

HILLSTM

FIRST HALF FINANCIAL YEAR 2017 RESULTS
21 February 2017

BUSINESS UPDATE

we are HILLS™

BUSINESS DIRECTION

Following the exit from Hills Home Living and the retention of the Hill Health business we are now a Company focused solely on Value Added Distribution of Technology & Services.

Hills is continuing to drive improvements in the Building Technology business and we will start to move beyond the recent stabilisation phase to pursue growth opportunities in 2H FY17 and beyond.

Significant energy continues to be directed to the following areas:

- Continued improvement in customer service and engagement
- Growing and developing new and existing vendor relationships
- Training & Development of our people
- Continue with tight capital management
- Focus on profitable growth opportunities
- Company-wide Digital Transformation

HILLS VISION TODAY



The vision we have established for the Company moving forward is based on our ability to distribute technologies and services that “connect, entertain and secure people’s lives”







HILLS BUILDING TECHNOLOGY BUSINESS TODAY



	Security, Surveillance & IT	Audio Visual	Communication & Satellites	Health Solutions
Business alignment in Common Markets	<ul style="list-style-type: none"> All categories have a common target base covering building contractors, consultants & system integrators Products and services are sold primarily through common channels: building contractors and system integrators Strong synergies in the Health sector across AV, Security, CCTV, IT, patient management and nurse call solutions 			
Common shared services	<ul style="list-style-type: none"> Leverage shared services across the organization covering IT, Finance & accounting functions Operational alignment of sales, warehousing and supply chain across the group 			
Business focus	<ul style="list-style-type: none"> Leading provider of security, CCTV and IT solutions to homes, businesses, sporting & entertainment facilities, shopping centres, airports and other public areas across ANZ 	<ul style="list-style-type: none"> Leading provider of AV products to government, businesses and education institutions across ANZ 	<ul style="list-style-type: none"> Communication solutions installed in homes, stadiums, hotels, offices, aged care facilities across ANZ 	<ul style="list-style-type: none"> Installation and provision of interactive TV systems into health care facilities Product & Service delivery for nurse call systems to patients in health care facilities
Leadership	<ul style="list-style-type: none"> #1 - Largest security product portfolio in ANZ #1 - Leading national one-stop shop with full service #1 - Deepest team of security experts across ANZ 	<ul style="list-style-type: none"> Largest portfolio of AV product across ANZ Deep Audio expertise Owns IP for Australian Monitor 	<ul style="list-style-type: none"> Niche player with service and satellites uniquely positioning Hills for NBN and pay TV satellite Owns IP with local production 	<ul style="list-style-type: none"> Products and services located in 400 hospitals and 570 aged care facilities throughout ANZ Owns IP in Nurse Call

SUMMARY 1H 2017





Group 1H FY2017 Overview	Action	Completion
Hills has delivered an EBITDA ¹ performance for 1H FY17 of \$8.4 million - up from \$5.4 million in 1H FY16	In line with outlook	
<p>Top line revenue was down 4% over the same period last year, which did impact profitability in the 1H primarily by:</p> <ul style="list-style-type: none"> • Competition from Chinese brands impacting low end CCTV sales, • Reductions in Antenna volumes following changes to a major customer's distribution model, and • Cessation of the Crestron separation income 	<p>Signed agreement with UTC for exclusive distribution which will allow Hills to better compete in the low end CCTV market</p> <p>Returned the Antenna business to prior sales levels during Q2.</p>	
First half performance was impacted by higher costs to service the Ericsson contract	Hills continues to work with Ericsson to address delivery related issues and to bring costs back into line	
Inventory reduced in 1H FY17 to \$51 million	<p>Includes additional inventory provision of \$3.5 million booked for aged Tyco inventory acquired as part of the exclusivity arrangement in 2015 and \$0.9 million for discontinued vendors</p> <p>Continued focus on reducing working capital requirements</p>	

1- Earnings before interest, tax, depreciation and amortisation (EBITDA) is a non-IFRS measure used to present the Company's segment information in its financial report and is calculated on a consistent basis as detailed in note 1 to the interim financial report.










