H1 FY21 Result

24 February 2021

Agenda

1. Our Business
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3. Strategy and Outlook
4. Financial Statements

Our Business

we are HILLS.™

Hills...built by innovation

Vision

To distribute end-to-end technology solutions that Connect, Entertain and Secure people's lives

Mission

We add value by choosing the best products and solutions while delivering high quality service, product insights & expertise for all our stakeholders

Strategic Priorities

Leading Product Portfolio

- **Increased investment in Health**
  - World-class customer solutions that meet patient needs
  - Expanding geographically and improved product functionality
  - Strategic partnerships
- **Streamlined Distribution business**

Cost Control

- **Achieved cost savings for the Continuing Operations at the top end of $3-5m target range**
  - Refocussing employees into frontline roles
  - Reduced freight and property costs
  - Lower depreciation

Capital Management

- **Working capital release of $5.3m**
- **Capital employed reduced by $3.8m**
- **Net Debt at $11.3m**

The leading provider of Nurse Call solutions, Patient Engagement Solutions and wi-fi networks in ANZ hospitals and aged care facilities

The leading provider of integrated Security, IT and Technical Services across Australia and New Zealand

Company Update
H1 FY21

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H1 FY21 Snapshot

Challenging trading conditions and COVID-related restrictions adversely impacted the first-half result

- H1 result adversely affected by COVID-related lockdowns, delayed projects in both Health and Distribution, reduced competitiveness from foreign exchange impacts and non-operating items
- Segment EBITDA of $6.4m reflects
  - Strong Q2 sales growth from Health
  - Positive contribution from Distribution – Australia
  - Benefits of three months of the JobKeeper subsidy ($2.95m)
  - $0.8m loss from Distribution – New Zealand
- Statutory loss after tax reflects $5.7m in non-operating items (largely comprised of one-off items) plus $1.1m in reversal of timing differences in deferred tax assets
- Continued focus on cost control and capital management delivered savings of $12.0m in H1 (including $5.7m from divested businesses) and reduced working capital by $5.3m versus 30 June 2020

Group Financials

A$ million	HY21	HY20 Restated[4]	Change
Revenue	**93.2**	**126.7**	**(26.5%)**
Segment EBITDA	6.4	9.1	(29.3%)
EBIT	(3.8)	4.2	nm
Non-Operating Expenses	(5.7)	(0.3)	
Underlying EBIT[1]	**1.9**	**4.5**	**(59.0%)**
Net Profit/(Loss) after Tax	**(6.5)**	**2.3**	**nm**
Reported EPS (cents)	-2.78	1.00	
Operating Cash Flow [2]	0.5	7.6	(93.7%)
Net Debt	11.3	8.2	38.4%
Gearing (ND/ND+Equity)[3]	23.4%	16.0%	+7.5% pts

1. Segment EBITDA and Underlying EBIT are non IFRS and unaudited but derived from the audited accounts by removing the impact of non-recurring and abnormal items from the reported (IFRS) audited profit. Hills believe this reflects a more meaningful measure of the Group's underlying performance
2. Operating cash flow in HY20 includes the working capital release related to the sale of three business units - AV, Antenna and STEP businesses
3. Gearing ratio is Net Debt/Net Debt+Equity
4. During the preparation of the consolidated financial statements, the Group identified that net assets in the prior reporting periods had been overstated by $1.55 million (net profit for the half year ended 31 December 2019 was overstated by $0.33 million; net loss for full year ended 30 June 2020 was $0.37 million understated and retained losses as at 30 June 2020 were understated by $1.18 million)

COVID-19 Impact in H1 FY21

Health Solutions (HHS)

- Q2 recovery in trading after COVID significantly affected Q1 sales
- Return of elective surgery benefiting patient entertainment revenue
- Opportunity to reset the Health strategy
  - Enhancing capability and focus of sales team
  - Developing new generation Nurse Call
  - Building next generation patient entertainment system (includes GetWell)

Supply Chain

- USD exposure impacted H1 product margins ($4.8m cash outflow) – expect adverse impact to be removed by Q4
- Rationalisation of inventory
- Continued review of vendor arrangements
  - Strengthened existing vendor arrangements
  - Filled gaps in product portfolio to meet customer needs
  - Rationalisation of vendor portfolio is ongoing
  - Continued proactive management of inventory

Distribution - Australia

- No recovery in trading in H1 with extended lockdowns – major projects delayed
- Victorian and IT businesses had greatest adverse impact in H1
- H2 pipeline from delayed major projects - timing of delivery subject to improved business confidence which drives project work
- Increased marketing activity in H2 to drive sales

Distribution - New Zealand

- Weak H1 trading with sales meaningfully affected by COVID resulting in $0.8m H1 loss
- Poor economic conditions in NZ driving highly competitive trading environment
- Cost reduction initiatives being undertaken to improve profitability

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Health – Recovery in Q2 Sales

Hills Health Solutions recovered in Q2 after COVID-related restrictions affected hospital access and elective surgery in Q1

