

31 August 2022

Hills' Preliminary unaudited FY22 results

Hills Limited (**ASX:HIL**) releases its preliminary unaudited results for the year ending 30 June 2022.

A\$ million	FY22	FY21	Change %
Revenue	47.3	49.3	4.0%
EBITDA	2.1	6.2	(66.4%)
Depreciation & Amortisation	(3.9)	(4.4)	(10.9%)
Non-operating items	(3.0)	(5.1)	(42.3%)
Tax expense	(1.9)	0.4	na
Interest	(1.7)	(2.3)	(26.9%)
Loss after tax from continuing operations	(8.3)	(5.2)	58.4%
Loss from discontinued operation (net of tax)	(15.6)	(5.1)	208.5%
Total loss for the year	(24.0)	(10.2)	132.1%
Operating cashflow	2.2	1.2	(80.6%)
Net Cash / (Debt)	3.2	(13.2)	na

FY22 Results Overview

- Statutory net loss after tax of \$24.0 million comprised:
 - Net loss before tax and funding costs of \$4.8 million relating to continuing businesses, including \$3.1 million of legal costs.
 - Net funding costs of \$1.7 million representing the full-year cost of the higher funding requirements of the Hills business prior to the divestment of discontinued operations.
 - Non-cash tax expense of \$1.9 million caused by the reversal of tax-related timing differences for continuing businesses.
 - Net loss of \$15.6 million relating to the discontinued operations.
- Completed divestment of the Security and IT Distribution business in Australia for \$21.3 million, representing a profit of \$1.0 million on divestment, and closed the distribution operations in New Zealand.
- Focus on cost control, capital management and divestment of the Security and IT Distribution business delivered a \$16.4 million reduction in net debt, resulting in a \$3.2 million cash surplus.

The COVID-19 pandemic continued to adversely impact the Company's operations and created a high level of uncertainty in FY22. Hills' net loss for the period reflects the underlying difficult trading conditions, as well as the significant changes the business undertook during the year, including the divestment of the Australian Security and IT Distribution division and the closure of the New Zealand distribution business.

The Health division delivered underlying EBITDA of \$3.8 million, reflecting lower revenue and higher costs versus the prior year, and a \$0.9m reduction in the COVID-related government labour subsidy.

The impact of COVID-19 was considerable and had a dampening effect on several aspects of the business including restricted access to healthcare facilities and deferral of construction activities. Further, supply chain disruptions across the economy restricted access to essential components and spare parts, and increased input costs.

Despite this, Hills focused on retaining key skills and capabilities and delivered a 13% increase in orders during FY22 that included strategic wins at ACT Health, Westmead, Calvary, Sunshine Coast and Churches of Christ, together with the extension of the Guest Wi-Fi contract with eHealth NSW.

In May 2022, Hills divested its Security and IT Distribution division for a final cash consideration of \$21.3 million. Hills made a \$1.0 million profit on the divestment.

The divestment followed the exit in the first half of FY22 from the loss-making New Zealand security distribution operation. Hills has retained its Health and Hills Technical Services (HTS) businesses.

A focus on cash management coupled with the divestment of the Security and IT Distribution business enabled Hills to remove net debt of \$13.2 million and finish FY22 with a cash surplus of \$3.2 million.

Hills Chief Executive Officer David Clarke said: "Operating conditions remained challenging in the year with the impacts of COVID-19 felt across all businesses.

"Despite the volatile operating environment that deferred revenue-generating activities, our focus remains on pursuing diversification of the Technical Services business' customer base and executing on our health technology business strategy.

"The various transactions completed in FY22 cleared the way for Hills to focus on the restructure and modernisation of the remaining businesses and pursue our growth ambitions in the health technology sector. The restructuring and modernisation of the Company remains ongoing as we adapt and remain agile to effectively compete in the fast-moving health-tech domain."

Outlook

Hills remains focused on execution of its Health strategy, expanding the HTS operations and improving performance across its businesses. Hills is confident that the new approaches being adopted will deliver sustained revenue and earnings growth.

However, delays and catch-up in construction and supply chain issues due to COVID-related restrictions will likely continue to have a negative impact on first-half FY23 trading for the Health division. Revenue recognition for health projects remains reliant on construction activity and investment to drive the refurbishment and construction of new and deferred hospital projects.

We are also closely managing component availability and cost, with, at times, significant component price and labour cost increases being experienced.

Notwithstanding the trading environment, the pipeline from delayed projects remains strong and underlying demand for our products is healthy.

In HTS, the demand for installation of wireless and satellite NBN services continues as COVID-19 driven demand is replaced with new technology replacement programs. The focus for HTS is the expansion of its existing business activities and growing its services beyond its current customer base.

Release of audited results is pending finalisation of the Company's refinancing arrangements, which are well advanced.

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 technology solutions in homes, hospitals, aged care facilities and other health settings across Australia and New Zealand. www.hills.com.au.

Contact

Hills Limited

David Clarke, Chief Executive Officer

+61 2 9216 5510

investors@hills.com.au