SUMMARY 1H 2017



Group 1H FY2017 Overview	Action	Completion
<p>The proposed merger of Hills Health Solutions (HHS) with Lincor Solutions Inc. (Lincor) did not proceed & HHS business integrated back into HBT</p>	<p>HHS continues to maintain market leadership in patient engagement with over 18,000 Beds HHS continues to maintain its strategic distribution relationship with Lincor, Inc.</p>	
	<p>Continued investment in Health business leadership with the appointment of a new National Sales Manager with 13 years industry experience</p>	
	<p>Investing in growth potential in Nurse Call solution – Hills owned IP</p>	
<p>Hills completed the transition of the Hills Home Living assets from Woolworths to AMES Australasia in December 2016</p>	<p>The Company is now focused solely on Technology & Services distribution in the right industries growth categories:</p>	
	<p>Health Solutions</p>	
	<p>Audio Visual</p>	
	<p>Communications & Satellites</p>	
	<p>Security, Surveillance & IT</p>	

SUMMARY 1H 2017



Group 1H FY2017 Overview	Action	Completion
Flattened Management team aligned with core business areas	Continue to focus on talent acquisition across the business ensuring the right people are in the right role to provide the best service to our customers	
Achieved a 7% reduction in operating expenses in 1H as we continue to focus on reducing our corporate cost structures	Delivered further operating expense reduction to flattening management structure and further reduce corporate overheads	
	Action in Q2 delivered \$4.8 million in annualised savings	
Services Revenue increased to 24% in 1H FY17	Continued focus on services revenue growth in line with strategy	
Established Fire Business in conjunction with UTC	Expected to deliver revenue from Q4	
Selective outsourcing contract signed with Cognizant focused on IT, Purchasing and back office functions	Delivers financial benefits from 2018	
	Improved customer service levels	
Investment in Digital Transformation Project	We continue to transform Hills from a product-centric company into a customer-centric company	
Net debt at 31 December 2016 was \$20.9 million, down from \$24.2 million at 30 June 2016	Continued focus on improving cash flow	

KEY BUSINESS WINS



Security, Surveillance & IT	Audio Visual	Health Solutions
<ul style="list-style-type: none">• Hills, working for Siemens, supplied Axis Cameras and Genetec licencing for the new Perth Stadium,• Working with ACG Fire & Security delivered unified Genetec Security Centre and cameras into NSW Parliament House,• Through JD Security delivered Genetec Security Centre, AXIS cameras and Dell hardware to Mirvac Properties,• Working with UGL to supply, Transurban Limited with Genetec Security Centre and AXIS cameras,• Through Virtual Graffiti supplied Ruckus solution (station wifi) to Sydney Trains	<ul style="list-style-type: none">• Samsung signage deployment with Telstra for PWC Sydney & Melbourne offices.• L'Acoustics deployment for Sydney Grammar School auditorium.• University of Newcastle lecture room upgrades inclusive of Williams Sound, WolfVision & Australian Monitor.• Perth Transport Authority network paging system Part III.	<ul style="list-style-type: none">• Northern Beaches – Hills nurse call solution• ARV Ponds - 104 rooms of Residential Care using nurse call solution• Synovum Care – A ground breaking solution where mobility monitoring is provided to dementia, cognitive and wandering residents

