

For personal use only



# The Road Back To Profit – FY18



# Agenda

---

- Introduction to Hills Company Overview
- Hills Solutions in Key Verticals
- Key Business Categories
- FY17 Financial Results Overview
- FY18 Business Initiatives
- FY18 Business Metrics
- A Look at the Future
- FY17 Financial Results

# Hills Timeline Of Innovation

## • 1945

The Hills Limited group began in 1945, when Lance Hill designed a rotary clothesline for his wife. Hills has gone on to become one of Australia's most well known icons, with Hills Limited listed on the ASX in 1955 as Hills Hoists.

## Our history



## • 1956

### The antenna solution

Hills is born out of the invention of the hoist, but quickly grows out of the backyard, becoming Australia's leading provider of TV antennas.



## • 1987

### The security solution

Hills acquires Direct Alarm Supplies, creating a new focus on security and surveillance.



## • 2004

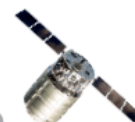
### The integrated solution

Hills Technology Solutions Group was formed to integrate the Hills product ranges as a single offering.

## • 2010

### The communication solution

Cygnus Satellite is launched – the result of a venture between Hills and URSYS, under contract to Telstra, to design, build and operate a Iterra IP Satellite™, providing internet capabilities to remote outback Australia.



## • 2013

### The health solution

With the acquisition of HTR (Hospital Television Rentals) and Merlon Health Communications, Hills becomes the number one provider of patient engagement solutions.



## • 2015

### 70 year anniversary

Hills celebrates 70 years of innovation, and acquires Hostel, a provider of patient entertainment and communication solutions across Australia.



## • 1982

Hills continues to grow into broadcast technology, and in 1982 adds satellite technology to its offering, launching Hills Telesat Antenna System at Uluru, an outback TV satellite receiving system.

## • 1995

### The satellite solution

Installs satellite dishes in 1,200 NSW schools for Education Department's transmission of educational programmes.



## • 2005

### The AV solution

Hills acquires Audio Telex and the Australian Monitor brand.

## • 2012

### The global solution

Contracted by Department of Foreign Affairs and Trade on global satellite network.

## • 2014

### The integrated health solution

Hills acquires Questek, an industry leader in the design and manufacturer of nurse call systems and further develops its health communications solution.



## • 2016

### The fire solution

Hills announces a new partnership with UTC for a Fire and Security solution and divests of the Hills Home Living heritage brand.

# 2017 70+

Acceleration to Technology Solutions company

# Vision

To distribute end to end technology solution that

“Connect, Entertain  
and Secure  
people’s lives.”



# Mission

To distribute end to end technology solutions

“We will add value by choosing the best products and solutions available while delivering high quality service, advice and expertise for all of our stakeholders. ”



# Values



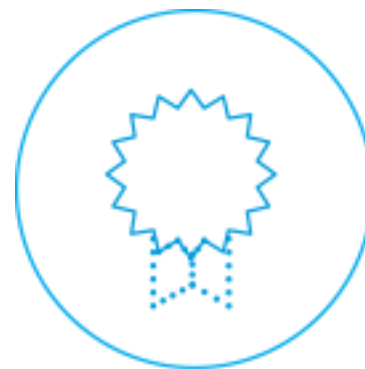
## Customer

Enhance customer experience and deliver what we promise



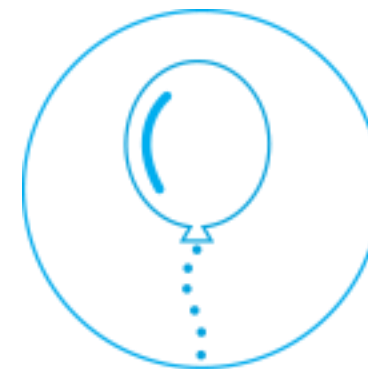
## People

Respect, accountability, teamwork, integrity and safety



## Quality

Excellence in all we do, innovate and create better ways with partners



## Have Fun

Celebrate at work and in the community



# Hills Today...

Over the years we have diversified and divested, expanding our product range to include AV, Communications, Security and Surveillance, Fire, Nurse Call and Patient Engagement. But our focus has remained constant – we're committed to delivering technology solutions into the environments that people need and trust most: their homes, hospitals, places of learning, entertainment venues, retail spaces, workplaces and government institutions.

