

# ASX announcement



23 November 2022

## CEO Address Amended

Hills Limited (ASX: HIL) (**Hills**) attaches an amended CEO Address which corrects dates in the second paragraph under the FY23 update heading.

*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](http://www.hills.com.au).

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**HILLS LIMITED**  
**2022 ANNUAL GENERAL MEETING**  
**WEDNESDAY 23 NOVEMBER 2022**  
**CEO ADDRESS**

The FY22 year has been one of reshaping the business and establishing a clear path forward with a leaner more flexible organisation focused on sustainable profitability and health technology driven growth.

We have now completed the first stage of the plan with the closure or divestment of underperforming businesses, the renewal of leadership, the resolution of legacy issues and reorganisation of the remaining businesses.

The next stages are underway whereas we invest in our continuing businesses to drive and support profitable organic growth, secure additional revenue streams, and pursue the acquisition of complementary businesses and technologies.

The Health and Technical Services business we retain have strong foundations upon which to build, having market leading positions, their own technologies and are in resilient industry sectors. The health sector is under great pressure and in dire need of digital transformation to support its delivery of care to the standards the community expect. Hills sees an opportunity to play an important role in these changes.

**FY22 results**

Our last year's financial results are one that reflected the challenging operating conditions of the pandemic combined with the costs to restructure and repositioning the business.

The Delta and Omicron COVID-19 variants materially impacted the operations of our customers, complicated our supply chain, and elevated levels of absenteeism throughout the first three quarters across all our operations. Inclement weather and flooding events compounded these challenges in the Technical Services business.

Our group financial performance in FY22 reflected these events, however, the underlying operating performance improved steadily across the second half, with the health division exiting the year with a strong order book and revenue growth in Technical Services despite the conditions.

Overall statutory net loss after tax was \$24.0 million for the year, comprising a net operating loss of \$4.8 million relating to the continuing operations, funding costs of \$1.7 million, non-cash tax expense of \$1.9 million (for the reversal of tax assets), and a \$15.6 million loss relating to the discontinued operation. Overheads included in \$3.1 million in legal costs for matters now resolved.

Despite the challenges and the result, Hills remained focussed its strategic priorities, supporting its customer base, tight cost control, workforce retention, and capital management.

Hills reduced its net debt position from \$13.2 million to a cash surplus of \$3.23 million as at 30 June 2022, with the proceeds of the divestment and as a result of the focus on cash flow during the year.

### **Results – Distribution Division, including Hills Technical Services (HTS)**

In the first half of FY22, the loss-making New Zealand security distribution operations were closed. In February 2022, we agreed the divestment of the Australian security and information technology distribution division, which was completed in May 2022 for a final cash consideration of \$21.3 million.

The divestment was part of the Company's strategy to focus on the strong growth prospects associated with the Hills Health division and exit the loss-making business that required significant working capital and drained cash flow.

Hills retains the Hills Technical Services business that was previously a part of the Australian distribution division, and the New Zealand Health and Technical Services businesses have been brought under the responsibility of their respective Australian operations.

The Technical Services business focuses largely on the installation of NBN and Sky TV services in regional Australia and in New Zealand. In FY22 its revenue grew 6.2% to \$16.2 million despite the conditions though at reduced margins due to COVID and weather-related factors. The business contributes positively to overall group cash and earnings and has the potential to expand on the back of its technology and high standards of performance.

### **Results – Health Division**

The Health Division delivered an underlying EBITDA of \$3.8 million. A large portion of revenue is derived from installation projects and Covid-suppressed orders during the previous year reflected in FY22 revenue. Revenue and EBITDA was also impacted by restricted activity in health and aged care settings, and higher costs due to supply chain and other impacts. The Company also received \$0.9m less in COVID-19 related labour subsidies than the previous year.

With the second year of the pandemic in FY22 and continued restrictions and lockdowns, orders remained subdued in the first half of the year. This is producing a future upside, with delayed new and refurbishment projects expected to result in increased orders in FY23 flowing through to revenue through FY23 and FY24.

During FY22, Hills had strategic wins at ACT Health, Westmead, Calvary, Sunshine Coast and Churches of Christ, together with the extension of the Wi-Fi contract with eHealth NSW.

### **Areas of focus – Platform for growth**

The various transactions completed during FY22 cleared the way for the Company to focus on the restructure and modernisation of the remaining businesses and pursuing our growth ambitions in the health technology sector.

