



# FY22 Results Investor Presentation

26 September 2022

# OUR BUSINESS



**Established leader in digital solutions in hospitals and aged care, with 17,000+ bed install base**

Offer proprietary Nurse Call, digital messaging, workflow, patient monitoring and engagement solutions:

- Advanced Nurse Call and workflow management solutions
- Patient entertainment and digitally connected clinical systems
- Hospital WiFi and telephony networks
- Pre-admission and post discharge management
- Dementia monitoring
- Cloud based community shared record



**Technology installation services for residential and commercial premises, particularly NBN in regional Australia and Sky TV in New Zealand**

- NBN regional wireless connections
- NBN remote satellite connections
- Sky NZ TV installations
- Emergency facilities wireless connections

## A NEW BUSINESS

New board

New executives

Re-structured corporate

Clear focus on health care technology

Legacy issues addressed

Divested/closed Security IT distribution in Australia and New Zealand

## STRONG FOUNDATIONS



- Established business
- Strong market leadership in hospitals
- Increasing presence in aged care

- Resilient sector
- Investment by governments
- Strong demand for services

- Positioned for organic growth
- Ready for related technology focused acquisitions



- Established business
- Strong customer relationships
- Technological barriers to entry

- Ongoing demand for NBN / broadband
- Sector investing in renewed technology

- Opportunities for growth in existing activities
- Potential to apply capability to broader markets

# OUR PLAN

	Stage 1 Divestment	Stage 2 Restructure and Recapitalise	Stage 3 Growth
Activity	<ul style="list-style-type: none"> <li>➤ Transition and divestment of Hills security and IT distribution division</li> </ul>	<ul style="list-style-type: none"> <li>➤ Internal re-organisation of Hills group</li> <li>➤ Investment in technology</li> </ul>	<ul style="list-style-type: none"> <li>➤ Build additional capability for organic growth across all businesses</li> <li>➤ Explore and invest in acquisitions and partnerships</li> </ul>
Purpose	<ul style="list-style-type: none"> <li>➤ Focus on health care technology sector</li> <li>➤ Simplify investment proposition for shareholders</li> </ul>	<ul style="list-style-type: none"> <li>➤ Simplify and reduce corporate and operational structure</li> <li>➤ Improve business performance</li> <li>➤ Fund restructure and pursuit of organic growth</li> </ul>	<ul style="list-style-type: none"> <li>➤ Drive additional sales through investment in marketing and commercial capacity and capability</li> <li>➤ Accelerate product development pipeline</li> <li>➤ Expand to adjacent markets and products</li> </ul>
Timing	<ul style="list-style-type: none"> <li>➤ Completed May/June 2022</li> </ul>	<ul style="list-style-type: none"> <li>➤ Re-organisation May 2022</li> <li>➤ Staged systems implementation from May 2022-June 2023</li> <li>➤ Capital raise Q2 FY23 (tbc)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Commenced Q4 FY22</li> </ul>



## OPERATIONAL HIGHLIGHTS - HEALTH

- Strong growth in Health project order book despite COVID-19 suppressing reported revenue. Order intake up 13% on prior year.
- Decline in underlying EBITDA to \$2.1m was predominantly driven by lower revenues impacted by COVID-19 delays and disruption, increased raw material costs due to global supply issues and higher operational costs as business retains and builds sales, marketing, and development capability.
- Secured over 75 Nurse Call deployment/expansion projects. Expanded our footprint in significant healthcare networks:
  - New Footscray Hospital
  - ACT Health
  - Alfred Health
  - Auckland DHB
  - Ramsay Health Care
  - Calvary Health Care
  - St John of God Health Care
- Deployed hybrid (part wired / part wireless) Nurse Call systems in Aged Care.
- Appointed long term, expert partner Opine Communications as master distributor in New Zealand.
- Developed next generation billing and provisioning platform for Patient TV Rental.
- Consortium established to bring technology to aged care, spearheaded by Extensia as the community record provider.



