

# ASX announcement Media Release



**29 July 2022**

Companies Announcement Office  
ASX Limited  
Level 6, 20 Bridge Street  
Sydney NSW 2000

## June Quarter 2022 – Company Update

Hills Limited (ASX:HIL) (**Hills**) provides its quarterly activities report for 4Q FY22, along with the Company's Appendix 4C quarterly cash flow report for the period ended 30 June 2022.

### 4Q FY22 highlights

- Strong growth in Health project orders despite COVID-19 suppressing revenue – lifted closing order book by 13% on prior year
- Higher hospital occupancy resulted in revenue from patient engagement recovering in late 4Q FY22
- Clear skies drove recovery in Technical Services as rain and floods disruption abates
- Divestment of Security and IT Distribution business successfully concluded
- Corporate restructure following divestment reduces future cost base
- Debt significantly reduced from \$20 million to \$2.3 million
- Refinancing activity well progressed

### Business activities update

The 4Q FY22 has seen a recovery in revenue activity across the two main operating businesses, Hills Health Solutions and Hills Technical Services.

The Technical Services business must limit its roof-top installation operations in wet weather. The frequency and geographic spread of wet weather events in 2H FY22, and the focus on recovering flood-affected communities, has impacted results in 3Q and 4Q FY22. Nonetheless, with improved weather conditions, the business saw a recovery in revenue during June 2022 that is expected to carry into 1Q FY23 and beyond.

The Health Solutions business was significantly impacted by COVID-19 related restrictions in acute hospital care and aged care environments in Australia, and workforce availability during the COVID-19 infection surge in late 3Q and 4Q FY22. This has suppressed revenue that is based on hospital occupancy and, due to the inability to access sites, has delayed revenue from installation activity.

As restrictions have eased, revenues have started to recover, and whilst installation activity itself has been difficult, orders received during FY22 have risen approximately 13% on the prior year. The June 2022 closing order book is four times that of June 2021, setting a foundation for a strengthened FY23.

## **Divestment Completion**

Hills completed the divestment of the Security and IT Distribution business in May 2022. With all key conditions met, the sale completed on May 2 and included a cash consideration of \$19.35 million. The transaction was structured as a partial net asset sale under which Hills remained responsible for the collection of receivables and payment of suppliers relating to the business. Finalisation of the settlement price was completed in June 2022, with a further \$1.92 million paid to Hills, reflecting changes in inventory balances in the week of settlement.

## **Corporate restructure**

Following the divestment of the Distribution business in 4Q22, Hills has undertaken a restructure of its remaining corporate organisation. This has seen a significant reduction in in-direct staff and other costs that will benefit future periods. Hills' property footprint has also significantly reduced with fewer premises now in use across Australia and New Zealand.

## **Quarterly cash flow and cash position**

As at 30 June 2022, the Company had a reported cash position of \$6.5 million.

The Company focused on deploying its cash reserves in the most effective manner for:

- the refurbishment of deployed assets; *and*
- the settlement of payables relating to the divested business.

Debt held by the Company has reduced by approximately 90% due to the disposal of the Security and IT Distribution business. New financing facilities are underway to replace the current borrowing base facility provided by the Commonwealth Bank of Australia that was secured against mostly Distribution-related receivables and inventory balances.

Operating cash flow for the year was \$1 million. Operating cash outflow in Q4 FY22 includes payments of \$1.5 million for legal fees and other costs relating to legacy legal matters.

As we move into FY23, Hills' focus is on improving business performance and pursuing growth opportunities that build upon and complement our established technical field services operations and our strong presence in the health technology sector.

For and on behalf of Hills Limited

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

### **About Hills**

Hills (ASX:HIL) is a majority Australian-owned company that designs, develops, distributes, installs and manages integrated health and other technology solutions in homes, hospitals, aged care facilities, health and other settings across Australia and New Zealand. [www.hills.com.au](http://www.hills.com.au).

### **Contacts**

David Clarke  
Chief Executive Officer  
+61 2 9216 5510  
[investors@hills.com.au](mailto:investors@hills.com.au)

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

HILLS LIMITED

**ABN**

35 007 573 417

**Quarter ended ("current quarter")**

30 June 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	36,872,930	168,349,447
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(27,483,036)	(137,178,884)
(c) advertising and marketing		
(d) leased assets		
(e) staff costs	(9,264,000)	(29,709,000)
(f) administration and corporate costs		
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(534,948)	(1,410,295)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		948,000
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(409,054)</b>	<b>999,268</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		(700)
(c) property, plant and equipment	(419,346)	(1,261,943)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses	21,266,870	21,266,870
	(c) property, plant and equipment	153,280	154,467
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>21,000,804</b>	<b>20,158,694</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings	2,000,000	3,437,414
3.6	Repayment of borrowings	(18,552,622)	(20,542,510)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)	(1,084,491)	(4,532,058)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(17,637,113)</b>	<b>(21,637,154)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	3,375,616	6,834,720
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(409,054)	999,268
4.3	Net cash from / (used in) investing activities (item 2.6 above)	21,000,804	20,158,694

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(17,637,113)	(21,637,154)
4.5	Effect of movement in exchange rates on cash held	128,704	103,429
4.6	<b>Cash and cash equivalents at end of period</b>	<b>6,458,957</b>	<b>6,458,957</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	6,458,957	3,375,616
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>6,458,957</b>	<b>3,375,616</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	-
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	2,300,000	2,300,000
7.2	Credit standby arrangements		
7.3	Other (Asset financing)	915,000	915,000
7.3	Other (Bank guarantees)	1,400,000	1,400,000
7.4	<b>Total financing facilities</b>	<b>4,615,000</b>	<b>4,615,000</b>
7.5	<b>Unused financing facilities available at quarter end</b>		-
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>Commonwealth Bank of Australia borrowing base bilateral facility of \$2.3 million secured against receivables and inventory. Agreement with CBA facilities expire on 30 September 2022. New financing facilities are in the process of being secured.</p> <p>Asset financing is Chattel Mortgage Agreements with DLL for the provision of finance for the supply and installation of equipment at hospitals in the Hills Health Solutions business.</p> <p>Bank Guarantee Facility Agreement with CBA and with a limit of \$1.4 million. An issuance fee is payable in respect of bank guarantees issued.</p>		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	999,268
8.2	Cash and cash equivalents at quarter end (item 4.6)	6,458,957
8.3	Unused finance facilities available at quarter end (item 7.5)	
8.4	Total available funding (item 8.2 + item 8.3)	6,458,957
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	6.46
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: NA	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: NA	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: NA

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 July 2022

Authorised by: the Board of Hills Limited  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.