- COVID-19 impacted site access and led to project deferrals driving a substantial decline in Q1 revenue vs. the PCP
- Health rebounded solidly in Q2, once COVID-restrictions were lifted, and delivered over 10% YoY revenue growth (Q2 FY21 vs Q2 FY20) driven by the Nurse Call product
- Margins expanded over 5% points, despite lower revenues, reflecting strong improvements in Nurse Call, benefits of JobKeeper and strong cost control
- Non-operating expenses of $1.1m represent aged and slow-moving stock write offs, legal costs and impairment of current and non-current assets
- Short and medium term priorities focused on executing against the strategic review and identified opportunities to accelerate growth in existing and adjacent markets

Financials - Health

A$ million	HY21	HY20 Restated	Change %
Revenue	**16.9**	**18.2**	**(7.6%)**
Segment EBITDA[1]	**6.2**	**5.5**	**12.4%**
EBITDA margin	*36.9%*	*30.3%*	
Depreciation & Amortisation	(1.7)	(1.6)	
Non-Operating Expenses	(1.1)	-	
EBIT	3.4	3.9	(14.3%)
EBIT margin	*19.9%*	*21.5%*	
Underlying EBIT[1]	**4.5**	**3.9**	**14.9%**
UL EBIT margin	*26.7%*	*21.5%*	

1. Segment EBITDA and Underlying EBIT are non IFRS and unaudited but derived from the audited accounts by removing the impact of non-recurring and abnormal items from the reported (IFRS) audited profit. Hills believe this reflects a more meaningful measure of the Group's underlying performance

Health - Operational Highlights

Nurse Call IP7500

- 6,400 net new beds delivered in FY20 (3,600 in H1, 2,800 in H2) and further 3,100 beds in H1 FY21
- Contracts delivered in H1 FY21
  - NSW – 3 hospitals/aged care facilities
  - TAS/VIC – 6 hospitals/aged care facilities
  - QLD – 1 new facility
- New IP Series wireless platform release shows encouraging early signs, but sales performance has been hampered by COVID-19

Patient Engagement Solutions

- The Patient Engagement Solutions business added 500 new beds and renewed 3,200 beds across 16 hospitals in H1 FY21
- GetWellNetwork product is continuing to build sales momentum

Guest Wi-Fi

- Hills Guest Wi-Fi system is now deployed across 76 sites in NSW Health districts, delivering services to more than 6,740 beds

Distribution – Challenging Trading Conditions

Decline in profitability reflected challenging trading conditions, particularly in Victoria, NZ and the IT business

- EBIT loss of $4.0m included $2.9m in non-operating expenses
- Revenue decline driven by COVID-related impacts
  - Delays in projects due to COVID disruptions adversely impacted H1 sales particularly in VIC and IT
  - Australian run rate sales broadly in line with prior period driven by national branch network - almost 35,000 completed customer activities undertaken in H1
- New Zealand business delivered a $0.8m loss reflecting the weak COVID-impacted operating environment
- Non-operating expenses of $2.9m related to write-off of assets from exited businesses and vendors, inventory provisions, asset impairments (current and non-current) and legal costs
- Shift to higher margin business and exit of non-performing vendors is ongoing (e.g. cable vendors reduced from 15 to 2)
  - Inventory reduced by a further $2.3m as at 31 December 2020

Financials - Distribution

A$ million	HY21	HY20 Restated	Change %
Revenue	**76.3**	**108.4**	**(29.6%)**
Segment EBITDA[1]	**1.8**	**5.3**	**(67.1%)**
EBITDA margin	*2.3%*	*4.9%*	
Depreciation & Amortisation	(2.9)	(2.9)	
Non-Operating Expenses	(2.9)	(0.3)	
EBIT	(4.0)	2.1	nm
EBIT margin	*-5.2%*	*1.9%*	
Underlying EBIT[1]	**(1.1)**	**2.4**	**nm**
UL EBIT margin	*-2.4%*	*nm*	
Continuing Operations [2]			
Revenue	**76.3**	**86.4**	**(11.7%)**
Segment EBITDA[1]	**1.8**	**3.7**	**(52.3%)**
EBITDA margin	*2.3%*	*4.3%*	
Underlying EBIT[1]	**(1.1)**	**0.8**	**nm**

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2. 'Continuing Operations' excludes the three divested business units (AV, Antenna and STEP) sold in December 2019

Strategy and Outlook

we are HiLLS.

