

24 November 2021

Chairman's Address – 2021 Annual General Meeting

Address by David Chambers, Chairman of Hills Limited, at the company's 2021 Annual General Meeting.

Good afternoon and welcome to the Hills 2021 AGM. On behalf of my fellow Directors, I would like to welcome you to the Hills Annual General Meeting.

My name is David Chambers, Chairman of the Board of Hills.

In the spirit of reconciliation, I'd like to acknowledge the traditional custodians of country throughout Australia and their connections to land, sea and community.

We pay our respect to their Elders past and present and extend the respect to all Aboriginal and Torres Strait Islander peoples today.

David Fox, our Company Secretary has confirmed we have a Quorum, and I now declare the meeting open.

I have with me today, together at our head office in Lidcombe, my fellow directors Ken Dwyer, Peter Steel and Janet Muir, and our company secretary David Fox.

Also in attendance is our CEO, David Clarke, and CFO Natalie Scott. We also have our Auditors KPMG, represented by Paul Cenko as Lead Engagement Partner for 30 June 2021, and Julie Cleary as the Transitional Partner who replaces Paul as Lead Partner for 30 June 2022 year as the engagement transitions to Sydney.

I would also like to welcome representatives from Link Market Services who I can confirm will be scrutinising the meeting today.

The order of events for today's Meeting will be as follows:

- first, I will speak about the past year for Hills Limited;
- David Clarke, our CEO will provide a presentation on his insights and the future strategy for Hills;
- then we'll turn to formal business and the resolutions of the Meeting; and
- once completed, there will be an opportunity for general questions before I close the Meeting.

Today's meeting is a completely virtual event due to COVID-19 and the related health concerns. I assure you that you will have the same opportunity to participate today as you would at a physical meeting. This includes being able to ask questions through the online platform and vote using an electronic voting card. I'll discuss these processes shortly. There is also an online portal guide which can be downloaded if required.

If we experience technical issues that impact the meeting, I'll assess the circumstances and communicate further with you. If this isn't possible, you will be emailed instructions on how and when to re-join the Meeting.

Voting on the resolutions will be conducted by way of a poll using the electronic voting card you should receive after clicking the 'Get a Voting Card' button on your screen.

Shareholders can submit written questions during the meeting by clicking on the 'Ask a Question' button. I encourage shareholders who have questions to submit them as soon as possible so we don't miss them.

If you have any trouble using the platform, please check the online portal guide on Hills website, or contact the help line shown on screen.

With that, I'll now move to my address.

As with last financial year, the prolonged Covid-19 pandemic interfered with the Company's ability to operate at an optimal level of performance. Once again, we saw a year punctuated by two divergent halves, with the first half being partially impacted, as well as in the latter stages of the second half, with little sustained business confidence.

Hills net loss of \$10.2 million reflected this significant business disruption caused by several factors including the rolling lock downs in all major states, related restrictions in accessing hospitals and aged care facilities, deferral of healthcare activity, worldwide semiconductor shortage impacting product availability, poor results from the New Zealand business, foreign exchange losses from prior year hedging contracts, and a few non-operating items.

With a restructure undertaken in 2020 we were of the firm belief that we could harness our new structure, combine it with some new product offerings and make strong forays into the market. Whilst we did enjoy some successes, we were, like many others, hampered by the stop and start nature of the business environment, particularly construction which underpins much of our billable business. As a result, we had constraints outside of our control that inhibited our ability to provide the returns to shareholders that we were intent on delivering.

Notwithstanding, the environment, the results are disappointing, particularly in the Distribution division, and the board is determined to make changes and investment required to address the shortcomings.

I will headline with the Health Division

Hills' Health division performed relatively well in FY21 given the challenging trading conditions in Q1 and Q4 of an unpredictable operating landscape, long lasting COVID-related trading restrictions, delays to projects, and inhibited access to hospitals and aged care facilities.

Driving the FY21, result the division completed:

- Installation of 6,900 net new Nurse Call beds;
- Delivery of 53 projects with hospital and aged care facilities;
- Renewal of 5,600 beds across 28 hospitals with Patient Engagement Solutions, and
- Installation of 750 new beds with the GetWell Network solution.

