



**HILLS.**<sup>TM</sup>

David Lenz  
CEO & Managing  
Director

# Agenda

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- Introduction to Hills Company Overview
- Company Performance Update
  - 1H FY19 Results Summary
  - 1H FY19 Business Metrics review
- Health Solutions
- Security Surveillance & Information Technology
- Audio Visual
- FY19 Business Initiatives
- 1H FY19 Financial Results



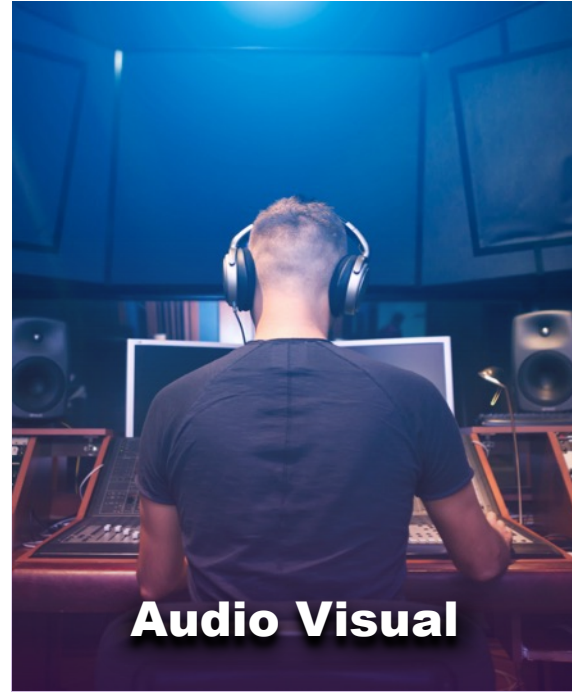
# HILLS<sup>TM</sup>.

## 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.



# Hills Business







# HILLS<sup>TM</sup>

Company Performance  
Update

# 1H FY19 Financial Results Summary

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- NPAT increased \$1.0m over prior year
- EBITDA of \$5.1m, a 41.7% improvement
- Revenue declined primarily due to changes to the AV vendor portfolio and challenges within the small to medium business (SMB) sector of our security and surveillance business
- Expenses (excluding one-offs) down \$3.1m or 7.1% from 1H FY18 \$43.7m to \$40.6m
- Net debt up \$5.5m from 30 June 2018 to \$22.4m
- Cash flow from operating activities was an outflow of \$1.2m in the period
- Inventory increased \$5.6m from FY18 and reflects investment in new brands and timing on key projects in H2 FY19



# Key FY19 Business Metrics

## INVENTORY & DEBT MANAGEMENT

- Inventory up \$5.6m including funding investments in new brands
- Net Debt at 31 Dec 2018 was \$22.4m, up from \$16.9m at 30 June 2018



## DELIVER PROFITABILITY

- Delivered a profit in the 1H of \$0.2m, up \$1.0m on prior year



## OPEX MANAGEMENT

- Expenses down \$3.1m or 7.1% from 1H FY18 \$43.7m to \$40.6m
- Continue to focus on OPEX optimisation



