HILLS.™

Annual General Meeting

David Clarke

CEO Presentation

24 November 2021

CEO Presentation

- Who are Hills?

- Board and Executive Renewal

- Operating Environment – COVID-19

- FY21 Financial Results

- 1H FY22 Areas of Focus

- Hills Health Solutions – Strategic Direction

- Capital Raising – Increase in Issue Capacity

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24 November 2021

HILLS Health Solutions

Revenue $34m

Digital messaging, workflow and patient engagement solutions in hospital and aged care

- ➢ Advanced Nurse call and workflow management solutions
- ➢ Hospital Wifi networks
- ➢ Patient entertainment, engagement and digitally connected clinical systems
- ➢ Pre-admission and post-discharge management
- ➢ Market leadership position | Australian design and manufacture

HILLS Security and IT Distribution

Revenue $133.7m

Market leader in import and distribution of security solutions

- ➢ Portfolio of global leading, complementary brands
- ➢ Video systems, surveillance, access control, intrusion protection, WiFi, firewalls
- ➢ Focus on commercial / infrastructure / government / transport
- ➢ National network

HILLS Technical Services

Revenue $12.5m

Technology installation services

- ➢ Sources and manages 350+ contract technicians
- ➢ Installations in residential and commercial settings
- ➢ Telecommunications, broadcast and infrastructure focused
- ➢ Proprietary systems support high standards of SLA adherence

Our Team - Board and Executive Renewal

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David Chambers

Non-executive director
Appointed 8 July 2020

Chairman **1 July 2021**

Janet Muir

Non-executive director
18 October 2021

Natalie Scott
Chief Financial Officer

March 2021

David Clarke
Chief Executive Officer

May 2021

Janine King
Chief People & Culture Officer

July 2021

Ken Dwyer

Non-executive director
20 September 2016

Peter Steel

Non-executive director
31 March 2021

Feargal O'Farrell
General Manager, Sales & Operations - Health Solutions
Appointed November 2021

Peter Parslow
General Manager, Product, and Research & Development – Health Solutions
Appointed July 2021

Mark Rainbird
Interim Executive, Strategy & Operations - Security & IT Distribution
Appointed November 2021

Operating Environment – COVID-19

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Trading constraints

- Significant revenues exposed to construction activity
- Risk usually diversified across mix of commercial, infrastructure, government, and health sectors
- Limits on all construction constrained activity in every sector simultaneously
- Labour shortages delayed project completion

- Constraints within hospital and aged care sectors included:
  - Lack of access to facilities
  - Deferral of elective surgery reducing patient volumes
  - Pre-occupation with COVID response deferred longer-term decision making

Impact

- Delayed projects defers billable revenue
- Complexity in inventory management places pressure on working capital
- Uncertainty in product delivery with extreme lead times stalls buying decisions
- Soaring shipping costs puts pressure on margin
- Backlog of project orderbook increases to 2-4 times usual levels

Supply chain constraints

- Global semiconductor shortages restricts product availability, stretches delivery timeframes and increases price
- Transportation disruption at ports and within shipping lines delay shipments
- Significant increases freight costs
- Lack of key building supplies in Australia disrupts construction recovery

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➢ **Health underlying EBITDA ↑ 33% to $9.7m**

➢ **Health revenue ↑ 1% to $34m**

➢ **Distribution EBITDA ↓ 16% to $6.2m[1]**

➢ **Distribution revenue ↓ 11% to $146.2m[1]**

➢ **Underlying segment EBITDA ↓ 6% to $12m[2]**

➢ **Statutory loss $10.2m**

➢ **Working capital release ↓ $5.5m**

[1] Movements from FY20 results excludes divested businesses
[2] Underlying segment EBITDA exclude non-operating and abnormal items, and divested businesses which occurred in FY20

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People

- ➤ **Strengthened executive team:**
  - • Chief Executive Officer | Chief Financial Officer | Chief People and Culture Officer
  - • Other key operational appointments
- ➤ **Performance management process aligned to business objectives with appropriate review**
- ➤ **People focus - Diversity | Communication | Development**
- ➤ **Core values - Trust | Accountability | Teamwork**

Governance

- ➤ **Revision of treasury policies to strengthen governance and manage FX exposures**
- ➤ **Thorough review of financial and inventory procedures to strengthen financial governance and reporting**
- ➤ **Revision of delegations, authorities, and processes to improve internal controls and accountability**

COVID-19 Vaccination Policy

- ➤ **Vaccination is a personal choice**
- ➤ **Encourage vaccination | Ensure compliance with health orders**
- ➤ **Engage with unvaccinated employees prevented from working due to health orders**

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Building on existing expertise in security and IT and strong base of vendors, customers and national networks

➢ **Team**
- Interim executive appointed to lead grassroots review / organisational change in Australia

➢ **Revenue Performance**
- Drive lift in sales and 'share of wallet'
- Effective marketing for demand generation
- Support with efficiency in systems, processes, structure

➢ **Margin Performance**
- Strengthened through pricing, purchasing and value contribution

➢ **Inventory Performance**
- Focus on availability and sell-through
- Revised inventory purchasing practices to manage supply chain, optimise working capital and reduce wastage

