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media release

3 November 2017

Hills on track for return to trading profit

Hills Limited (ASX: HIL) is on track to achieve a trading profit in the second half of the current financial year, with the Company's dividend policy to be reviewed after its financial year 2018 ("FY18") results are finalised.

"Importantly, we are making progress and Hills is heading in the right direction," Hills Chairman, Ms Jennifer Hill-Ling, told shareholders at today's annual meeting in Adelaide.

"Although we are not anticipating a return to profit in the current December half, we are expecting a trading profit in the second half of FY18 as our strategic initiatives and the benefits of cost reductions are realised," Ms Hill-Ling said.

"We will then be in a position to review our ability to pay a franked dividend after the FY18 results have been finalised," she said.

Hills Chief Executive Officer, Mr David Lenz, told the meeting that the past financial year had continued to deliver challenges to the Hills business but that the Company had made strategic changes to strengthen its position.

"We've made the hard decisions that were necessary to ensure the future success of the company," Mr Lenz said.

"We have focused our attention on continuing to deliver improvements in our overall business and implement strategies we believe will deliver the best outcomes for our customers, shareholders, vendors and staff," he said.

Mr Lenz said the Hills Group would focus on key business growth categories including Health, Security, Surveillance and Communications, as well as Audio Visual.

"While these markets will continue to provide sales opportunities for Hills, we are also looking to capitalise on our ability to integrate across product categories, leveraging our capability to supply a total building technology solution, especially within the health sector.

"Central to the ongoing success and continued growth of the Hills Health business is our Patient Engagement and Nurse Call solution which continues to go from strength to strength.

"We currently have over 18,000 beds under management in our patient engagement business and over 900 facilities utilising our Nurse Call solution, and with a strong forward order book, the momentum in this business is expected to grow over the next 12 months."

Mr Lenz said the Company's Digital Transformation Project was key to ensuring Hills competitiveness in the years to come, with the Company on schedule to launch its new e-commerce platform in February 2018.

"Early indicators are that similar system deployments in the ANZ market have seen an uplift in sale of around 10% and therefore we are expecting a positive result from the implementation of this platform," he said.

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“To ensure its success, we’ve made the decision to take control of the pick, pack and ship process, across all our lines of business. We’ll exit our third party logistics operations at the end of the year and centralise distribution at a new site in Seven Hills, relocating our warehouse facilities from Lidcombe and Silverwater to the same site. It will open early in January 2018 and will deliver a simplified and streamlined distribution capability to service all our business.

“I know customers and vendors alike are looking forward to benefits that our digital transformation project will bring – it will be a step change for Hills and will help drive our business across Australia and New Zealand.

With the strategies and planning we now have in place we anticipate being in a position to deliver a trading profit in the second Half of FY18,” Mr Lenz said.

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