## CUSTOMER, VENDOR & EMPLOYEE MANAGEMENT

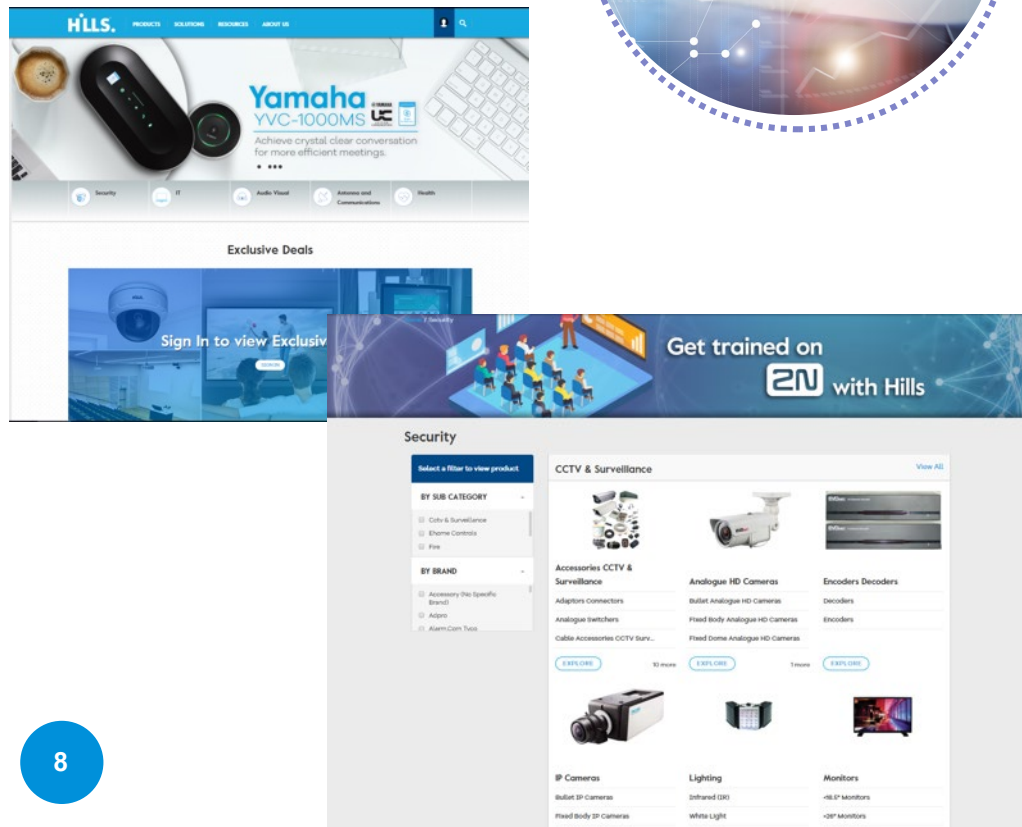
- Continue to drive e-commerce platform adoption.
- Delivering a fundamental shift in our customer service levels
  - Establishment of a customer council program
- Continuous improvement in Vendor Management



# Digital platform – Update

## DIGITAL PROJECT

Deliver online platform  
for future growth



- Total number of product items published exceeds 7,200
- Targeting to have 10,600 products published by the end of March 2019
- Over 3,800 customers registered on line
- Targeting to have over 5,500 customers online by 30 June 2019
- We continue to develop the eCommerce and PIM platforms to further enhance the customer and supplier experience.





**HILLS**<sup>TM</sup> health  
solutions



## Nurse Call



Health Business revenue grew 25.7% in 1H

### Key Nurse Call wins 1H FY18:

- Westmead Hospital Stage 2, NSW
- Alfred Health retrofit, Victoria
- Sunshine Hospital retrofit, Victoria
- Prince of Wales Private Hospital, NSW
- Blakiston Lodge, Barwon Health Victoria

### New Interactive Patient Engagement Solutions being installed:

- Calvary Adelaide Hospital, SA
- Northern Health Victoria and
- Prince of Wales Private Hospital, NSW.

### eHealth NSW Hospital Wi-Fi

- Extended to 7 sites with further proof of concepts currently being undertaken to expand to other sites.

### Margin Quality Increased in 1H over prior year

## Patient Engagement





# R&D Initiatives

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- **Currently Launching IP7500**

- Refreshed version of our core Nurse Call platform with hardware and firmware updates. Formal release to market at Health Week March 2019

- **Refresh Primary Nurse Call Client and Technician Software**

- To compliment IP7500, scoping a possible rewrite to fully modernise the User and Technician software packages. Approx. 9-12 month project

- **Staff Terminal**

- Stage 1 Bed Card was soft launched recently in Victoria at Joan Kirner Women's and Childrens Hospital. The Staff Terminal stage will increase functionality beyond anything else on the market presently. Formal release to market at Health Week March 2019

- **Enterprise Reporting**

- Nurse Call reporting at a multifacility / Health Group level, rather than individual campus. Due April 2019