## OPERATIONAL HIGHLIGHTS – TECHNICAL SERVICES

- 45,000+ successful appointments completed including:
  - 25,000 installations
  - 12,000 assurance and maintenance appointment
  - 7,000 upgrading hardware
  - 1,000 satellite installations
- Additional projects:
  - Installation of back-up equipment to emergency evacuation centres
  - Working in the “high street” for continued NBN rollout
- Using 250+ skilled technicians across Australia and New Zealand on multiple technologies.
- Mobilisation of technician base into areas affected by extraordinary weather events including:
  - Maryborough, Gympie, Bundaberg – Queensland
  - Lismore, Woodburn, Richmond – New South Wales
  - Penrith, Maitland – New South Wales







# Strategic Outlook

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**Creating interconnected digital health solutions that support patient care, save lives, and are delivered with integrity.**

- Clear focus on digital health solutions in aged care, acute care and community care settings.
- World class communication and interconnectivity solutions.
- Timely provision of critical information to care teams, improve operational efficiencies for providers, and enhance the patient experience.
- Known for reliability, integrity and understanding of the people and markets we serve.





# RELEVANT TRENDS IN HEALTH CARE

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- Health systems under pressure to perform given unprecedented demand and scrutiny over practices, particularly in aged care.



- Technologies that support workflow and monitoring, reduce incremental costs and improve patient outcomes



- Technology enables interconnected, mobile and interoperability across care-settings



- Increased focus on performance, particularly in aged and disability care, requires systems that can monitor patients and staff, gather data and report



- Personalisation, increased expectations of care and access to information, personal consumerised health tracking and monitoring tools.



- Virtual care with support for devices as well as communications, allow access to community health records anywhere, any time



- Emphasis on care in the home, with technologies that support remote monitoring of patients, inclusive of pre and post hospital discharge



- Rapidly changing technologies with telehealth, IoT, sensors, devices, wearables, advanced monitoring with AI, and cloud-based systems and services