The Technical Services vision is to **bring people and businesses together through seamless installation and maintenance of technology infrastructure**. The business focuses largely on one major customer that services NBN, with which it has a long and strong relationship. We have developed specialised competence and technology to manage field service installation and assurance services with a network of contractors to a very high standard. The focus is on maintaining this relationship and building additional revenue streams based on these capabilities.

Hills Health is adapting into an agile business to compete in the fast-moving health-tech domain, secure a greater portion of revenue as recurring income, and increase support for our customers to improve the outcomes for those in their care.

Our vision for the health business is to **create interconnected digital health solutions that support patient care, save lives, and are delivered with integrity**. Our sectors of focus are aged care, acute care and community care settings. The technology solutions emphasise increasing use of software solutions that supplement devices and focus on messaging, workflow, connected health records, and virtual care.

These areas of focus are geared toward addressing some of the key challenges facing the health care sector:

- a. Health and aged care systems under pressure with high demand, increasing costs and staff shortages.
- b. Sectors under scrutiny to perform, especially in aged care, requiring increased levels of performance monitoring and reporting.
- c. Fragmentated care settings and with disconnected underlying systems and processes.
- d. Community care as a growing preference to residential or hospital care.
- e. Demand for patient centred care and need for virtual care.

Some of this technology we have now and can build on, others will be introduced by selective acquisitions and partnerships. It is clear that hospitals and other settings will change dramatically with their use of technology in the coming years but creating and deploying such solutions is not easy and Hills is well positioned with its brand, market position, and knowledge to take a leading role in this area.

Our first step in this direction was in late 2021 when Hills acquired Extensia – a shared community records platform. The platform has continued to be modernised and has a key role to play as a shared record and a tool to intermediate between multiple systems used in the health community.

To complement the practitioner platform, Extensia is building a mobile app that enables consumers direct access a portal to their information where-ever they are and share it selectively with others when needed. Hills has also established a consortium of complementary businesses which has generated significant interest in its members, including Extensia, particularly since the advent of government funding for improved use of technology throughout the health and aged care sector.

To support growth, the Company will invest in fundamentals:

1. Strengthening our go to market sales and marketing activities to drive growth in existing and adjacent markets.
2. Develop our technology platforms to ensure we remain a leading provider of digital health solutions.
3. Provide additional resources to support our customers when and where they need it.
4. Investment in internal technology and processes to support these activities a create and agile, adaptable organisation.
5. Maintain leadership capabilities to pursue our vision and ambition, to undertake transactions and successfully integrate businesses within the Hills group.

## **FY23 update**

Hills is focused on execution of the next stages in its Health strategy and expanding the Technical Services operations. We are confident that the new approaches being adopted by Hills management will deliver sustained revenue and earnings growth in the medium term.

In Technical Services, the demand for installation of broadband services remains solid, though equipment shortages are constraining activity in 2Q23. Planned technology replacement is expected to bring further sustained growth over the coming years, commencing in the second half of FY23.

Hills Health orders for project activity in FY23 has elevated significantly over that of last year, and recurring revenue is also recovering from COVID restrictions. Project revenue in the new financial year remains subdued as the Company continues to trade a significant portion of its revenue at COVID impacted levels due to the lead times between orders taken in FY22 and projects now being delivered. As orders recover a stronger second half of revenue is expected.

Significantly, we recently announced that Hills Nurse Call system was selected for the New Footscray Hospital in Victoria. A contract valued at approximately \$7 million for Hills. The New Footscray Hospital is the largest and most advanced hospital under construction in the country. Hills selection reflects our market leadership in this field. It is an important demonstration of confidence in the company, our technologies, our willingness to collaborate, and our capability to deliver major projects reliably.

Whilst the Footscray deal is a standout, the overall order intake for FY23 is on a major upward trajectory and sits around 70% above the previous year. This augers well for our future and reflects that Hills health business is in a strong position to grow and expand.

To protect revenue and margin, the Company is closely managing supply chain, component availability, and costs, which has the potential to impact the timing and cost of project delivery.

As discussed, the Company is actively pursuing other opportunities for growth, acquisitions and partnerships with related businesses and will announce further details when they come to fruition.

Finally, I echo David's comments in thanking our staff, who have shown great resilience and remarkable adaptability through waves of changes in the middle of a pandemic. It is of great credit to them.