Hills Guest Wi-Fi systems were deployed across 80 sites in NSW Health districts, delivering service to more than 7,100 beds and providing an essential welfare tool for inpatients and the community.

In March 2021 the Company signed a three-year exclusive distribution agreement with GetWellNetwork Inc, for their GetWell Loop and GetWell Inpatient products in Australia and New Zealand. Hills started working with GetWellNetwork in May 2019 as the sole distributor of the GetWell Inpatient product, which has been rolled out to hospitals in Sydney, Adelaide, and Hobart.

GetWell is an important example of shifting the Health business' solutions increasingly up the ladder of sophistication, innovation, and interoperability and is complimentary and non-conflicting with our own in house developed products.

A new development in early November, saw Hills consummate an arrangement to take control of an emerging software company called Extensia. We see Extensia as being a strong solution augmentation offering for both our Nurse call and Get well Solution product suites, as well as a high margin offering that provides a vehicle to increase recurrent revenue streams.

In summary, our Health division remains strong despite the short-term impacts of COVID-19 restrictions, and we remain excited by the growth and profit opportunities identified for this business. Health revised and upgraded its near-term strategy for nurse call, patient engagement and other solutions during the year. As a result, we have begun to develop greater capability across critical areas of the business, by investing to bolster sales, marketing, technical, operational and research capability to expand upon and capture greater health technology-related revenue and opportunities. We have confidence that this capability will accelerate the division's revenue growth in existing and adjacent markets, with the goal, well under way, of becoming a prominent provider of digital health device and software technologies.

Moving now to the Distribution Division

The distribution division's decline in profitability in FY21 reflected a range of factors which together represent on-going challenging trading conditions, with COVID-19 affecting timing of projects, a worldwide semiconductor shortage, the impact of foreign exchange losses, a poorly positioned and loss-making New Zealand business, and several non-operating items.

Notwithstanding the varied external factors impacting the business, the Distribution division has underperformed. As we go into the new financial year the new leadership team have been active in introducing a range of initiatives to address these performance issues.

Refresh of Executive Management and Board Positions

We saw significant changes at both the executive team and the Board during the year. The board changes were a result of an active process of renewal over the past twelve months. This commenced with the appointments of myself to the Hills Board as a non-executive director in July 2020.

Fiona Bennett, the Chair of the Board's Audit, Risk and Compliance Committee, and Mr Philip Bullock, Chair of the Nomination and Remuneration Committee, both also retired from the Board. We extend our sincere thanks to Fiona and Philip for their insights and tireless commitment to Hills during the period of their directorship.

Mr Peter Steel was appointed to the Board in March 2021 after serving a 6-month period as our acting CFO. We are extremely fortunate to have Peter nominate given his existing understanding of Hills and insights to the company's activities. Mr Steel is a senior finance professional and originally trained as a Chartered Accountant and has considerable experience in the consumer goods and logistics industries. This experience has seen Peter develop strong skills in strategy, business planning, acquisitions, and business development. He has worked in senior financial roles for more than 20 years, including serving as General Manager, Finance, and IT, at Toll Priority and as General Manager, Planning and Strategy, at Coca-Cola Amatil Ltd.

On 1 July 2021, Jenny Hill-Ling, who it should be noted initiated the Board refresh, passed over the Chairperson role to me, allowing her to act on her decision to transition to retirement, which became effective as of 18th October. Jennifer's wealth of experience and leadership have been invaluable to Hills during periods of significant change, and we commend her professionalism and tireless commitment throughout her sixteen-year tenure as Chair of Hills.

As a result, we took the step to seek out a well credentialed candidate to join the Board which resulted in the selection of Ms Janet Muir to be offered for election to the Board of Directors.

Ms Muir has extensive senior executive experience within large-scale healthcare organisations, including as Group General Manager Strategy at St Vincent's Health Australia, Group Manager Strategic Development at St John of God Healthcare, and Director of Finance at St John of God Pathology. She holds several directorships, including on the board of New Zealand Hearing Industry Association, and until July 2021, the Hearing Care Industry Association (Australia).