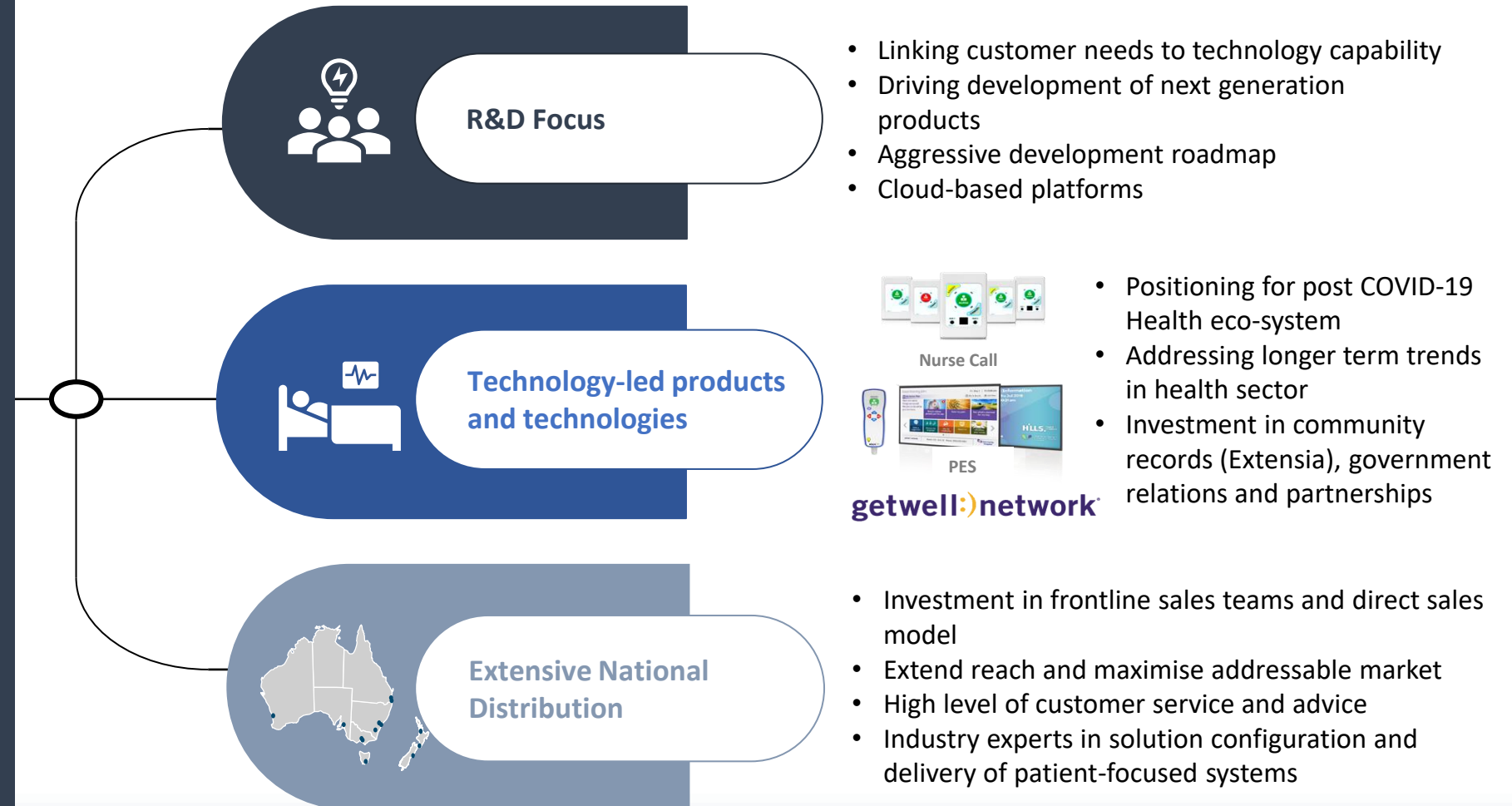
## Revenue model



**One-off sales:** product sales and installation

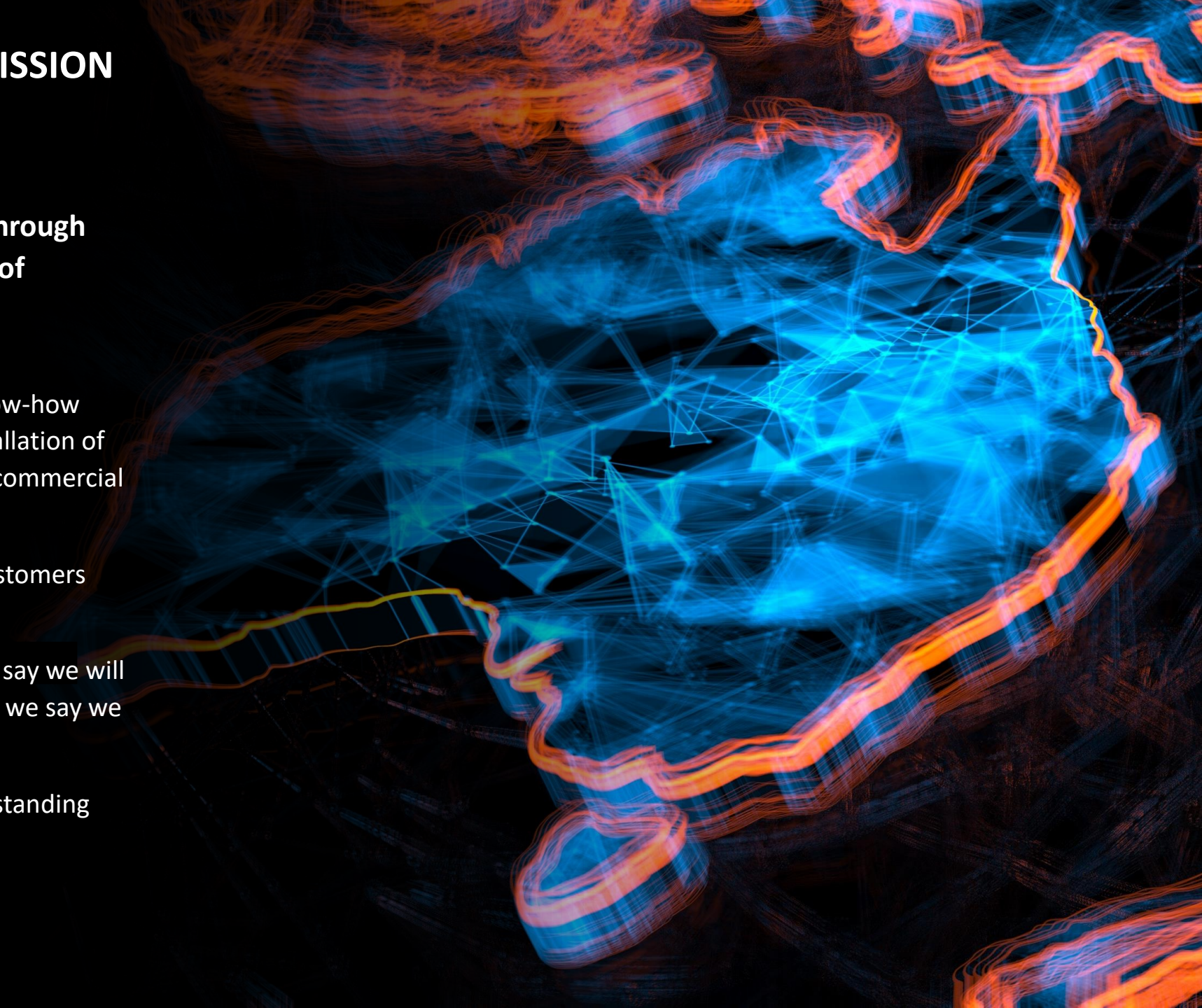
**Recurring revenue:** systems upgrades, service and maintenance, licence fees and TV rentals

**Sales cycle** of major projects may take months or years to come to fruition. FY22 activity impacted by COVID-19



**Bring people and businesses together through seamless installation and maintenance of technology infrastructure.**

- Apply automation, process, technical know-how and deep experience to manage the installation of connectivity solutions in residential and commercial settings.
- Provide real-time progress tracking to customers and end users.
- Timely provision of service – do what we say we will do, be where we say we will be, be when we say we will be, and do it right first time.
- Known for reliability, integrity and understanding the people and markets we serve.





# COVID-19 AND SUPPLY CHAIN IMPACTS

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- Nurse Call installation and servicing impacted by restrictions in hospital, aged care facilities, and disruption to the construction sector.
  - Reduced hospital admissions and elective surgery reduced hospital occupancy.
  - FY23 pipeline from delayed projects is solid and patient engagement utilisation has improved.
  - Workforce disruption has reduced, though skills shortages in technical areas remain an impediment.
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- Worldwide semiconductor shortage adversely impacted supply of TVs for patient entertainment and some components for Nurse Call.
  - Supplier cost inflation for components and freight have increased some components prices for Nurse Call, impacting margin on fixed priced contracts.
  - This semi-conductor related disruption is expected to continue for some.
  - The Company is closely managing the situation.

## FY23 OUTLOOK

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- Our focus is now on the execution of our health technology growth strategy, expanding the technical services operations, streamlining corporate functions, and improving operational performance.
- Trading in the new financial year has commenced in line with management's expectations, despite continued challenges with delays and catch up in construction, workforce shortages, and disruption in the supply chain which will reflect in 1H23 results.
- In Health, planned customer investment in projects is strong, order intake continues to improve and hospital occupancy has recovered.
- In Technical Services, demand for installation of broadband services remains solid and planned technology replacement will bring further sustained growth over the coming years.
- The Company is closely managing supply chain, component availability, and costs, which has the potential to impact the timing and/or cost of health project delivery, and the volume of broadband installation activity.
- The focus of the board and management is on nurturing the recovery and improving business performance, whilst pursuing other opportunities for growth in related businesses.



