
HILLS™
David Lenz
CEO & Managing
Director

Agenda

- Introduction to Hills Company Overview
- Company Performance Update
  - FY18 Results Summary
  - FY18 Business Metrics review
  - FY18 Initiatives review
- Business Unit Updates
- FY19 Business initiatives
- FY18 Financial Results

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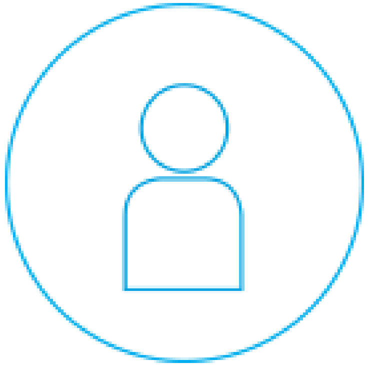
TODAY

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, houses of worship, entertainment venues, retail spaces, workplaces and government institutions.

Values

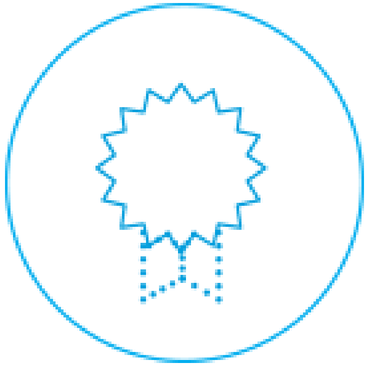
Customer

Enhance customer experience and deliver what we promise



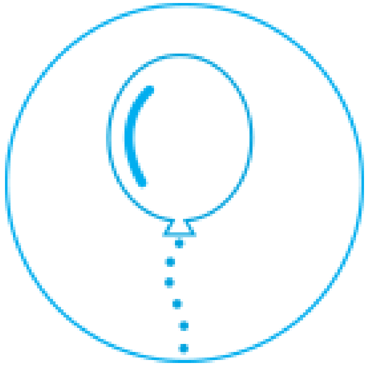
People

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 Business by Growth Category

Health:
Patient Engagement & Nurse Call

Security:
Security, Surveillance, IT, Fire & Communication

Audio Visual:
Professional Audio & Visual displays

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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

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Company Performance Update

FY18 Results Summary

Business

- Growth in core Distribution and Nurse Call business areas
- Number 1 in Nurse Call market with 9 major Nurse Call project wins (>$500k)
- Execution of vertical markets strategy
- Continued Investment in R&D – Nurse Call
- Ericsson contract extended until 2020 for installations services for Fixed Wireless associated with the NBN rollout
- Extended Genetec exclusive relationship until 2020
- Signed Dahua as new CCTV vendor
- Signed on 3 new AV vendors to deliver complete solutions
- Established National Distribution Centre & New Trade Centre at Seven Hills
- E-commerce platform now operational
- Entered into a strategic relationship with Microsoft – CRM & ERP

Financial

- Returned the business to profitability in FY18
- Strong 2H profit performance
- EBITDA of $9.4m represented a significant turnaround when allowing for the transition of Hills Home Living to AMES and the inventory impairment in the prior corresponding period
- Expenses down $21.2m or 20.1% from $105.6m to $84.4m
- Net debt down $3.1m from 30 June 2017 to $16.9m
- Significant turnaround in operating cash flow for full year generating an operating cashflow of $12.0 million, up by $12.8m from FY17
- Inventory down from $46.5m to $44.0m versus prior year

Earnings before interest, tax, depreciation, amortisation and impairment of intangible assets, goodwill and other receivables (EBITDA) is a non-IFRS measure not subject to audit or review. Segment EBITDA excludes the impact of costs associated with the proposed demerger of the Hills Health Solutions business and other net costs associated with structuring the Company in line with its future growth opportunities. This non-IFRS measure is relevant because it is consistent with the measures used internally by management and some in the investment community to assess the operating performance of the business.