# Hills Business by Growth Category

**Health:  
Patient Engagement  
& Nurse Call**



**Security,  
Surveillance &  
Communication**

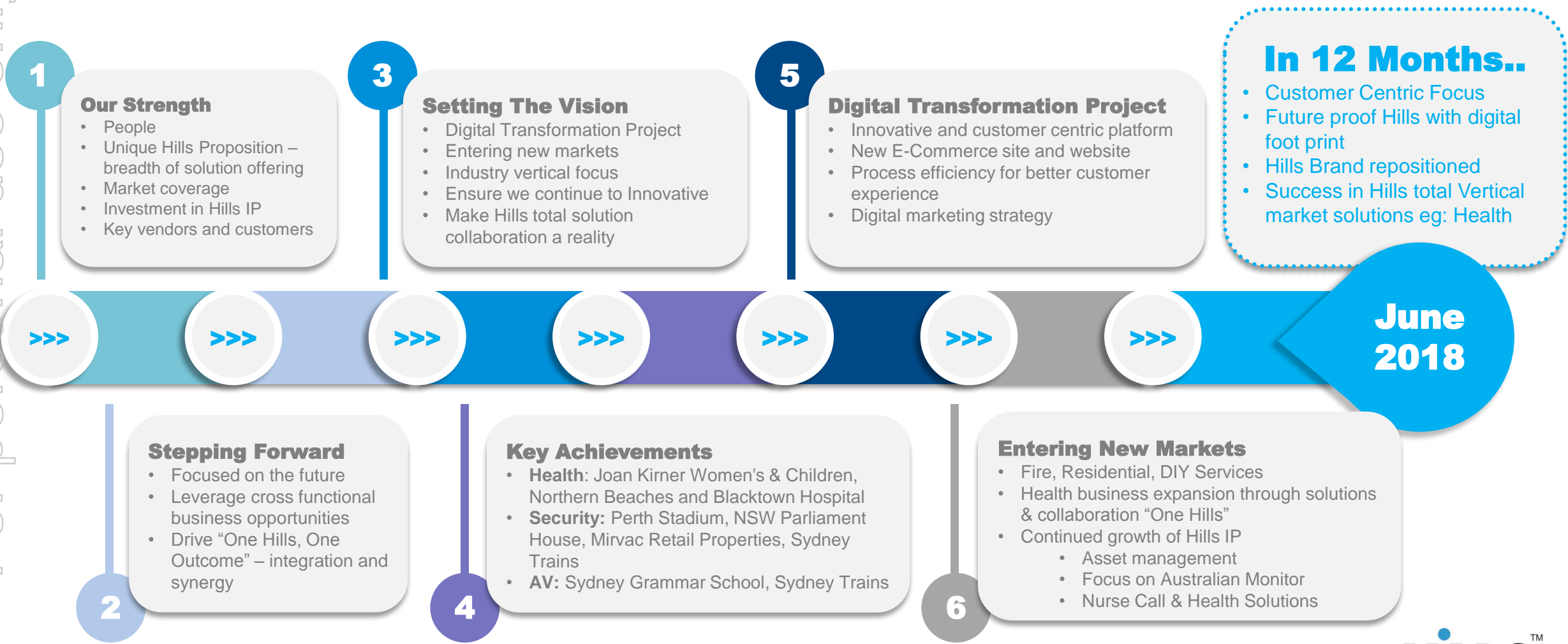


**Audio Visual**





# The Journey



# Hills Vertical Market Matrix

Verticals	AV		Security		Communication		Fire		Patient Engagement		Nurse Call	
Banking and Finance	\$	✓	✓	✓	✓	✓	✓	✓				
Corporate & Government	🏛️	✓	✓	✓	✓	✓	✓	✓				
Education	🎓	✓	✓	✓	✓	✓	✓	✓				
Healthcare	🩺	✓	✓	✓	✓	✓	✓	✓	✓		✓	
Transport, Infrastructure & Utility	🚚	✓	✓	✓	✓	✓	✓	✓				
Retail	🛒	✓	✓	✓	✓	✓	✓	✓				
Home Automation	🏠	✓	✓	✓	✓	✓	✓	✓				
Stadium and Live production	🏟️	✓	✓	✓	✓	✓	✓	✓				
Service capability	⚙️	→										
Shared service functions	📱	→										
Common supply chain	🚚	→										