# Financial Performance

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# FY22 SNAPSHOT – CONTINUING OPERATIONS

The COVID-19 pandemic continued to adversely impact the Company's operations and created a high level of uncertainty in FY22.

- Hills' segment EBITDA \$2.1m for the period reflects the underlying difficult trading conditions and impact on revenue with delayed projects and supply chain disruptions.
- 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.
- \$3.0m of non-operating items predominately relating to legal fees of \$3.1m.
- 13% increase in orders taken during FY22.
- Exit in the first half of FY22 from the loss-making New Zealand security distribution operation.

## Group Financials – Continuing Business

A\$ million	FY22	FY21	Change
<b>Revenue</b>	<b>47.3</b>	<b>49.3</b>	<b>(4.0%)</b>
Segment EBITDA	2.1	6.2	(66.4%)
EBIT	(4.8)	(3.2)	(49.4%)
Non-operating items	(3.0)	(5.1)	41.2%
<b>Underlying EBIT<sup>1</sup></b>	<b>(1.8)</b>	<b>1.9</b>	<b>(196.1%)</b>
<b>Net Loss after Tax</b>	<b>(8.3)</b>	<b>(5.2)</b>	<b>(61.5%)</b>
Reported EPS (cents)	(3.59)	(2.22)	
Operating Cash Flow	2.2	1.2	80.6%
Net Cash/(Net Debt)	3.2	(13.2)	na
Gearing (ND/ND+Equity) <sup>2</sup>	25.9%	-65.7%	+91.6% pts

1. Segment EBITDA and Underlying EBIT exclude non-operating and abnormal items

2. Gearing ratio is Net Debt/Net Debt+Equity (excludes lease liabilities)

# FY22 FINANCIAL RESULTS

A\$ million	FY22	FY21	Change %
<b>Revenue</b>	<b>47.3</b>	<b>49.3</b>	<b>(4.0%)</b>
COGS	(23.4)	(23.5)	0.6%
Gross Profit	23.9	25.7	(7.2%)
<i>Gross Margin %</i>	<i>50.5%</i>	<i>52.2%</i>	<i>(3.3%)</i>
Other income	0.2	0.2	(3.2%)
Operating expenses	(21.9)	(19.7)	(11.5%)
<b>Segment EBITDA <sup>1</sup></b>	<b>2.1</b>	<b>6.2</b>	<b>(66.4%)</b>
Depreciation & Amortisation	(3.9)	(4.4)	10.9%
Non-operating items continuing operation <sup>2</sup>	(3.0)	(5.1)	41.2%
<b>EBIT</b>	<b>(4.8)</b>	<b>(3.2)</b>	<b>(49.3%)</b>
Interest	(1.7)	(2.3)	26.9%
Tax	(1.9)	0.4	603.3%
<b>Net Loss after Tax continuing operations</b>	<b>(8.3)</b>	<b>(5.2)</b>	<b>(61.4%)</b>
Profit/(loss) from discontinued operation (net of tax)	(15.6)	(5.1)	(208.5%)
<b>Total loss for the year attributable to members of the Company</b>	<b>(24.0)</b>	<b>(10.2)</b>	<b>(134.3%)</b>
<b>Underlying EBIT<sup>1</sup></b>	<b>(1.8)</b>	<b>1.9</b>	<b>(196.1%)</b>
<b>Underlying EBITDA<sup>1</sup></b>	<b>2.1</b>	<b>6.2</b>	<b>(66.4%)</b>

1. Segment EBITDA and Underlying EBIT exclude non-operating and abnormal expenses
2. Non-operating items include \$3.1m of legal costs offset by \$0.1m of other income

Statutory net loss after tax of \$24.0 million comprised:

- Revenue decline 4% to \$47.3m relating to continuing operations of Health Solutions and Technical Services.
- 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 of Hills' security and IT distribution division.