Key FY18 Business Metrics

INVENTORY & DEBT MANAGEMENT

- Net Debt at 30th June 2018 was $16.9m, down from $20.0m at 30 June 2017
- Continue to remain focused on inventory optimisation

DELIVER PROFITABILITY

- Delivered a profit in the 2H of $1.1m and a Full Year positive NPAT of $0.4m

OPEX MANAGEMENT

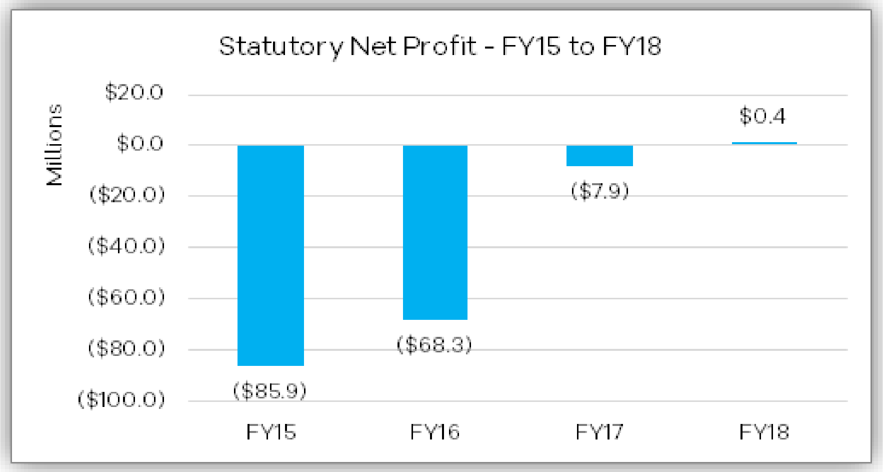
- Expenses down $21.2m or 21.2% from $105.6m to $84.4m
- Continue to focus on OPEX optimisation

CUSTOMER, VENDOR & EMPLOYEE MANAGEMENT

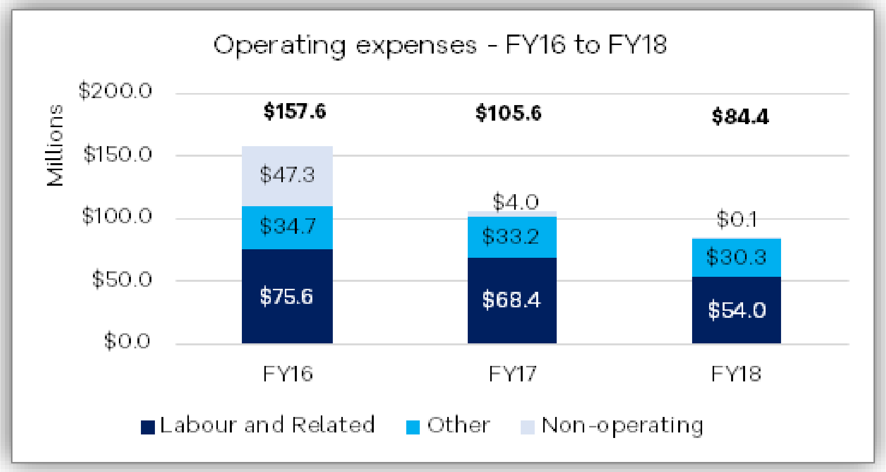
- Opened new National Distribution Centre
- Launched new e-commerce platform
- Delivering a fundamental shift in our customer service levels