## Ability to leverage the Hills total solutions matrix will maximise profit opportunities

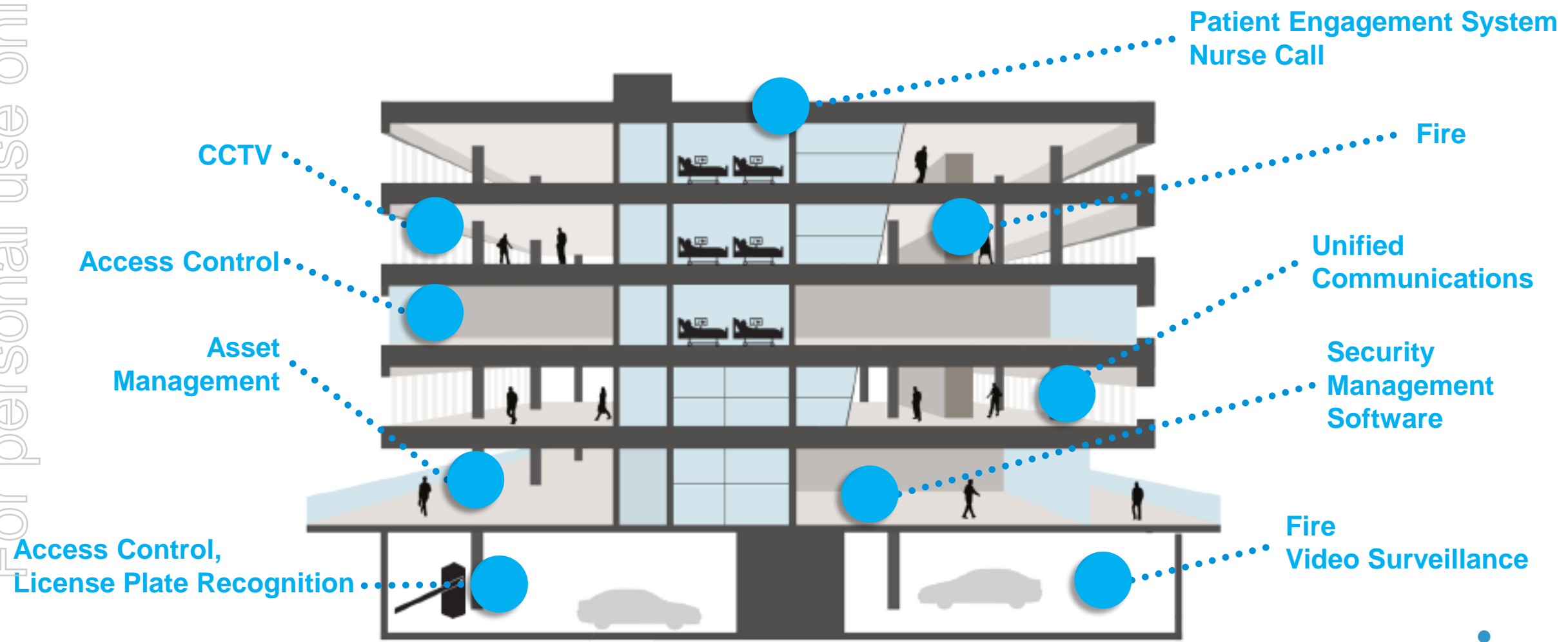
# Hills End to End Solutions in a Healthcare Facility