➢ **Supplier**
- Re-negotiated with key suppliers – focus on partnerships

➢ **Cost Management**
- Greater scrutiny and control over all cost areas

➢ **New Zealand**
- Closure of loss-making NZ Security Distribution operations

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Focus on diversification

**Developing opportunities utilising existing capability and technology**

➤ Executed plan to further penetrate existing markets in NBN installation

➤ Developing strategic pathways to utilise existing capabilities in adjacent and new markets in Australia and New Zealand - to diversify from reliance on NBN

➤ Merged Australian and New Zealand Technical Services businesses to incorporate Sky NZ contract

➤ Entered contract in Australia and New Zealand to provide installation services to Powertec

➤ Shutdown non-core business activities

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Capture the digital health opportunity, to grow organically and inorganically, building on the installed base in acute and aged care

➢ **Team**
- Strengthened capability with establishment of GM Sales & Operations, and GM Product, Research & Development

➢ **Strategy**
- Developing longer term strategy, building on foundations of the 2020 Deloitte/Paxton review
- Continued focus on creating an ecosystem of partners including the clinical workflow focused GetWell network, facility messaging systems, and EMR integrations

➢ **Product**
- Re-platformed Nurse call workflow software onto cloud capable architecture
- Upgraded two-way voice capability onto the patient handset

➢ **Roadmap**
- Established clear two-year product development plan; future proofing existing products, introducing complementary features and technologies

- ➤ Enhanced or new recurring streams from upgraded technology

- ➤ More integrated workflow with voice & messaging features

- ➤ Greater leverage of system architecture and IP network capability

- ➤ Broader application of AI, sensor technology and computer vision

- ➤ Simplified installation and maintenance

- ➤ Expanded security, system monitoring and redundancy

- ➤ Broadening partnerships for a digitally integrated ecosystem
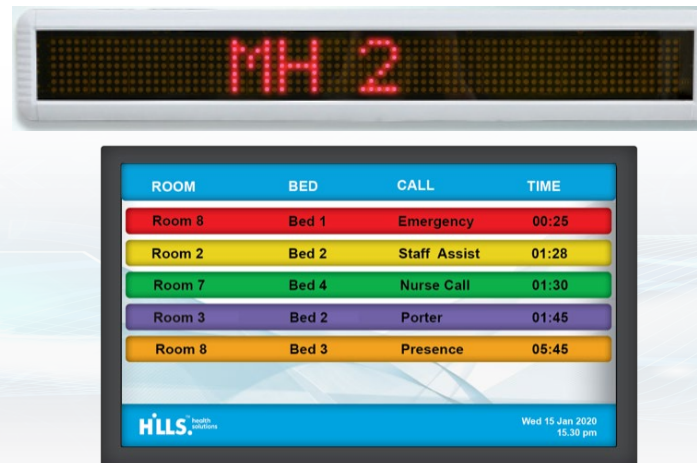
COVID-19 - Driving Digital Health Innovation

➢ Increased demand for coordinated care with a digitally connected health ecosystem

➢ Lifted patient expectation of access to medical records and health-related information - anywhere, any time

➢ Drive need for virtual consultations and messaging technology - with need for access to and documenting of care plans

➢ Normalised acceptance of shared information

➢ Accelerated development cycle for technology
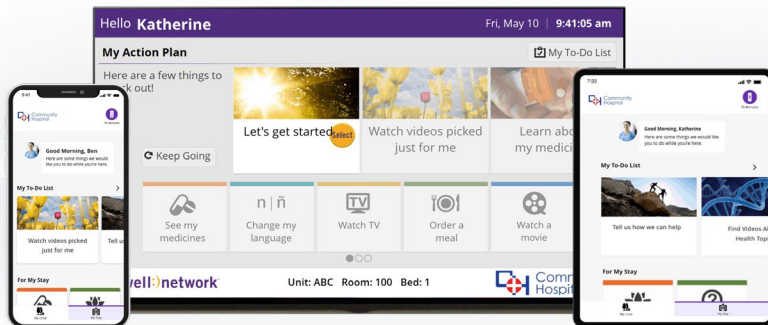
Health Strategic Imperatives

➢ Focus on digital health in aged care, acute care and community care settings, including disability and mental health

➢ Participate in digitisation of clinical messaging, health record interoperability, and virtual care

➢ Leverage existing capabilities in acute and aged care installed user base and established relationships

➢ Strengthen leadership, technology and commercial capabilities

➢ Undertake targeted, related acquisitions & partnerships

Hills Health Solutions – New Acquisition

➤ Acquisition of 70% of Extensia Pty Ltd in November 2021

➤ Extensia's RecordPoint cloud software creates and delivers a permission-based, individual-centric, Community Health Record

➤ Enables structured and curated medical and other data to be updated at the point of care, and shared within individual's trusted ecosystem of care, on demand and in real time

➤ Links primary care with other venues of care, including hospitals

➤ In clinical trials focused on management and coordination of care in remote, rural, and indigenous care settings, disability care, aged care and chronic disease management

➤ Successfully delivered co-ordinated care projects in QLD, WA, and NSW

➤ Improves care quality, patient outcomes and reduces health system delivery cost

➤ Proven platform, at embryonic stage of commercialisation

➢ Fund revenue growth in Health through investment in people and technology

➢ Accelerate Health product and market development

➢ Enable smaller adjacent Health acquisitions

➢ Support performance improvement in Security and IT Distribution