Business Progress

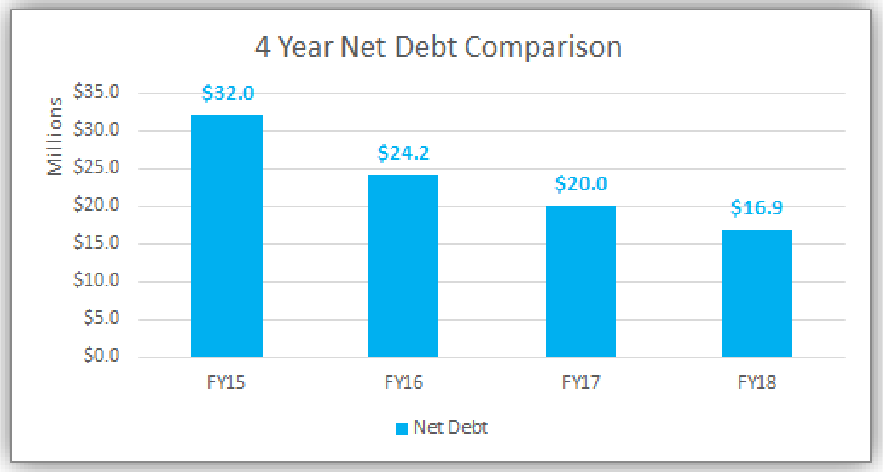
DELIVERED FULL YEAR PROFITABILITY



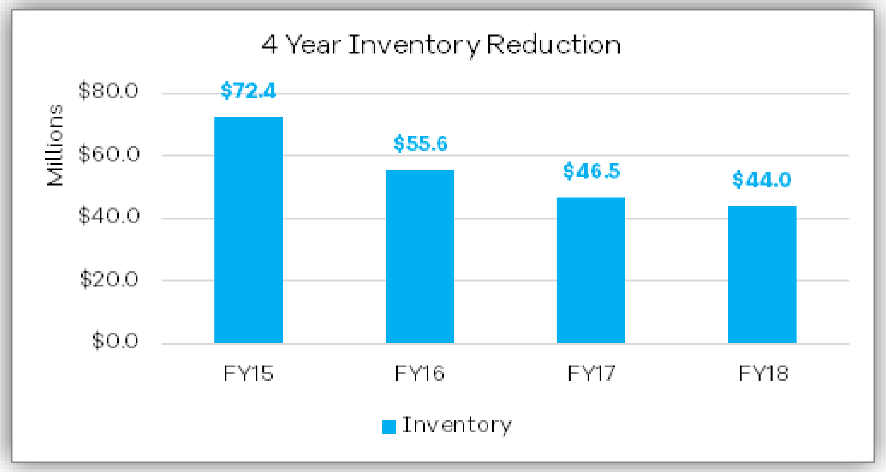
DELIVERED ON OPEX MANAGEMENT



DELIVERED ON DEBT MANAGEMENT



DELIVERED ON INVENTORY MANAGEMENT



NPAT up $8.3m

A$ million	FY18	FY17	Chg $	Chg %
Revenue	**271.8**	**298.1**	**-26.3**	**-8.8%**
Gross Margin	86.7	87.8	-1.1	-1.2%
Gross Margin %	31.9%	29.4%	+2.4%	
Other income	0.9	13.1	-12.2	-93.1%
Operating Expenses (excluding non-operating expenses)	(84.3)	(101.6)	-17.3	-17.0%
EBITDA	9.4	6.4	+3.0	+47.5%
Non-operating costs	(0.1)	(4.0)	-3.9	-98.3%
Interest & Tax	(2.8)	(3.2)	-0.4	-11.6%
Net Profit / (Loss) after Tax	**0.4**	**(7.9)**	**+8.3**	**+104.5%**

Revenue declined by $26.3m primarily due to the decision to exit NBN satellite installations and lower Antenna sales due to the competitive Pay TV market in AU/NZ

Gross margin % was up by 2.4% percentage points offsetting the revenue shortfall leaving gross margin down $1.1m

Other Income in FY17 included $12.4m from the exit of Hills Home Living (HHL)

Operating expenses down $17.3m and across all expense lines

Statutory NPAT achieved of $0.4m a significant improvement on FY17

Earnings before interest, tax, depreciation, amortisation and impairment of intangible assets, goodwill and other receivables (EBITDA) is a non-IFRS measure not subject to audit or review. Segment EBITDA excludes the impact of costs associated with the proposed demerger of the Hills Health Solutions business and other net costs associated with structuring the Company in line with its future growth opportunities. This non-IFRS measure is relevant because it is consistent with the measures used internally by management and some in the investment community to assess the operating performance of the business.