For personal use only



# Hills End to End Solutions in a Healthcare Facility

For personal use only





# Hills End to End Solutions in Banking

For personal use only



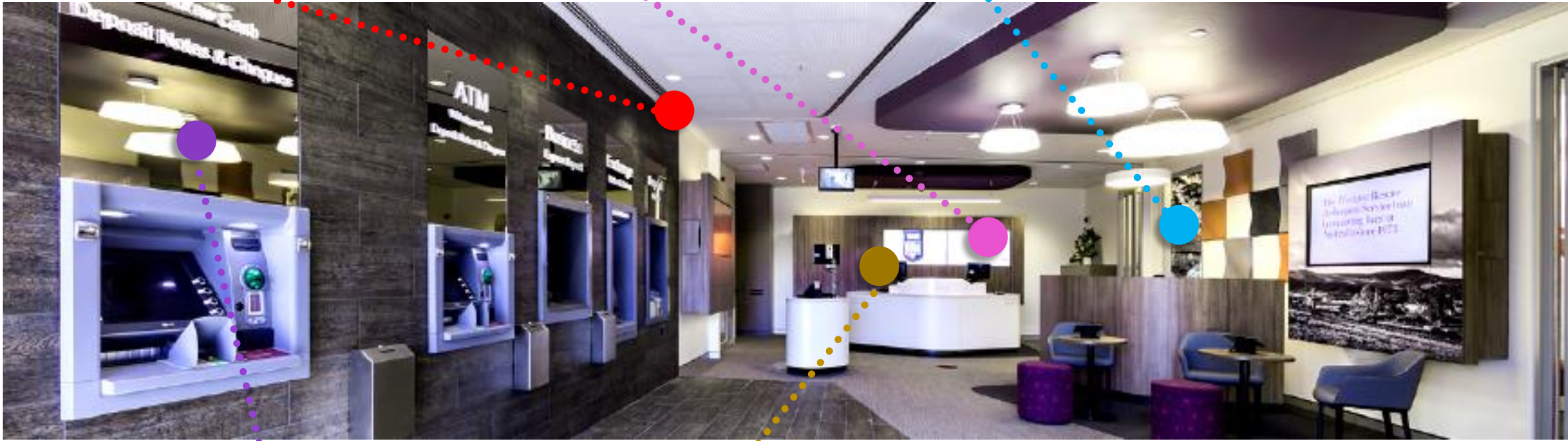
Fire



AV



Asset Management



Security



Communication

# Hills End to End Solutions in Education

For personal use only



Fire



AV



Security



Communication



# Hills End to End Solutions in Transportation

For personal use only



# Hills End to End Solutions in Retail

For personal use only



Fire



AV



Security



Communication



# Hills End to End Solutions in Sporting Venues

For personal use only



# Health Business – Overview

For personal use only

## Patient Engagement

**18,000**

Number of beds under management

**20,000**

Expected beds at June 2018

## Nurse Call

**900**

Number of facilities with Hills Health Nurse Call solution in Australia

## Nurse Call Rollouts

**\$5m**

In contracted work to be completed in FY18

## Patient Engagement FY18 1H Rollouts

- Sydney Local Health District 4 Hospitals - 5 Year Contract
- Westmead Hospital

## Strong Nurse Call Opportunities\*

**\$44m & 275  
Facilities**

## R&D Investment

- BYOD
- Genetec Integration
- IP7500 development
- Wireless Nurse Call
- Staff Terminals
- HillsCare - Dementia platform

\* Indicates the size of the Nurse Call potential sales pipeline for the next 12 months

# Health Business – Key Wins

---

## Nurse call

- Blacktown Hospital
- Northern Beaches Hospital
- Joan Kirner Women's & Children's Hospital

## Patient Engagement

- Sydney Local Health District 4 Hospitals - 5 Year Contract
- Northern Health (VIC) 3 Hospitals - 5 Year Contract Extension
- Eastern Health (VIC) 4 Hospitals - 2.5 Year Contract Extension

