

FY16 Update

- Delayed FY16 contract wins have moved revenue to FY17, adversely impacting FY16 revenue and earnings
- Gross margins have remained stable in FY16 versus prospectus forecast
- Known FY17 contract book annual revenue is strong at \$160 million
- Major contracts signed with blue-chip clients including Charter Hall, Vicinity and Scentre Group on 5 year terms
- The Company continues to pursue accretive acquisition opportunities

Millennium Services Group (ASX:MIL) announces that delays in forecast contract wins are expected to adversely impact the Company's full year FY16 revenue and earnings. These delayed contracts will now be in place at 30 June 2016, which will see Millennium realise their full first year value in FY17.

Millennium provides the following updated pro-forma revenue and earnings guidance for the full year ended June 30, 2016:

\$ million	FY16 guidance (pro-forma) ¹	FY15 (pro-forma)	YoY Growth (pro-forma)	Prospectus Forecast	Variance vs. Prospectus
Revenue	157.3	120.1	31%	168.2	(6.5%)
EBITDA	12.3 ²	7.2	71%	13.3	(7.6%)
NPAT	6.8 ³	n/a	n/a	7.6	(10.8%)

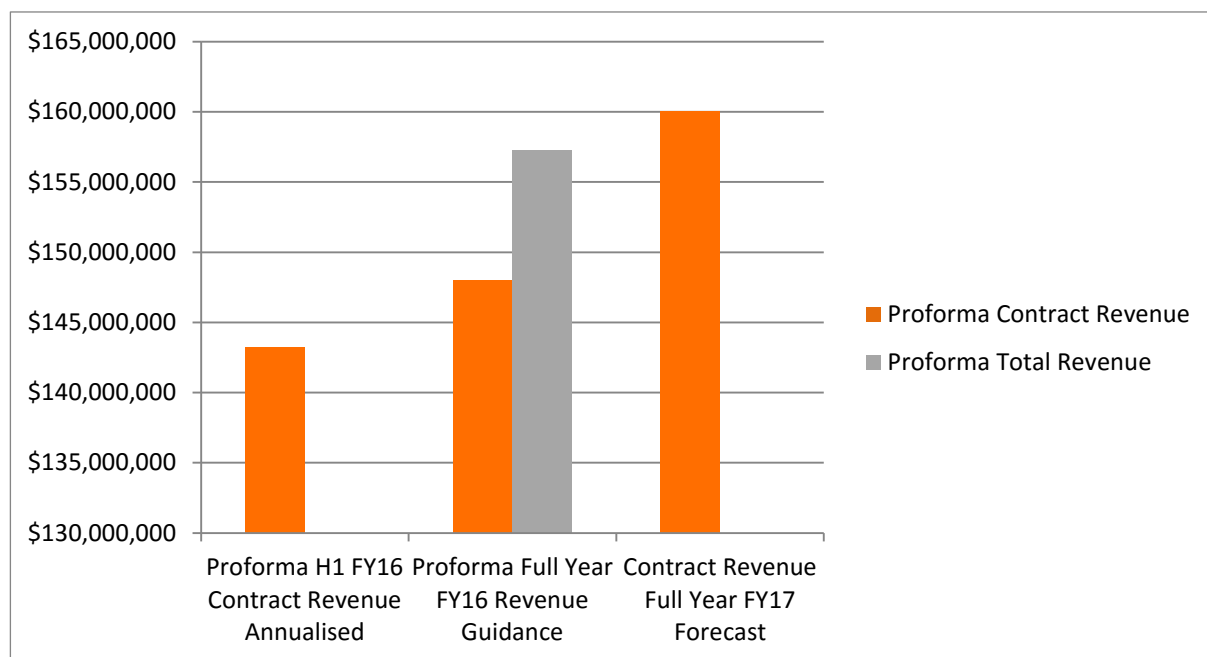
1. FY16 guidance (pro-forma) includes the contribution of National Cleaning Services Australia (NCSA) from 1 February, 2016.
2. Includes the positive impact of ~\$400K of non-cash accounting adjustments related to consumable stock on hand moved to the balance sheet. These adjustments represent a change in treatment from that used in the preparation of Millennium's 2015 Prospectus.
3. Includes the positive impact of ~\$400K of consumable stock adjustments and ~\$700K of non-cash accounting adjustments related to the change of depreciation method to 'straight line' from the 'diminishing value' method used in the preparation of Millennium's 2015 Prospectus. Amortisation adjustments of contracts acquired from the ACS and NCSA acquisitions are ongoing and further detail of their impact on full year NPAT will be provided at Millennium's full year result.

Millennium Chief Executive Officer, Mark Baldwin commented, "As a result of delayed revenue, the Company sought to minimise costs in the second half of FY16, unfortunately these measures have been insufficient to fully offset the earnings impact of the contract win delays in full year FY16."

"It should be noted that the Company expects to deliver approximately 31% revenue growth and 71% EBITDA growth on a pro-forma basis in FY16 versus full year FY15. In addition, our total forward contract book continues to grow strongly and operating margins remain steady. These combined factors demonstrate that the Company's underlying performance and profitability profile remains strong," said Mr Baldwin.

Contract wins Millennium has received notification of since its half year results will now fully flow into FY17 contract revenue. Importantly, these major contracts all have five year terms. As **Figure 1** below illustrates, Millennium's current annual contracted revenue for FY17 is \$160 million. It should be noted that contract book revenue is not total group revenue and does not include additional revenue from other value added services. In addition, as part of Millennium's normal course of business, the Company has a healthy pipeline of tender opportunities it is pursuing for FY17 and will update the market in due course.

Figure 1: Summary of contract book revenue movement into FY17



Millennium Chairman, Peter Anderson commented, “The Board acknowledges that the delay in the commencement of new contracts has impacted the achievement of Millennium’s prospectus forecast revenue and earnings and while shareholders will undoubtedly share our disappointment with this outcome, it is important to note that the impacted forecast contract revenue has moved into FY17.”

“Separately, the Board has reviewed the performance, capability and resourcing of the Company’s finance function. The recent appointment of Damien Gray as the Company’s new Chief Financial Officer is the first step in strengthening this team. More detail on further progress will be provided by Mr Gray at the full year result in August,” said Mr Anderson.

“In the Board’s view, Millennium is a high potential growth business, having been recently formed through the consolidation of several private companies prior to IPO. This consolidation has built a solid foundation on which to realise the Group’s next stage of growth. We are keenly focussed on achieving our combined organic and acquisition-led growth strategy in FY17 and thank our shareholders for their ongoing support in this process,” said Mr Anderson.

Figure 2 below provides a summary of the total number of contracts in-force as at 1 July 2016 versus Millennium’s 2015 Prospectus. The total number of in-force contracts has grown significantly year on year.

Figure 2: Total in-force contracts

Sector	At Prospectus	As at 1 July, 2016
Retail	191	225
Commercial	109	132
Government	128	151
TOTAL	428	508

The Company will hold an analyst and investor conference call today at 9.30am AEST to discuss today’s announcement. Details are overleaf.

Conference call details

Date: Monday 4 July, 2016

Time: 9:30am AEST

Speakers: Mark Baldwin (CEO), Damien Gray (CFO)

Dial-in phone numbers

***After dialling relevant number below please quote CONFERENCE ID: 4478 8902**

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

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Investor & Media Enquiries:

Matthew Cuming

Mobile: 0450 536 788

Email: mcuming@hintons.com.au