Key FY18 Business Initiatives

DIGITAL PROJECT
Deliver online platform for future growth

FULLY CONTROL SUPPLY CHAIN
Exit 3rd Party Logistics. Open brand new national distribution centre at Seven Hills, NSW

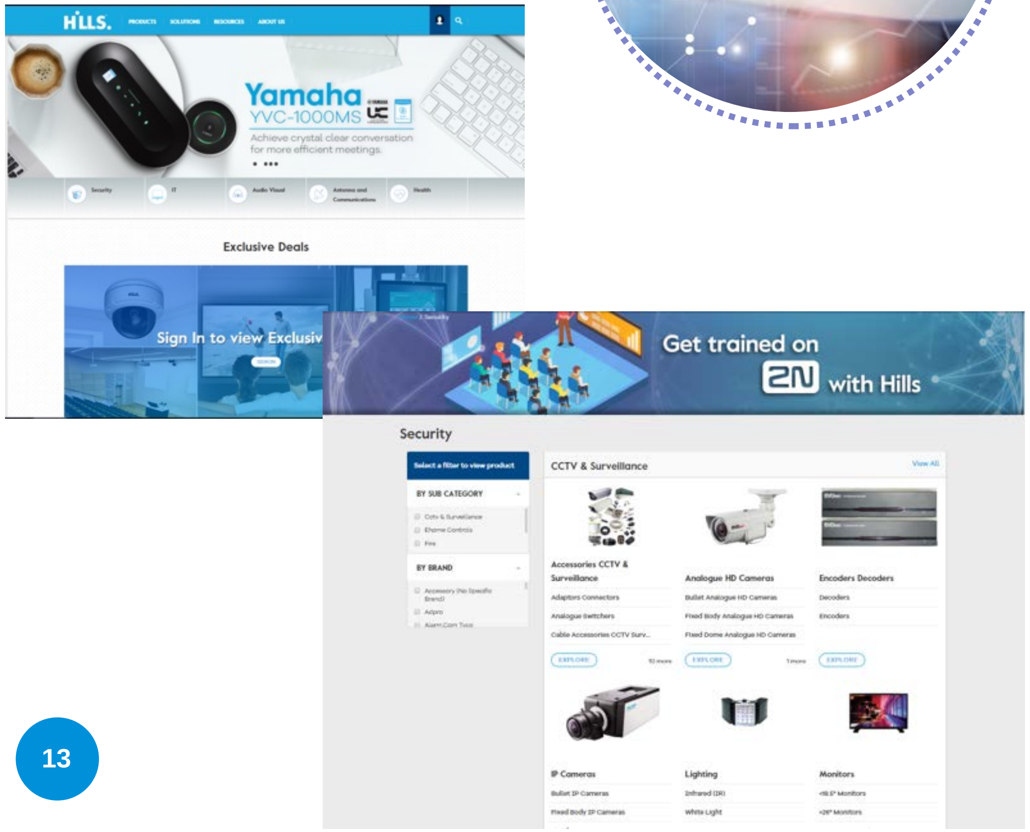
HEALTHCARE
Deliver total solution collaboration

LEVERAGE END TO END CAPABILITIES IN KEY VERTICALS
Fire, Asset Management, Communications, Health, AV & Security

Digital platform - Delivered

DIGITAL PROJECT

Deliver online platform for future growth



Phase 1 completed features include:

- Access to order history, invoices, track case requests, warranty and repair claims & customer account details.
- Product availability and reservation of products on a “on time real time” basis across ANZ
- All customer specific pricing automatically loaded and maintained.
- Products access linked to accreditations & security clearances.

Phase 2 and 3 under development to deliver features including:

- Project online quoting
- Live chat
- Health division migrated onto eCommerce facility
- SMS text notifications for order delivery & pick up

Number of users: Over 2,600 registered customers

Products: Over 4,400 product items

Hits on website: 95,600 unique users

Downloads: Over 4,200 downloads of technical documentation

Orders being transacted is growing over 100% per month

Supply Chain Project - Delivered

Site fully operational on 5th February 2018

9,000 m2 including warehouse, offices and trade centre

Over 20,000 orders lines processed monthly over the last 6 months

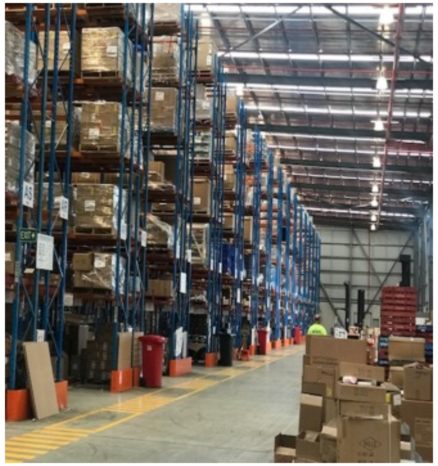
Over 7,000 products located at the facility