BUILDING TECHNOLOGY CATEGORY UPDATE



	Security, Surveillance & IT	Audio Visual
Product offering	<ul style="list-style-type: none"> • Video Management Systems • Decision Support Systems • Analytics Software • CCTV products and solutions • Integrated access management • Card access & intruder alert • Home hub & locks 	<ul style="list-style-type: none"> • Microphones • Flat Panel Commercial Displays & Projectors • Hearing Augmentation • Loudspeakers • Paging & life safety systems
Market Update	<ul style="list-style-type: none"> • Hills signed a sole distribution arrangement with Interlogix covering access control and CCTV solutions • Through our Genetec relationship, we see strong growth in Decision Support Systems that provides organisations with new levels of situational intelligence, visualisation, and complete incident management capabilities • Hills continues to streamline product lines and increase our focus on exclusive and key brands • On the CCTV front, Hills is well positioned with Axis, Pelco, Vivotek, Mobotix, TruVision & PACOM brands 	<ul style="list-style-type: none"> • Continued reinvestment into Australian Monitor Hills owned IP. Introducing 5 new products in the 1H FY17 • Hills signed an exclusive distribution agreement with AtlasIED to bring paging and life safety systems to market for large public infrastructure projects • Hills experienced 30% growth in hearing assistance technologies to market with leading IR & loop manufacturer Williams Sound • Hills continues to focus on key exclusive brands such as: Mipro, L-Acoustics, Williams Sound, Hitachi, Revolabs, Community, WyreStorm, Cadac and many more

BUILDING TECHNOLOGY CATEGORY UPDATE



	Communication & Satellites	Health Solutions
Product offering	<ul style="list-style-type: none"> • Antenna & Satellite Hardware • Digital TV System Equipment • Professional Services • Installation Services 	<ul style="list-style-type: none"> • Patient engagement • Nursecall
Market Update	<ul style="list-style-type: none"> • Hills focused on a redefined go-to-market strategy with a dual focus on the Electrical Wholesale market and direct corporate MATV offerings • Announced the appointment of a new National Sales Manager who has refreshed the sales team nationally and appointed a National MATV Specialist • Hills has also seen an upturn with the market settling back into its normal rhythm post major customer distribution changes 	<ul style="list-style-type: none"> • HHS continue to lead the Patient Engagement market • HHS won the Nurse Call Contract for Northern Beaches project. This project won the NSW Premier Award, and is one of the biggest projects to date with 488 beds in a state of the art facilities • HHS is now an accredited supplier with NSW Government ICT Procurement for Software as a Service (SaaS) category. This includes Lincor and Patient Engagement billing software, and Wi-Fi solutions as a service • HHS has recruited a new Sales Director with over 13 years experience in the Nurse Call/Patient Engagement business

NEW PRODUCT INITIATIVE: FIRE

Hills to provide Australian consumers and business with fire detection solutions. Hills will launch into the fire industry with its new line of Australian Standards approved products to meet industry requirements.

Product offering

- Smoke Detectors - Domestic
- Fire Panel
- Smoke and Heat alarms, addressable for the fire panel
- Devices – call points, strobes, sounders

Market Update:

- Our domestic range of smoke detectors is being sold to 'fire industry' customers opening up a new customer segment
- Specific range of product in Fire portfolio (detection) will go into electrical wholesalers to open a new channel to market
- The fire panel is positioned for future projects in the fire panel space
- Due to complex testing / approval process for the fire panel, there has been a delay in approvals. Anticipated date to launch fire panel is Q4
- Partner program and all marketing collateral for the panel, related devices and accessories is ready for panel launch
- Customer training sessions and information sessions are planned for 2H

DIGITAL TRANSFORMATION PROJECT

Focus of the project

Transform Hills from a product-centric company into a customer-centric company that will:

- 1) Enhance customer experience
- 2) Increase revenue
- 3) Drive brand differentiation
- 4) Enable operational efficiencies
- 5) Improve B2B capabilities

Status

- Business review completed
- recommendations to be implemented over the next 6-12 months



FINANCIAL RESULTS

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KEY NUMBERS FROM THE FINANCIAL STATEMENTS



\$ million

1H FY17

1H FY16

	1H FY17	1H FY16
Revenue	157.3	164.1
EBITDA (note 1 of the interim financial report)¹	8.4	5.4
Profit / (loss) for the period attributable to owners	0.2	(69.0)

Sales decline in 1H FY17 primarily in HBT business as noted on slide 6.