# DISCONTINUED OPERATIONS

A\$ million	FY22	FY21
<b>Results of Discontinued operation</b>		
Revenue from discontinued operations	89.0	130.9
Expenses from discontinued operations	(92.6)	(132.8)
<b>Profit / (loss) before tax from discontinued operations</b>	<b>(3.6)</b>	<b>(1.9)</b>
<b>Income tax expense / benefit from discontinued operations</b>	<b>(12.1)</b>	<b>(3.2)</b>
<b>Profit / (loss) from discontinued operation (net of tax)</b>	<b>(15.6)</b>	<b>(5.1)</b>
Gain on sale of discontinued operation	1.0	-
Income Tax on gain on sale of discontinued operation	-	-
<b>Post tax gain on disposal of discontinued operations</b>	<b>1.0</b>	<b>-</b>
<b>Cash flows from (used in) discontinued operation</b>		
Net cash used in operating activities	10.8	4.4
Net cash from investing activities	21.3	(1.2)
<b>Net cashflows for the year</b>	<b>32.1</b>	<b>3.2</b>

- Exited loss-making New Zealand security distribution operations, completed in December 2021.
- Divestment of Australian security and IT distribution (SIT) business in May 2022.
- FY22 Loss on discontinued operation \$15.6m.
- Business acquired being inventory, customer and vendor relationships, employees and their entitlement obligations and certain net assets of the SIT division.
- Hills retained the Hills' brands, and trade receivables and payables existing on completion.
- Completion on May 2, 2022, with final purchase price of \$21.3m finalised in June 2022.
- Majority of proceeds immediately applied to reduce debt
- Profit before tax on the divestment was \$1.0m.



# FY22 BALANCE SHEET

A\$ million	FY22	FY21
Cash and cash equivalents	6.5	6.8
Trade and other receivables	13.5	31.5
Inventories	3.2	22.0
<b>Current assets</b>	<b>23.1</b>	<b>60.4</b>
Property, plant and equipment	7.8	10.8
Intangible assets	1.6	3.1
Right of use assets	3.3	7.3
Deferred tax assets	-	13.9
Other non-current assets	-	-
<b>Non-current assets</b>	<b>12.7</b>	<b>35.0</b>
Trade and other payables	12.6	24.3
Lease liability	2.9	4.2
Borrowings	3.1	0.5
Provisions	3.0	5.1
<b>Current Liabilities</b>	<b>21.6</b>	<b>34.1</b>
Lease liability	3.3	6.3
Borrowings	0.1	19.5
Provisions	1.6	2.2
<b>Non-Current Liabilities</b>	<b>26.6</b>	<b>62.2</b>
<b>Total equity</b>	<b>9.3</b>	<b>33.2</b>
<b>Net cash / (Net debt)</b>	<b>3.2</b>	<b>(13.2)</b>
<b>Gearing (Net Debt/Net Debt + Equity)</b>	25.9%	-65.7%
Underlying EBITDA	2.1	6.2
<b>Net cash (Net debt) / EBITDA</b>	1.5	-2.1
Net Interest	1.7	2.3
<b>EBITDA/Net Interest</b>	1.2	2.7