Improved customer service

- 80 parking spaces for improved customer access
- 600m from M2/M7 Sydney orbital road network
- Trade Centre providing Sales, Technical and product support to customers
- Customer training facility

FULLY CONTROL SUPPLY CHAIN

Exit 3rd Party Logistics. Open brand new national distribution centre at Seven Hills, NSW



Vertical market solutions - Delivered

Examples of our success

Mass Transportation

7 Major roadways infrastructure projects won in the last 12 months across NSW, VIC and QLD

4 Major rail and two light rail infrastructure projects won in the last 12 months with Genetec and CCTV across NSW and ACT

1 Major Intel Airport won with Genetec and Axis CCTV QLD

Government and Law Enforcement

4 Major state and federal government law enforcement agencies won this year across ACT, NSW, VIC with Genetec, CCTV, and LPR solutions

Healthcare and Aged Care

3 Major Healthcare and Aged care facilities won over the last 12 months across NSW, ACT and VIC

Higher Education

2 Major universities won over the last 12 months across QLD and NSW

Data Centres

3 Major commercial data centers won in last 12 months in NSW, and VIC along with major commercial properties

Stadiums

2 Major iconic sporting stadiums won in the last 12 months across NSW, WA with Genetec, CCTV and facial recognition solutions

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Business Unit Updates

Health Business – Overview

Number 1 in Nurse Call market with 9 major Nurse Call project wins (>$500k)

Nurse call revenue grew 26% FY18 compared with FY17
Health business continued to be profitable in FY18

Nurse Call Rollouts
$7m
In contracted work to be completed in FY19

Key PES rollouts are complete and operational including Westmead – Balmain is on line with other SLHD sites to be completed in H1

Key Wins

- Westmead Central Acute Services Building
- Blacktown Hospital Acute Services building stage 1 &2
- Joan Kerner Children's Hospital
- Royal Hobart Hospital

R&D Investment

- Guest Wi-Fi
- Genetec Integration
- IP7500
- Patient Bed Card and Staff terminal

Security, Surveillance, IT & Communications Business – Highlights

Security, Surveillance, IT sales revenue grew 2% FY18

Enterprise Security & Surveillance business grew in FY18

Continuing strong revenue growth in FY18 with key exclusive vendors

- Genetec 77%
- UTC 20%

Key CCTV vendors Axis, Vivotek & TruVision grew in FY18

New CCTV vendor Dahua introduced FY19

IT Networking Business grew in FY18

With strong growth in our core networking vendors Ruckus, Brocade, Cambium & Extreme Networks

HILLS Connection Solutions

- Focused on profitable fixed wireless installations after exiting satellite business
- Ericsson contract extended until 2020 for installations services for Fixed Wireless associated with the NBN rollout.

Key Wins

- Sydney Trains – Vivotek / Extreme Networks
- Queensland Corrections – AXIS/Ipsotek
- Woodside Petroleum HQ Perth – AXIS/Genetec
- North Connex Vivotek/Genetec

AV Business – Overview

Australian Monitor:
- Continued R&D investment
- Enhance Roadmap
- Improve Supply

Williams Sound saw strong growth in FY18 up 18% over FY17

Community Loud Speakers significant growth in FY18 including expansion into Line Array segment

Expansion of vendor portfolio to include solutions in:
- Emergency paging and life safety systems
- High powered amplifiers
- Commercial audio DSP and networked audio solutions

Key Wins:
- Morphettville Racecourse
- Woodside Office Perth
- Isuzu Head Office
- Sydney Trains
- Westconnex Tunnel

Denon, Barix, Renkus Heinz, Media Matrix Biamp Devio & Sunbrite TV's all grew FY18

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Business Focus FY19

Areas of Focus in FY19

Health Business Unit

- Expansion into NZ
- R&D - continue to develop & productize the next generation iP7500 & Staff Terminal Solution
- Build Hills end to end strategy for Health Vertical