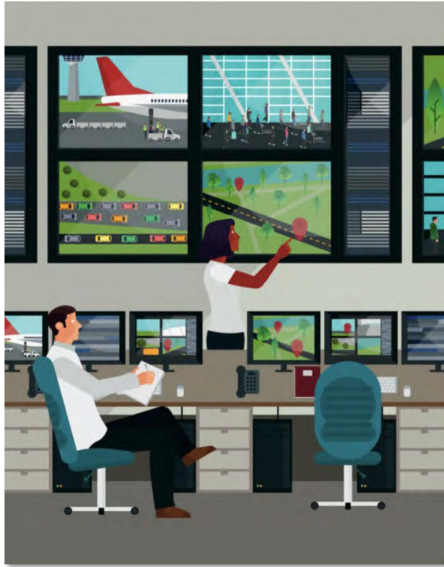


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**Security Surveillance &  
Information Technology**



# Genetec Security Solution



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## Key Wins:

- supply of Axis CCTV products into a major correctional facility
- roll-out of transportation solutions in conjunction with Transurban
- ongoing rollout of CCTV across regional and metro rail stations with Indra for Sydney Trains
- delivery of a Genetec solution for law enforcement

- GENETEC revenue grew 41 % in 1H FY19
- Launched into Parking vertical
- Looking to position Privacy Protector into Aged Care Market

## Genetec Privacy Protector



# Information Technology

## Software & Services



Workflow Composer

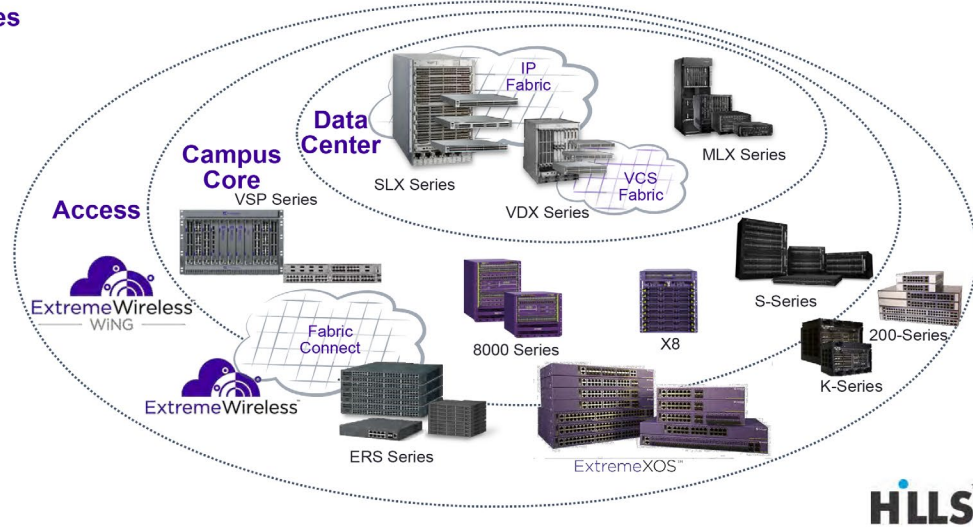


Extreme Management Center



ExtremeCloud

**100%**  
Insourced Services  
& Support



- IT revenue grew 6% in 1H FY19
- Ruckus revenue grew 53% in 1H FY19
- Extreme Networks revenue grew 11% in 1H FY19

- Axis revenue grew 20% in 1H FY19
- Continue to be largest distributor across ANZ







