



ASX announcement

Media Release

6 November 2020

Market update: Hills targets full-year profit in FY21

Hills Limited (the **Group** or **Hills**, ASX: HIL) is confident the decisions taken during FY20 to streamline the business and strengthen the balance sheet leave the Group well positioned to meet its objective of a delivering a full-year net profit in FY21.

Hills Chairman Jennifer Hill-Ling and Chief Executive Officer and Managing Director David Lenz used today's virtual Annual General Meeting to provide shareholders with an update on the Group's response to COVID-19, current trading conditions and the outlook for FY21.

In her Chairman's address, Ms Hill-Ling said that despite the disruptions caused by COVID-19, Hills management had delivered a number of strategic initiatives that had set up the Group for future growth.

These initiatives include:

- the sale of Hills non-core AV, Antenna and STEP businesses in the first half of FY20;
- the streamlining of Hills continuing Distribution business, with cost savings at the top end of the \$3 million to \$5 million target range as promised; and
- further investment in research and product development in the Health business.

Ms Hill-Ling said Hills had also significantly strengthened its balance sheet by focusing on working capital and expense management and through the divestment of non-core businesses, with net debt down 71 per cent to \$8.2 million at 30 June 2020¹.

Ms Hill-Ling said the Board took the difficult decision in February not to declare an interim dividend in order to maintain balance sheet strength through a period of significant change. She said the Board remained determined to resume paying dividends when trading conditions improved, subject to the capital and growth requirements of the Health business.

"I can assure you that your Board and management will be working hard to increase profitability in the current year and continuing to educate the market on the strength of our Health Services business, and the potential to significantly grow this business in the medium to long term," Ms Hill-Ling told shareholders.

While Hills cashflow outlook to December 2020 remained solid, Ms Hill-Ling said this remained susceptible to any adverse impacts from further COVID-19 trading restrictions during the remainder of the current year.

As noted in Hills full-year results announcement of 31 August 2020, in the second half of FY20 Hills commissioned specialist health advisory firm Paxton Partners to undertake a strategic review of the Health business to identify growth opportunities.

¹ Pre AASB 16



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Ms Hill-Ling said that in response to the review, the Board had resolved to:

- explore a number of opportunities to expand into the telehealth sector;
- expand Hills' range of Nurse Call and Patient Engagement Solutions; and
- increase its market penetration in aged care facilities and explore new markets, such as the disability and homecare sectors.

Mr Lenz told shareholders that despite trading conditions remaining tough in Q1 FY21, Hills was committed to increasing its investment in Health and focusing on margin improvements in the streamlined Distribution business.

"While COVID-19 did delay Health projects in Q1 of this year and increased uncertainty, the underlying structural support for the Health sector is unchanged and Hills Health's market-leading businesses remain well positioned for medium to long-term sustainable profit growth," he said. "We expect the Health business to return to pre COVID-19 trading levels in Q2, subject to any further disruptions from the pandemic."

Mr Lenz said the pipeline of opportunities for the Health business had more than doubled to \$175 million and the Group had now secured exclusivity for the range of GetWellNetwork patient engagement systems in Australia and New Zealand.

Mr Lenz said the tough trading conditions experienced by the Distribution business in Q1 FY21 were expected to continue through the first half but the business was in "much better shape to navigate the challenging times ahead".

"In summary, the current difficult trading environment with its many unknowns makes it difficult to forecast the future and we do expect H1 FY21 to be challenging," Mr Lenz said. "It remains our clear objective to deliver a full-year net profit in FY21. We remain committed to emerging as a strong competitive force in the markets we serve and have already made tough decisions that place us in a better position to navigate through the current challenging environment."

Full copies of the Chairman and CEO addresses and presentations have been lodged with the ASX and are available at <https://corporate.hills.com.au/>.

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



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About Hills Limited

Hills is a majority Australian-owned publicly listed company (ASX: HIL) and consists of two businesses: Hills Health Solutions – the leading provider of nurse call solutions, patient engagement systems and wi-fi networks in Australian and New Zealand hospitals and aged care facilities; and Hills Distribution – a leading provider of integrated Security, IT and Technical Services across Australia and New Zealand. For more information, visit www.hills.com.au

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