# Security, Surveillance & Communications Business – Overview

For personal use only

**36,000+**

Number of Security Cameras sold in FY17

**200+**

Number of new Genetec Sites installed across A/NZ

**9,200+**

Number of Transacting Customers in FY17

**45,000 Antenna**  
**100,000 Dishes**

Manufactured in Australia FY17

**40,000**

Number of Fixed Wireless installation completed

**150,000**

Total number of product shipments in FY17

## Key Wins

- Perth Stadium
- NSW Parliament House
- Mirvac Retail Properties
- Transurban Limited
- Sydney Trains



# AV Business – Overview

## Australian Monitor

**113,000+ Total A/NZ**

Number of products sold in FY17

**2,000+**

Number of Transacting customers in  
FY17

## Key Wins

- PwC Office Upgrade, Melbourne & Sydney
- South East Asia Games, Malaysia
- Sydney Grammar School
- Sydney Trains

## Exclusive Brands

- Williams Sound
- WyreStorm
- L-Acoustics
- Community Speakers
- Revolabs
- Australian Monitor

**50,000**

Total number of shipments  
in FY17

## Key Market Verticals

- Education
- Public Venues
- Houses of Worship
- Transportation
- Unified Communications

# Finance Key Metrics

For personal use only

Revenue down **9%**  
**(\$30.8m)** on changes in  
product/vendor mix  
Continue to maintain strong margin  
quality at **30%\***

Inventory down **\$9.2m**  
to **\$46.5m**  
Receivables down **\$9.9m**  
to **\$59.5m**

Net debt down **\$1.6m**  
to **\$20m**  
Includes unamortised borrowing  
costs of \$1.9m at June 2017

FY17 Net Loss After Tax of  
**\$7.9m** versus **\$68.3m** in  
FY16 on lower sales and reduced  
expenses

Operating expenses (excluding  
non-operating costs) down  
**\$8.7m** on PY supported by  
**\$12m** annualised cost reduction  
program with **\$8m** benefit in  
FY18

Cash outflow from operating  
activities of **\$0.8m**

# Key FY18 Business Initiatives

For personal use only

## Healthcare

Deliver total solution collaboration  
One Hills

## Leverage end to end Capabilities

Fire, Asset Management,  
Communications, Health, AV &  
Security

## Digital Project

Deliver on line platform for future  
growth

## Industry Focus

Key vertical market penetration

## Fully Control Supply Chain

Exit 3<sup>rd</sup> Party Logistics  
Open brand new centralised distribution  
centre at Seven Hills, NSW