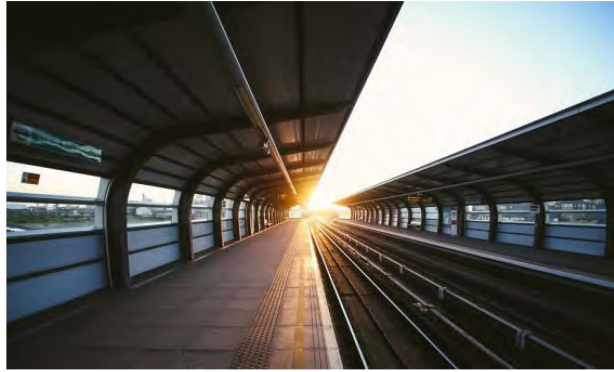
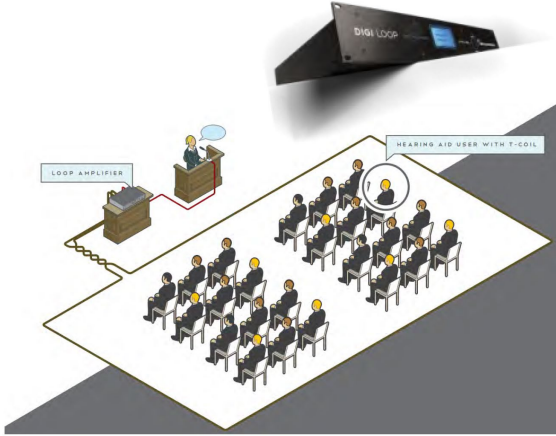
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Audio Visual



# Williams Sound



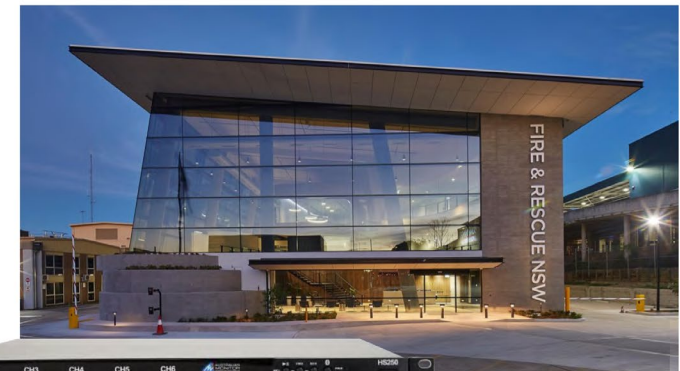
- Williams Sound revenue grew 9.2 % in 1H FY19
- Hills awarded 'Global Distribution Partner of the year'.

- Australian Monitor revenue grew 9.3 % in 1H FY19
- International revenue also grew 9.1%
- Continued R&D Investment with new products launched at ISE in Amsterdam

## Key Win:

- NSW Fire & Rescue: 335 Fire Stations across NSW

# Australian Monitor



## Community Professional Speakers



- Community revenue grew 88.3 % in 1H FY19
- Continue to win major projects

- Signed Chiayo as our new vendor in portable sound systems
- Product available from February 2019
- Complementary to Australian Monitor product line

## Chiayo





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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 & life safety systems
  - High powered amplifiers
  - Commercial audio DSP & networked audio solutions
- Further brand expansion planned in 2H 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

# **1H FY19 Financial Results**

**we are HILLS.**



# NPAT up \$1m

A\$ million	1H FY19	1H FY18	Chg \$	Chg %
<b>Revenue</b>	<b>132.3</b>	<b>136.2</b>	<b>-3.9</b>	<b>-2.9%</b>
Gross Margin	42.0	43.7	-1.7	-4.0%
Gross Margin %	31.7%	32.1%		-0.4%
Other income	0.4	0.6	-0.3	-41.5%
<b>Operating Expenses</b> (excluding non-operating expenses)	<b>(40.6)</b>	<b>(43.7)</b>	<b>-3.1</b>	<b>-7.1%</b>
EBITDA	5.1	3.6	+1.5	+42.3%
Non-operating costs	-	(0.2)	-0.2	-100.0%
Interest & Tax	(1.5)	(1.2)	+0.3	+26.4%
<b>Net Profit / (Loss) after Tax</b>	<b>0.2</b>	<b>(0.7)</b>	<b>+1.0</b>	<b>+132.4%</b>

**Revenue** declined primarily due to changes to the AV vendor portfolio and challenges within the small to medium business (SMB) sector of our security and surveillance business

