-2024). We will report to Reconciliation Australia on our progress.
- Millennium asked Aboriginal artist, **Lani Balzan**, to help us express our Reconciliation journey and ambitions with a painting.



Pictured here is a section of this artwork.

Lani is a proud Aboriginal woman from the Wiradjuri people of the three-river tribe.

DETAILED FINANCIALS



Margin % Improvement

Summary Income Statement*

	FY 2021	FY 2022	Change \$m	Change %
Total Revenue	\$275.5m	\$260.6m	(\$14.9m)	(5.4%)
Gross Profit	\$40.8m	\$39.8m	(\$1.0m)	(2.5%)
Gross Margin %	14.8%	15.3%	-	-
Overheads	(\$29.2m)	(\$28.7m)	\$0.5m	(1.7%)
Overhead %	10.6%	11.0%	-	-
Underlying EBITDA	\$11.6m	\$11.1m	(\$0.5m)	(4.3%)
Reported EBITDA	\$25.8m	\$9.1m	(\$16.7m)	(64.7%)

Summary Balance Sheet

	Jun 22 \$m	Jun 21 \$m	% var	Observations
Cash	1.9	7.3	(74.0%)	Cash utilisation increased to fund investing and financing activities of \$2.8m and \$8.9m respectively.
Trade receivables	17.3	18.0	(3.9%)	Tight focus on working capital management.
Equity-accounted investee	1.3	-	100.0%	Investment in an associate: Codee Cleaning Services. Codee is an Indigenous owned business, providing cleaning and maintenance services to a broad range of customers in Western Australia.
Plant & equipment	6.8	7.0	(2.9%)	
Other Assets	20.1	22.5	(10.7%)	\$0.7m reduction of deferred tax assets due to reduction on of employee entitlements; and \$1.3m reduction in right of use assets.
Total Assets	47.4	54.8	(13.5%)	
Trade payables	15.0	17.3	(13.3%)	
Income tax payable	2.7	4.7	(42.6%)	\$2.4m of income tax payments made during the financial year.
Employee entitlements	19.9	22.6	(11.9%)	\$2.7m reduction in employee annual leave and long service leave entitlements; of which, \$1.2m reduction stemmed from the expiry of a major contract in 1H22.
Provisions & other liabilities	3.5	4.9	(28.6%)	AASB 16 lease liabilities reduced by \$1.4m.
Borrowings	5.9	7.6	(22.4%)	Debt utilisation and available funding detailed in 'Borrowings and Debt Facilities' slide.
Total Liabilities	47.0	57.1	(17.7%)	
Net Assets / (deficiency)	0.4	(2.3)	117.4%	\$2.7m increase in net assets due to \$2.2m profit after tax for FY22 and \$0.5m increase in share-based payments reserve.

Borrowings and Debt Facilities

Borrowings

	Drawn Jun 22 \$m	Drawn Jun 21 \$m	Debt utilization / (reduction) \$m
Term Loan	1.8	5.4	(3.6)
Asset Finance	1.7	1.2	0.5
Overdraft	2.3	0.0	2.3
Trade Debtor Financing	0.0	0.0	0.0
Premium Funding Loans	0.1	1.0	(0.9)
Total Debt	5.9	7.6	(1.7)
Cash on Hand	1.9	7.3	5.4
Net Debt	4.0	0.3	3.7

Debt Facilities

	Total Facilities Jun 22 \$m	Drawn Jun 22 \$m	Unused as at Jun 22 \$m
ANZ Bank Facility*			
Term Loan	1.8	1.8	-
Asset Finance	0.2	0.2	-
Overdraft	4.5	2.3	2.2
Subtotal	6.5	4.3	2.2
Other Financiers			
Trade Debtor Financing	12.0	0.0	12.0
Asset Finance	1.6	1.5	0.1
Premium Funding Loans	0.1	0.1	-
Total	20.2	5.9	14.3

- Borrowings reduced by \$1.7m.
- Cash utilised in investing activities included a \$1.1m investment in Codee Cleaning Services.
- Financing activities included \$3.6m of term debt repayments to the ANZ Bank, \$3.0m of premium funding loan repayments, \$1.1m of asset finance repayments and \$1.2m of lease liability payments. A further \$0.9m of ANZ term debt was paid down in July 2022 reducing term loan to \$0.9m.

*The Group's ANZ Bank facility expires in October 2022 and the business is well underway in the process of seeking to renegotiate its financing facility

Operating Cash flows

	FY 2022 \$m	
	Reported	Underlying
EBITDA	9.1	11.1
Decrease in trade and other receivables	0.8	0.8
Decrease in employee entitlement provisions	(2.7)	(2.7)
Share based expense (non-cash), and changes in trade payables, provisions and other balance sheet items	0.4	(0.1)
Net operating cash inflows (excluding interest and income taxes)	7.6	9.1
Timing differences associated with June 2021 year end customer payments	-	3.6
Impact of payment of accrued employee entitlements at expiry of a major contract expiry in 1H22	-	1.2
Analytical net operating cash inflows (excluding interest and income taxes)	-	13.9

\$14.3m of unused financing at the same time provides business the ability to fund expansion of operations.

OUTLOOK



Outlook

- Investment in Business Development resources in FY22 is facilitating more diversified tender activity focussed into new market sectors (Health Care, Education, Aviation, Transport, Government). **In August 2022 Millennium was awarded the contract for cleaning of a large regional airport (contract commencing 1 October).*
- Target organic contract revenue growth of 8 – 10.0% in FY23
- Adhoc revenue post-COVID will return to approximately 9 -10.0% of contract revenue
- A range of significant Procurement initiatives targeting cleaning consumables and other major cost lines well underway
- Gross Margin is expected to be approximately 15.5% in FY23
- Some investment in IT, Health & Safety and HR required but partially offset by other cost saving initiatives.
- Business is focused on growth and set for increased market activity as industry faces consolidation

APPENDICES



Appendix 1 -Summary Statutory Income Statement

	FY 2021 \$m	FY 2022 \$m
Total Revenue	273.7	260.6
Gross Margin	39.0	39.8
Other income	24.7	1.0
Incremental wage expenses (FY21: Australian JobKeeper, FY22: NZ COVID-19 subsidies)	(7.3)	(0.6)
Overheads	(30.6)	(31.1)
Reported EBITDA	25.8	9.1
Depreciation	(5.1)	(4.7)
Finance costs	(1.8)	(1.1)
Share of profit of equity-accounted investee, net of tax	-	0.1
Profit Before Income Tax	18.9	3.4
Deferred tax asset (in relation deductible differences) recognised	4.0	-
Income Tax Expense	(5.5)	(1.2)
Total Income Tax Expense	(1.5)	(1.2)
Net Profit After Income Tax (NPAT)	17.4	2.2

Appendix 2 - Summary of Non-Recurring Items

	FY 2021 \$m	FY 2022 \$m
EBITDA reported	25.8	9.1
<i>Adjust for non-recurring items</i>		
<i>Revenue and Gross Profit impact : COVID-19 related customer incentives</i>	1.8	-
<i>Other income: Government grants recognised (JobKeeper)</i>	(24.7)	-
<i>Other income: Government grants recognised (New Zealand)</i>		(0.9)
<i>Overheads: Incremental wage top-ups (JobKeeper)</i>	7.3	-
<i>Overheads: Incremental wage costs (New Zealand)</i>	-	0.6
<i>Overheads: Non-recurring advisor fees, due diligence costs, integration costs & share based payments.</i>	1.4	2.3
EBITDA Underlying	11.6	11.1