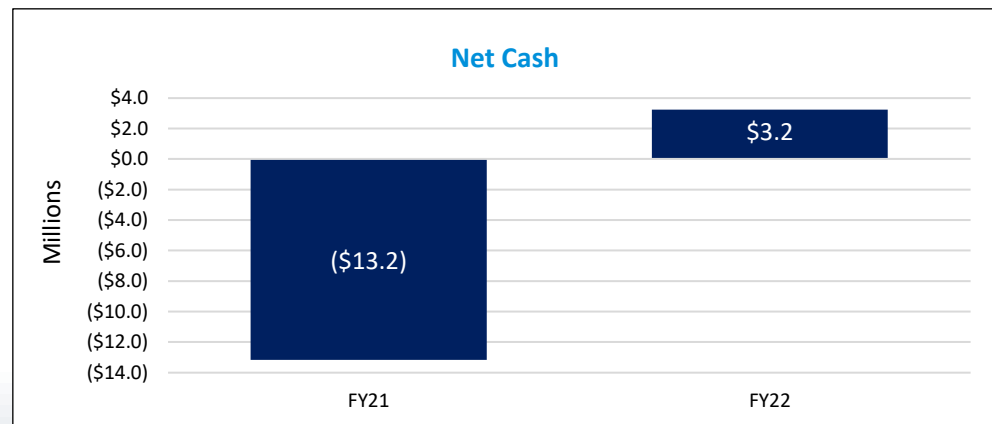
A\$ million	FY22	FY21
<b>Effect of disposal on the financial position of the Group</b>		
Property, plant and equipment	0.6	-
Inventories	21.3	-
Trade and other receivables	1.7	-
Cash and cash equivalents	-	-
Deferred tax liabilities	-	-
Trade and other payables	(2.3)	-
<b>Net assets and liabilities</b>	<b>21.3</b>	<b>-</b>
Consideration received, satisfied in cash	21.3	-
Cash and cash equivalents disposed of	-	-
<b>Net Cash inflows</b>	<b>21.3</b>	<b>-</b>

- Divestment sale materially reduced net assets as above.
- Significant reduction in the working capital driven by the cessation of security and IT distribution business.
- Proceeds of sale of divested business significantly reducing borrowings with the remainder of CBA facility recognised as current liability due to debt facility ending 30 September 2022.
- Right of Use declined with assets reassigned as part of divestment \$1.7m and an impairment of \$0.25m.
- Intangible assets declined with an impairment of \$0.8m related to software utilised in discontinued business.
- Deferred Tax Asset reversed \$13.9m.

# CASH FLOW and NET CASH

A\$ million	FY22	FY21
Receipts from customers	168.0	206.8
Payments to suppliers and employees	(164.4)	(203.4)
Net financing costs	(1.4)	(2.2)
Net income taxes	-	-
<b>Net cash flows from operating activities</b>	<b>2.2</b>	<b>1.2</b>
Capex - (PPE and Intangibles)	(2.5)	(3.0)
Proceeds from disposal of PPE/divestments	21.4	0.0
Payments for acquisitions of subsidiaries / business operations, net of cash acquired	(0.001)	-
<b>Net cash flows from investing activities</b>	<b>18.91</b>	<b>(3.0)</b>
Proceeds from / (repayment of borrowings)	(17.1)	(0.6)
Payment of lease liabilities	(4.4)	(3.4)
Payments to non-controlling interest in subsidiaries	(0.1)	-
<b>Net cash flows from investing activities</b>	<b>(21.6)</b>	<b>(4.1)</b>
Change in cash balance	(0.54)	(5.9)

- Operating cashflow of \$2.2m, an increase of \$1.0m on prior year.
- Capex maintained at similar levels to prior year.
- Divestment of the security and IT distribution business in Australia for \$21.3m.
- Divestment funds utilised to pay down much of the debt facilities with net debt reducing from \$13.2m in FY21 to positive net cash of \$3.2m in FY22.
- The Company has secured \$6 million of new funding from Causeway Financial Pty Ltd that will commence September 2022, at which time, the main CBA facility will be closed.
- The Company had announced its intention to undertake a capital raise in Q4 FY22 to invest in reshaping and growing the existing businesses. Given current capital market conditions, this activity has been paused.