Security Surveillance & IT Business Unit

- Expansion into Parking & Fire verticals.
- Growth in Access Control & Intrusion
- Execute SMB strategy
- Continue to grow online sales & Increase number of active trading accounts

Audio Visual Business Unit

- Continued development of Australian Monitor
- Drive growth in new areas:
  - Emergency paging and life safety systems
  - High powered amplifiers
  - Commercial audio DSP and networked audio solutions
- Further brand expansion planned in 1H FY19

Major Project Delivery:

- Continued development of digital platform
- CRM rollout company wide
- Commence ERP replacement project

Financial Drivers:

- Deliver profitability
- Continue to control OPEX
- Continue to improve Inventory & Debt management

People & Culture:

- Customer Engagement
- Vendor Engagement
- Employee Engagement

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1H FY18
Financial Results

we are HILLS.™

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EBITDA increasing half on half

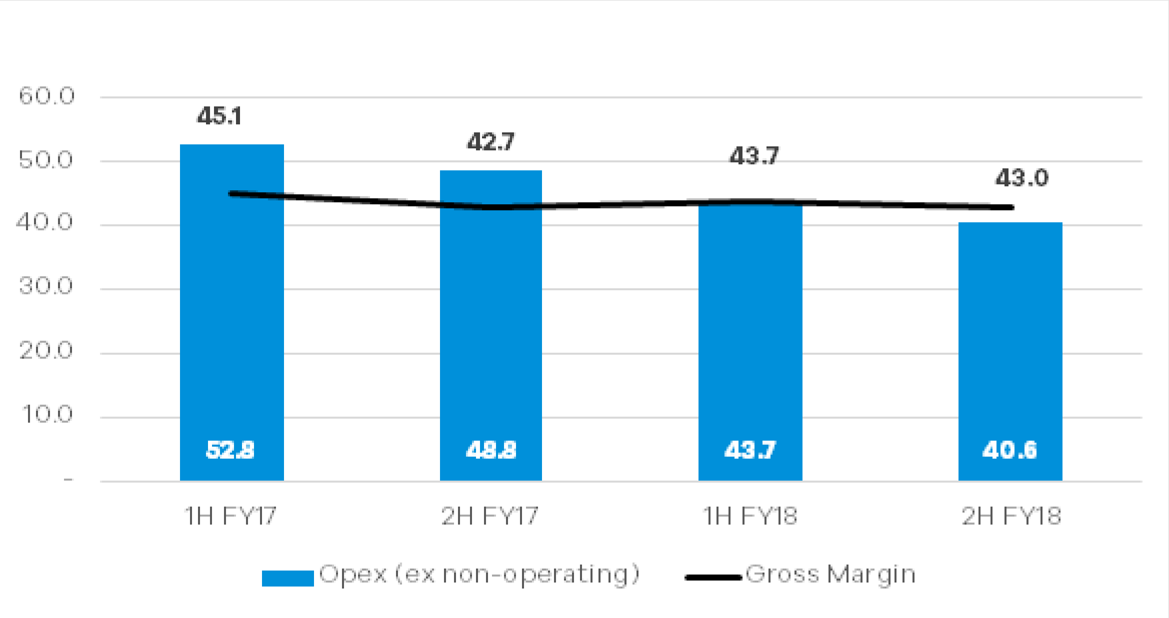
A$ million	2H FY18	1H FY18	2H FY17	1H FY17
Revenue	135.6	136.2	140.8	157.3
Gross Margin	43.0	43.7	42.7	45.1
Gross Margin %	31.7%	32.1%	30.3%	28.6%
Other income	0.3	0.6	0.4	12.7
Operating Expenses (excluding non-operating expenses)	(40.6)	(43.7)	(48.8)	(52.8)
EBITDA	5.8	3.6	(2.1)	8.4
Non-operating costs	0.2	(0.2)	(1.1)	(2.9)
Interest & Tax	(1.6)	(1.2)	(1.4)	(1.8)
(Loss) / profit for the period	1.1	(0.7)	(8.1)	0.2

