

Market Update

Hills Limited (ASX: HIL) is pleased to provide an update in relation to a number of initiatives the Board believes will improve financial performance, provide greater clarity around underlying business operations and enhance value for the benefit of all shareholders.

Highlights

- Operational Review of the Distribution business identifies potential savings of over \$5m over the next two financial years. The one-off costs to be incurred in realising these savings is between \$300k to 500k which will be incurred in FY2019. Management believe that initial, annualised productivity improvements and operational cost savings of between \$3 to \$3.5million in FY2020 will be achieved.
- Commencement of a Strategic Review to explore options to maximise the performance of Hills key business divisions and ensure the Group's underlying value is appropriately reflected in its share price
- Continuing growth in the Health business, with major new projects and the addition of GetWell patient care products to the Hills range

During FY2018, the Hills management team completed a significant profit turnaround of \$8.3 million, returning the Hills Group to a small trading profit. However, in the first half of FY2019 the strong performance of the Health and Communications business was offset by a disappointing performance in the Distribution business.

Operational Review – Distribution business

In February 2019 the Board initiated an Operational Review of the Distribution business with a view to returning it to profitability while maintaining the performance of the Hills Health and Communications businesses.

Hills management is working with independent consultants with deep knowledge and experience within the distribution markets in Australia and New Zealand to identify initiatives to meet this objective. The focus of the initial phase of the Review has been to identify operational efficiencies, potential inventory management improvements and cost savings.



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The Review is ongoing and has already identified \$5m in operational savings over the next two financial years. The one-off costs to be incurred in realising these savings is between \$300k to 500k which will be incurred in FY2019.

Hills Management will be implementing annualised operating cost savings of between \$3 to \$3.5million in FY2020.

Hills Chief Executive Officer and Managing Director David Lenz said: “These initial changes, with more to come, will put the Distribution business on the path to profitability and ensure it is well positioned to meet the challenges within the markets in which it operates. Given our track record of returning the Hills Group to profitability in FY2018, we believe that the performance of our Distribution businesses can be substantially improved.”

Further details of the outcome of the Operational Review will be provided at the presentation of Hills full-year results in August.

Strategic review

The Board does not believe the recent movements in the share price reflect the underlying performance of the Hills Group, particularly in light of the initial results of the Operational Review detailed above. This has prompted it to more fully investigate the potential strategic options and opportunities for the Group.

The Board has appointed experienced corporate advisory firm AquAsia to undertake a Strategic Review of Hills to assist the Board in this process and to provide capital markets advice in relation to the disclosure of the financial metrics, performance and growth prospects of the underlying businesses.

Health business – continued growth

The Health division continues to deliver strong results for Hills, with an important new distribution relationship and large new projects.

Hills is pleased to announce that it has become the first and sole distributor in Australia of GetWellNetwork, Inc. (“GetWell”) interactive patient care products and services, further enhancing its Patient Engagement offering.

Mr Lenz said GetWell is the market leader in giving patients a voice in their care. “Having GetWell on board expands the Health businesses’ solutions to include a best-in-class proven patient engagement platform that is in more than 700 sites representing over 75,000 hospital beds across the US,” he said. “The new platform will deliver a new level of integration and information-sharing, giving Hills Health the ability to target the market



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opportunities created by the growth in Electronic Medical Records adoption across the health sector.”

In addition, Hills Health business continues to win large projects, including:

- The New Calvary Hospital, South Australia (GetWell solution)
- Calvary Kogarah, New South Wales (Nurse Call solution)
- Hammond Care in Sydney and Victoria (Nurse Call solution)
- Gladstone Hospital, Queensland (Nurse Call solution)
- Western Health ,Victoria (free patient wi-fi)
- Western Health, Victoria (5-year extension for patient entertainment contract)

Hills continues to make inroads into the Health market, expects to retain its market-leading position in 2019 and is well placed for upcoming major projects around Australia.

“We look forward to continuing to deliver superior patient experiences in the Australian and New Zealand markets,” Mr Lenz said.

Hills Chairman Jennifer Hill-Ling said: “The Board believes the operational and strategic reviews will highlight areas of focus to drive improvements within Hills businesses. Our work as a Board and management team is to position Hills for long-term profitability and to ensure its underlying performance is properly reflected in the share price, enhancing returns for all shareholders.”

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About Hills Limited

Hills is a majority Australian-owned publicly listed company (ASX:HIL), a value-added distributor of integrated technology solutions that connect, entertain and secure people in the environments they trust the most: their homes, schools and universities, hospitals and aged care facilities, workplaces and government institutions. For more information, visit www.hills.com.au

About GetWellNetwork

GetWellNetwork is the Precision Engagement healthcare company. Its solutions engage patients and families, empower clinicians and deliver outcomes that matter. From inpatient to outpatient, to physician practices and urgent care clinics, to patients on the go, GetWellNetwork offers the only cross-continuum platform that performs across every care setting. Learn more at www.getwellnetwork.com or follow @GetWellNetwork on social media.

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