Does not include proceeds from HHL transition from Woolworths to AMES Australasia

1H FY17 results includes

- Payment from termination of Woolworths license
- HHL transition to AMES Australasia
- Increase in inventory provision

1H FY17 includes costs in relation to the proposed merger with Lincor

1H FY16 includes impairment charges

¹ Earnings before interest, tax, depreciation and amortization (EBITDA) is a non-IFRS measure used to present the Company's segment information in its financial report and is calculated on a consistent basis as detailed in note 1 to the interim financial report

BALANCE SHEET

\$ million	Dec 16	Jun 16
Receivables and other assets	62.8	72.2
Inventory	51.4	55.6
Current assets (excluding cash)	114.2	127.8
Non-current assets	32.4	32.0
Total assets (excluding cash)	146.6	159.8
Payables and provisions	56.1	66.5
Net debt	20.9	24.2
Total equity	69.6	69.1
Debt to equity ratio = $\frac{\text{Net debt}}{\text{Net debt} + \text{equity}}$	23%	26%

Lower Receivables reflects focus on cash collection and lower sales volumes in 1H FY17 vs 2H FY16

Includes additional inventory provision relating to Tyco and exited brands. Underlying inventory flat from June 2016

Reduction in Payables and provisions includes impact of restructure related payments, creditor payment timing and de-recognition of deferred income

Net debt	\$ million	Net debt levels continue to decline from December 2015
At 31 Dec 15	38.5	
At 30 Jun 16	24.2	
At 31 Dec 16	20.9	

OPERATING CASH FLOWS

\$ million	1H FY17	1H FY16
Profit / (loss) after tax	0.2	(69.0)
Add back: non-cash items and non-operating amounts	(2.9)	51.8
Profit after tax adjusted for non-cash items	(2.7)	(17.2)
Utilisation of restructure provisions	(1.7)	(7.5)
Decrease in trading working capital	2.5	8.5
Decrease in other operating assets and liabilities	1.1	16.6
Net cash flow from operating activities	(0.8)	0.4
Acquisition of businesses	-	(2.7)
Acquisition of intangible assets (acquired intangibles and software)	(1.6)	(2.4)
Capex	(0.8)	(2.9)
Proceeds from the disposal of businesses and PP&E	6.5	0.2
Other investing cash-flow	-	0.8
Net cash flow from investing activities	4.1	(7.0)
Proceeds from borrowings	10.8	12.8
Repayment of borrowings	(4.6)	(7.9)
Net cash flow from financing activities	6.2	4.9
Change in gross cash balance	9.5	(1.7)

Operating cash flow is after payment of restructure costs of \$1.7 million (1H FY16: \$7.5 million) and costs relating to the proposed merger of HHS with Lincor of \$0.6 million

1H FY17 includes proceeds from the sale of assets to AMES Australasia

1H FY17 net cash flow reflects net movement in the receivables purchase facility borrowings

OUTLOOK

we are HILLS™

- Hills is continuing to drive improvements in the Building Technology business and we will start to move beyond the recent stabilisation phase to pursue growth opportunities in 2H FY17 and beyond

Key focus areas for next 12-18 months:

- Continued improvement in customer service and engagement
- Growing and developing new and existing vendor relationships
- Training & development of our people
- Continue with tight capital management
- Focus on profitable growth opportunities
- Implement companywide Digital Transformation

DISCLAIMER



Statements contained in this presentation, particularly those regarding possible or assumed future performance, estimated company earnings, potential growth of the company, industry growth or other trend projections are or may be forward looking statements. Such statements relate to future events and expectations and therefore involve unknown risks and uncertainties. Actual results may differ materially from those expressed or implied by these forward-looking statements.

Thank you