Ms Muir is a graduate of the Australian Institute of Company Directors, holds a Bachelor of Business and Administration (Accounting) from Curtin University of Technology and an MBA from the University of Melbourne, Melbourne Business School. She is also member of the Institute of Chartered Accountants.

As you know Ms Muir is standing for election together with Peter Steel at this AGM. Both Peter and Janet are both making strong contributions to strategy development and other deliberations of the Board. I will ask them to provide a short introduction shortly before their election is voted on.

In the management ranks we bade farewell to the Managing Director and Chief Executive Officer, David Lenz, who transitioned to retirement on 1 July 2021 after six years with the Company. David has overseen a reduction in Hills cost structure, the turnaround of our Health business to a profitable growth engine for the Company, and the successful divestment of underperforming businesses. The Board thanks Mr Lenz for his past dedication to Hills and wishes him well in his retirement.

In May we announced the appointment of technology and healthcare industry leader David Clarke as Chief Executive Officer. Mr Clarke brings significant experience as a chief executive officer and chief financial officer of ASX-listed companies, with extensive knowledge across the technology and healthcare sectors, as well as retail, distribution, and technical field services. Mr. Clarke spent seven years as a senior executive at ASX-listed health software provider Corum Group Limited, including four as CEO. Previously, he held executive leadership roles at companies including Medtronic Australasia, Fisher & Paykel and the ASX-listed Nick Scali Limited. More recently, Mr Clarke has worked with the Medical Software Industry Association to lead the taskforce coordinating the technical readiness of industry and governments for the COVID-19 vaccination roll-out throughout the primary healthcare network

David has been a welcome addition to our team and his leadership is already having a positive impact with focus, action and decision making.

Natalie Scott, an experienced CFO and COO joined our business in March 2021. Ms Scott brings significant and important experience in senior finance and operational roles in retail, hospitality, entertainment, and residential aged care. Ms. Scott, a qualified chartered accountant, has held senior finance roles at ASX-listed companies including Village Roadshow Limited and Event Hospitality and Entertainment Ltd. Ms. Scott was also CFO and Chief Operating Officer at the Scalabrini Village residential aged care group between 2016 and 2020. We welcome Nathalie to the Executive management team.

The year has seen other changes in leadership positions across the business, notably the appointment of Janine King as Chief People and Culture officer responsible to the CEO for culture and accountability. These and other senior appointments, along with the new board members, bring a fresh perspective, diverse experience and renewed energy to the organisation that will be invaluable as we work to build a strong and sustainable business for the future.

Outlook

The new team, led by David Clarke, is applying themselves with energy and enthusiasm and a fresh set of eyes. We feel confident and are encouraged by new approaches being adopted to deliver sustained revenue and earnings growth.

Hills remains focused on execution of its Health strategy and improving the performance of the Distribution division to support sustainable earnings growth over the medium to long term.

However, as stated, trading conditions in the first half of FY22 in all of Hills' businesses was impacted by COVID-related restrictions and some of this downturn will not be recoverable. Any 2H recovery is heavily dependent on an ongoing relaxation, speed, and the nature of the recovery, and the improved business confidence linked to it.

Notwithstanding the difficult environment, our pipeline from delayed projects, and backlog, remains solid and underlying demand for our products is still strong. In the first half of FY22 the team at Hills is focused on ensuring the Company is in good shape to make the most of market conditions as they recover in 2H, along with continued and careful implementation of the strategic growth plans. I can assure you that the new Board and Management are applying their full energy behind regaining the initiative and placing the company on recovery and a growth trajectory.

In closing we would like to acknowledge our employees who have worked tirelessly to support our customers, vendors, and suppliers during these difficult times, and we thank them for their ongoing dedication and commitment.

This ASX announcement is authorised for release by the Board of Hills Limited.

About Hills Limited

Hills is a majority Australian-owned publicly listed company (ASX:HIL) that is 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.

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