## Continue R&D Investment

- Health Portfolio
- Australian Monitor

# Key FY18 Business Metrics

For personal use only

**Inventory & Debt  
Management**

**Deliver Profitability**

**Customer  
Engagement**

**Vendor  
Engagement**

**OPEX Management**

**Employee  
Engagement**



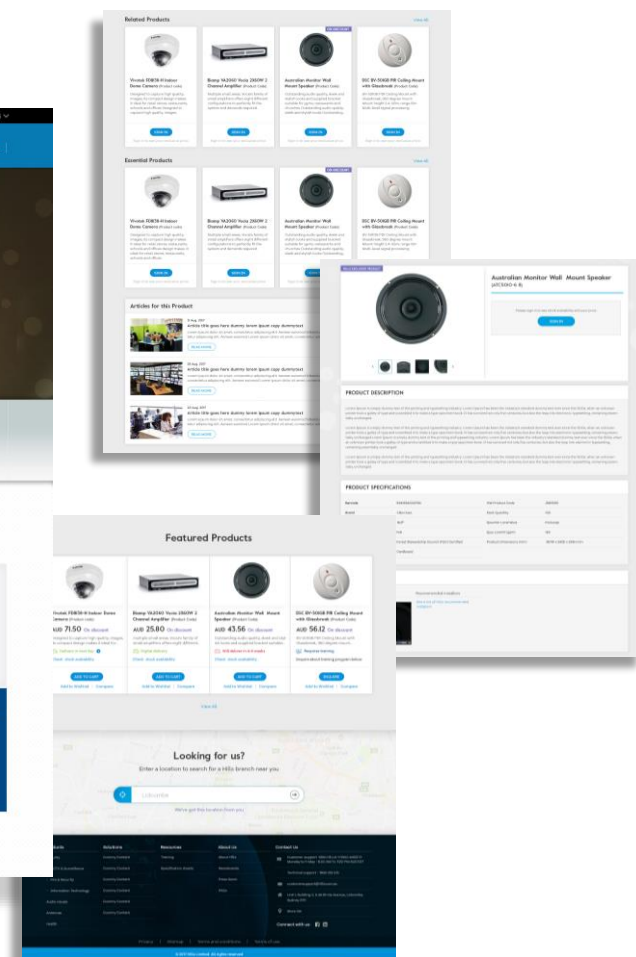
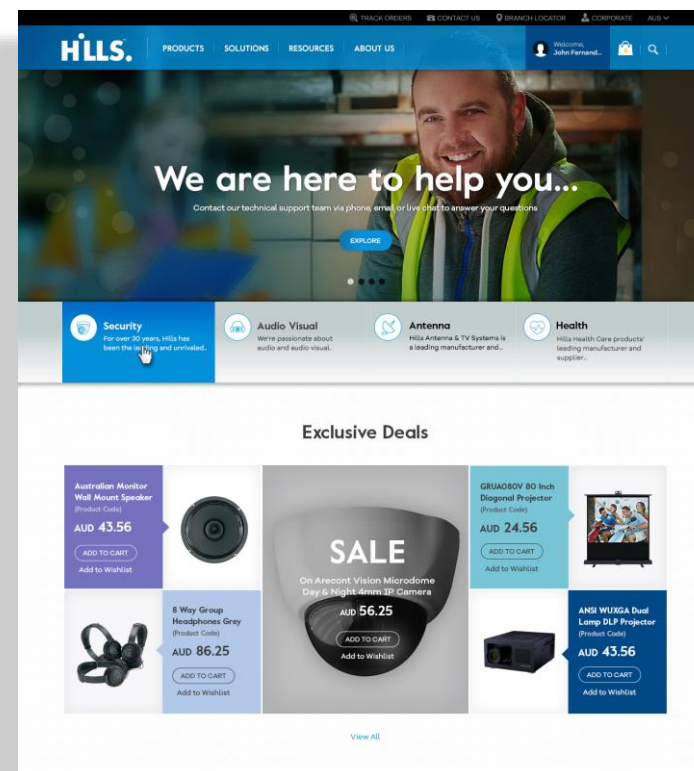
# A Look at the Future

Over the years we have diversified and divested, expanding our product range to include AV, Communications, Security and Surveillance, Fire, Nurse Call and Patient Engagement. But our focus has remained constant – we're committed to delivering technology solutions into the environments that people need and trust most: their homes, hospitals, places of learning, entertainment venues, retail spaces, workplaces and government institutions.

# A Look at the Future

The digital platform will provide the following key features to Hills Customers and grow sales:

- 24 x 7 e-commerce availability, including product association for ease of use;
- Real-time inventory availability down to the branch level;
- access to all account information including statements, invoices and pricing;
- the ability to update details and make payments online; and
- delivery of product information and access to technical specifications.



For personal use only

# **FY17 Financial Results**

**we are HILLS.**

# Key Numbers from the Financial Statements

(A\$M)	FY2017	FY2016
Revenue	298.1	328.9
Gross Margin	87.8	109.5
Other income	13.1	3.2
Operating Expenses (excluding depreciation, amortisation and non-operating costs)	(94.5)	(100.9)
Non-operating expenses	(4.0)	(47.3)
Loss for the period attributable to owners	(7.9)	(68.3)

**Revenue** down on prior year reflects changes in vendor/product mix including exit in H2 FY17 from the NBN Satellite contract.