# SEGMENT BREAKDOWN

## Continuing Operations

### Health

A\$ million	FY22	FY21	Change % <sup>1</sup>
<b>Revenue</b>	<b>30.0</b>	<b>34.0</b>	<b>(11.6%)</b>
EBITDA	3.8	9.7	(60.4%)
EBITDA margin	12.8%	28.5%	
Depreciation & Amortisation	(3.6)	(4.3)	15.9%
Non-operating items	0.1	(0.4)	
<b>EBIT</b>	<b>0.4</b>	<b>5.0</b>	<b>(92.6%)</b>
EBIT margin	1.2%	14.7%	

### Distribution

A\$ million	FY22	FY21	Change % <sup>1</sup>
<b>Revenue</b>	<b>16.2</b>	<b>15.3</b>	<b>6.2%</b>
EBITDA	0.7	0.4	75.5%
EBITDA margin	4.6%	2.8%	
Depreciation & Amortisation	(0.01)	(0.10)	91.4%
Non-Operating items	-	-	
<b>EBIT</b>	<b>0.7</b>	<b>0.3</b>	<b>127.2%</b>
EBIT margin	4.5%	2.1%	

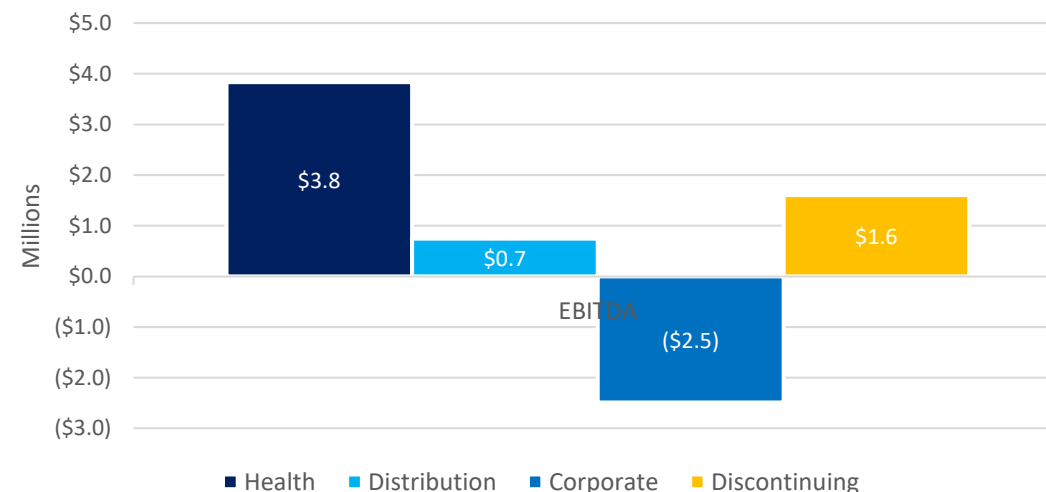
### Corporate

A\$ million	FY22	FY21	Change % <sup>1</sup>
<b>Revenue</b>	<b>1.0</b>	<b>-</b>	<b>100.0%</b>
EBITDA	(2.5)	(3.9)	(36.0%)
EBITDA margin	-248.6%	-100.0%	
Depreciation & Amortisation	(0.3)	-	(100.0%)
Non-operating items	(3.1)	(4.6)	
<b>EBIT</b>	<b>(5.9)</b>	<b>(8.5)</b>	<b>(31.0%)</b>
EBIT margin	-587.5%	-100.0%	

## Discontinued Operations

A\$ million	FY22	FY21	Change % <sup>1</sup>
<b>Revenue</b>	<b>89.0</b>	<b>130.9</b>	<b>(32.0%)</b>
EBITDA	1.6	5.8	(72.3%)
EBITDA margin	1.8%	4.4%	
Depreciation & Amortisation	(4.6)	(5.5)	15.4%
Non-operating items	(0.5)	(2.2)	
<b>EBIT</b>	<b>(3.5)</b>	<b>(1.9)</b>	<b>(89.9%)</b>
EBIT margin	-4.0%	-1.4%	

## Underlying EBITDA FY22



1. Segment EBITDA and Underlying EBIT exclude non-operating and abnormal items.



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