**Gross margin %** was down slightly by 0.4% percentage points leaving gross margin \$ down \$1.7m.

**Operating expenses** down \$3.1m with the key driver being Labour and related costs.

**Statutory NPAT** achieved of \$0.2m up \$1m on 1H FY18.

# Operating Expenses down \$3.1m

A\$ million	1H FY19	1H FY18	Chg \$	Chg %
Labour and related expenses	(25.5)	(28.5)	-2.9	-10.3%
Operational and equipment expenses	(3.3)	(3.7)	-0.4	-11.7%
Property expenses	(4.0)	(3.6)	+0.3	+8.9%
Other expenses	(4.5)	(4.5)	-0.0	-1.0%
<b>Operating expenses (excluding non-operating expenses)</b>	<b>(37.3)</b>	<b>(40.4)</b>	<b>-3.1</b>	<b>-7.7%</b>
Depreciation and amortisation	(3.3)	(3.3)	+0.0	+0.5%
<b>Total operating expenses</b>	<b>(40.6)</b>	<b>(43.7)</b>	<b>-3.1</b>	<b>-7.1%</b>
Non-operating costs	-	(0.2)	-0.2	-100.0%
<b>Total expenses</b>	<b>(40.6)</b>	<b>(43.9)</b>	<b>-3.3</b>	<b>-7.6%</b>

**Labour and related costs** declined a further \$2.9m in 1H FY19 due to reduced contractor costs, bonuses and commissions, and salary and wages, and transition away from 3<sup>rd</sup> party logistics model.

**Property expenses up** 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 expenses; and freight.

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



# Net debt

A\$ million	Dec 2018	Jun 2018
Trade and other receivables	58.5	59.7
Inventories	49.7	44.0
Other current assets (excluding cash)	-	0.1
<b>Current assets (excluding cash)</b>	<b>108.2</b>	<b>103.8</b>
Property, plant and equipment	15.4	14.9
Intangible assets	7.0	6.3
Deferred tax assets	11.1	11.1
Other non-current assets	0.0	0.0
<b>Non-current assets</b>	<b>33.5</b>	<b>32.3</b>
Trade and other payables	48.3	47.7
Provisions	9.4	10.1
Other liabilities	0.1	-
<b>Liabilities (excluding borrowings)</b>	<b>57.9</b>	<b>57.9</b>
<b>Net debt</b>	<b>22.4</b>	<b>16.9</b>
<b>Total equity</b>	<b>61.4</b>	<b>61.3</b>
Debt to equity ratio	26.8%	21.6%

**Trade and other receivables** reduced due to more structured collection processes.

**Inventory** increase driven by stock holdings of Dahua, UTC, Extreme, Samsung and Genetec. It is a management focus area to bring the stock levels back down.

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

**Trade and other payables** reflects the impact of similar creditor payment timings and half year ends.

**Net debt** up to \$22.4m from \$16.9m with gearing ratios also up to 26.8%. DLL balance moved from \$2.0m at June 2018 to \$3.1m at December 2018.

# Operating Cashflow

A\$ million	1H FY19	1H FY18
Profit / (Loss) after tax	0.2	(0.7)
Add back: non-cash items	3.0	3.2
Decrease in restructure provision	(0.5)	(2.0)
Increase in non-trade working capital	0.0	(2.1)
(Increase)/ Decrease in trade working capital	(4.0)	9.7
<b>Net cash flow from operating activities</b>	<b>(1.2)</b>	<b>8.1</b>
Capex - PPE	(1.2)	(1.4)
Capex - Intangibles	(1.8)	(1.7)
Proceeds from disposal of PPE	0.0	0.1
<b>Net cash flow from investing activities</b>	<b>(3.0)</b>	<b>(3.1)</b>
Proceeds from / (repayment of) borrowings	1.2	(5.4)
<b>Net cash flows from financing activities</b>	<b>1.2</b>	<b>(5.4)</b>
<b>Change in cash balance</b>	<b>(3.0)</b>	<b>(0.4)</b>

**Cash inflow from operating activities** was an outflow of \$1.2m versus \$8.1 inflow in the prior year

**Non-Trade Working capital** reduction reflects reductions in employee leave balances and general provision reductions

**Trade Working capital** outflow reflects funding for inventory investments in new brands and key projects due for delivery in H2 FY19

**Intangible assets capex** includes the investment in R&D and the e-commerce site launched in H1.

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