**Other income** in FY17 includes exit of HHL business completed in H1.

**Operating expenses** continue to decline as expenses are aligned to the current business size.



# Operating Expenses

(A\$M)	FY2017	FY2016
Labour and related expenses	(68.4)	(75.6)
Operational and equipment expenses	(7.9)	(8.5)
Property expenses	(7.9)	(8.2)
Other expenses	(10.3)	(8.6)
<b>Operating expenses (excluding D&amp;A)</b>	<b>(94.5)</b>	<b>(100.9)</b>
Depreciation and amortisation	(7.1)	(9.4)
<b>Total operating expenses</b>	<b>(101.6)</b>	<b>(110.3)</b>
Non-operating expenses	(4.0)	(47.3)
<b>Total expenses</b>	<b>(105.6)</b>	<b>(157.6)</b>

**Labour and related costs** decreased following reductions in headcount to reflect the current sales levels.

**Other expenses** in FY16 includes benefit of expense recoveries to transitional services arrangements, which came to an end in FY16.

**Depreciation and amortisation** decreased year on year after impairment of intangible assets in FY16.

**Non-operating costs** in FY17 relate to the terminated Lincor transaction and costs following the FY17 headcount reductions. FY16 is primarily the impairment charges booked.

# Balance Sheet

(A\$M)	FY2017	FY2016
Trade and other receivables	59.5	69.3
Inventories	46.5	55.7
Other current assets	0.2	0.3
<b>Current assets (excluding cash)</b>	<b>106.2</b>	<b>125.3</b>
Property, plant and equipment	16.6	19.9
Intangible assets	2.6	0.8
Deferred tax assets	10.9	10.8
Other non-current assets	-	0.5
<b>Non-current assets</b>	<b>30.1</b>	<b>32.0</b>
Trade and other payables	40.3	50.4
Provisions	14.8	16.1
Other liabilities	0.3	-
<b>Liabilities (excluding borrowings)</b>	<b>55.4</b>	<b>66.5</b>
<b>Net debt</b>	<b>20.0</b>	<b>21.6</b>
<b>Total equity</b>	<b>60.9</b>	<b>69.1</b>
Debt to equity ratio= $\frac{\text{Net Debt}}{\text{Net Debt}+\text{Equity}}$	24.7%	23.8%

**Trade receivables** down on prior year due to improved collections and lower sales levels vs prior year.

**Inventory** down \$9.2m with \$4.4m due to provision booked in H1 FY16 for aged Tyco and other vendor inventory. Inventory down \$4.8m excluding this provision.

**Deferred tax assets** – does not include recognition of tax benefit on available tax losses. Revenue tax losses of \$194m are available to the business to offset future taxable income.

**Trade and other payables** reflects creditor payment timing and de-recognition of deferred income.

**Net debt** down \$1.6m. Borrowings includes unamortised borrowing costs of \$1.9m.

# Cashflow

(A\$M)	FY2017	FY2016
Loss after tax	(7.9)	(68.3)
Add back: non-cash items (mostly impairment, depreciation, amortisation)	0.7	75.2
Profit after tax adjusted for non-cash items	(7.2)	6.9
Decrease in restructure provision	(1.2)	(10.3)
Decrease in non-trade working capital	(2.6)	(6.3)
Decrease in trade working capital	10.2	19.1
<b>Net cash flow from operating activities</b>	<b>(0.8)</b>	<b>9.4</b>
Acquisition of businesses	-	(2.7)
Capex – intangibles and software	(2.2)	(3.2)
Capex – PPE	(1.5)	(4.2)
Proceeds from the disposal of businesses and PPE	6.7	6.9
Other investing cash flow	-	1.5
<b>Net cash flow from investing activities</b>	<b>2.9</b>	<b>(1.7)</b>
Proceeds from / (repayment of) borrowings	2.5	(22.7)
<b>Net cash flow from financing activities</b>	<b>2.5</b>	<b>(22.7)</b>
<b>Change in gross cash balance</b>	<b>4.7</b>	<b>(15.0)</b>

**Cash outflow from operating activities** includes proceeds from the HHL transition from Woolworths offset by cash payments for the proposed Lincor transaction and restructure costs.

**Non-trade working capital** cash out flow is predominantly the payout of employee entitlement provisions (mostly driven by redundancies).

**Proceeds from the disposal of business and PPE** includes the transition of HHL to AMES Australasia.

**Intangible assets acquired** is predominantly software costs.

# Disclaimer



No express or implied warranty is given as to the accuracy or completeness of the information in this document or any corresponding presentation. 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