Revenue decline from H1 FY17 reflects the exit from NBN satellite installations and lower Antenna sales due to the competitive Pay TV market in AU and NZ

Other Income in FY17 included $12.4m from the exit of Hills Home Living (HHL)”

EBITDA in FY18 supported by continued expense reductions with gross margin levels flat

Expenses aligned to business size



Gross margin have stabilised despite the revenue headwinds noted earlier

Operating expenses continue to decline half on half as we realign to current sales and margin levels. 2H FY18 saw a return to gross margin exceeding operating expenses

Gross margin growth expected from the new ecommerce platform, recent vendor wins and reinvigorated sales team whilst focus remains on managing expenses

Expenses down $21.2m

A$ million	FY18	FY17	Chg $	Chg %
Labour and related expenses	(54.0)	(68.4)	-14.4	-21.0%
Operational and equipment expenses	(7.2)	(7.9)	-0.7	-8.9%
Property expenses	(7.7)	(7.9)	-0.2	-2.0%
Other expenses	(8.9)	(10.4)	-1.5	-14.2%
Operating expenses (excluding non-operating expenses)	**(77.8)**	**(94.5)**	-16.7	-17.7%
Depreciation and amortisation	(6.5)	(7.1)	-0.6	-7.8%
Total operating expenses	**(84.3)**	**(101.6)**	-17.3	-17.0%
Non-operating costs	(0.1)	(4.0)	-3.9	-98.3%
Total expenses	**(84.4)**	**(105.6)**	-21.2	-20.1%

Labour and related costs declined a further $14.4m in FY18 due to additional headcount reductions made, reduced resources for NBN following exit from Satellite installations and transition away from 3rd party logistics provider

Property expenses slight decline as Hills exited a number of properties. Includes the additional costs for the Seven Hills, NSW facility with cost savings achieved in Labour and Related

Operational, equipment and other expenses all down on prior year as cost controls remain in place

Non-operating costs in FY17 relate to the terminated Lincor transaction and costs incurred following further headcount reductions

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Net debt down $3.1m

A$ million	Jun 2018	Jun 2017
Trade and other receivables	59.7	59.5
Inventories	44.0	46.5
Other current assets (excluding cash)	0.1	0.2
Current assets (excluding cash)	**103.8**	**106.2**
Property, plant and equipment	14.9	16.6
Intangible assets	6.3	2.6
Deferred tax assets	11.1	10.9
Other non-current assets	0.0	0.0
Non-current assets	**32.3**	**30.1**
Trade and other payables	47.7	40.3
Provisions	10.1	14.8
Other liabilities	-	0.3
Liabilities (excluding borrowings)	**57.9**	**55.3**
Net debt	**16.9**	**20.0**
Total equity	**61.3**	**60.9**
Debt to equity ratio	21.6%	24.7%

Trade and other receivables flat on prior year

Inventory declined during the second half with benefits from the new Seven Hills, NSW facility as well as disciplined inventory management plans implemented

Deferred tax assets – does not include recognition of tax benefit on available tax losses

Trade and other payables reflects the impact of creditor payment timings

Net debt down to $16.9m from $20.0m with gearing ratios also improving down to 21.6%

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Operating Cashflow up $12.8m

A$ million	FY18	FY17
(Loss) / profit after tax	0.4	(7.9)
Add back: non-cash items	7.0	0.7
Decrease in restructure provision	(2.4)	(1.2)
Increase in non-trade working capital	(2.6)	(2.6)
Decrease in trade net working capital	9.6	10.2
Net cash flow from operating activities	**12.0**	**(0.8)**
Capex - PPE	(1.2)	(1.5)
Capex - Intangibles	(5.2)	(2.2)
Proceeds from disposal of PPE	0.2	6.7
Net cash flow from investing activities	**(6.2)**	**2.9**
Proceeds from / (repayment of) borrowings	1.5	2.5
Net cash flows from financing activities	**1.5**	**2.5**
Change in cash balance	**7.2**	**4.6**

Cash inflow from operating activities up $12.8m on prior year on stronger NPAT performance and continued net working capital reductions

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

Intangible assets capex includes the investment in R&D and the e-commerce site launched in H2

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