Increasing Investment in Health

- Australia's leading provider of Nurse Call, Patient Entertainment Solutions and Wi-Fi solutions to hospitals and aged care facilities
- Sustainable revenue model with low capital employed
  - **One-off sales:** product sales and installation
  - **Recurring revenue:** upgrade, service and maintenance, licence fee and rental
- Technology-led products and solutions that deliver an enhanced hospital and patient experience
- New products and technologies that meet the post-COVID health eco-system
  - Research and Development focus
  - Cloud-based platforms
  - New suite of products in development
- Extensive national coverage
  - Upskilling frontline sales teams and direct sales model
  - Industry experts in the configuration and delivery of patient-focused systems

Sustainable revenue model and low capital employed

Revenue stream split between one-off incomes with new installations & refits plus recurring revenue

Technology led products and solutions

Nurse Call

PES

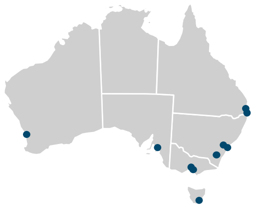
GetWell

getwell:)network

New products – R&D focus

Linking customer needs to technology capability and driving development of next generation products

Extensive national coverage



Extends reach, maximises addressable market and enables high level of customer service and advice

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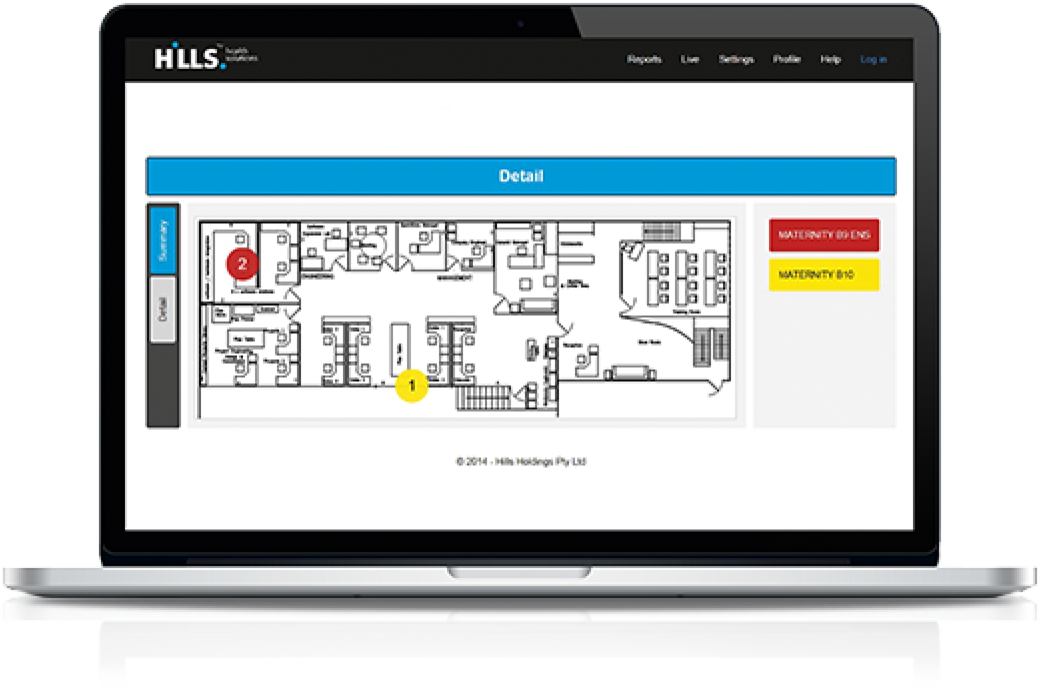
Hills Health Solutions (HHS) – FY21 Priorities

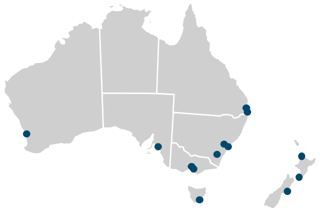
- COVID-19 restrictions have largely lifted with Q2 sales growth expected to continue in H2, particularly as elective surgery returns to historic levels
- Solid 3-year pipeline across Nurse Call, Patient Engagement Solutions and GetWellNetwork
- HHS is now executing against its strategic review and has identified opportunities to accelerate growth in existing and adjacent markets to cement our market-leading positions
- Strategic review has reinforced the growth opportunity within HHS and reinforced the FY21 priorities
    - Expanding frontline sales capability
    - Continuing investment in the range of Nurse Call products and services, maintaining market leadership
    - Expand in markets where the Health businesses are underrepresented, such as Aged Care
    - Leverage market leading position to continue to drive penetration of "GetWellNetwork“



Streamlining of Distribution

- Australia’s largest distribution company in security technology solutions
- Well established and extensive national branch network
  - 13 sites in Australia & NZ
  - 70% of orders are fulfilled locally
  - Meeting market demand at a local level
- Long-term, highly valuable vendor relationships
  - Exclusive or symbiotic relationship being created
  - Stock rotation a key deliverable
- Physical security market beginning to adopt cloud-based solutions: e-commerce creating strong demand drivers
- Centralised distribution model
  - Right sizing property footprint with further rationalisation opportunities
  - Improved control over inventory and order fulfilment
- Significantly lower capital employed
  - Reduced inventory – almost 80% of stock aged 1 year or less
  - Netstock inventory management system delivering smarter buying decisions

Well established and extensive national branch network



Extends reach, maximises addressable market and enables high level of customer service and advice

Long-term, highly valuable vendor relationships

Exclusive distribution relationship with IDIS

Exclusive distributor for Carrier with relationship spanning 20+ years

Axis Distributor of Year for previous 2 years

Centralised Distribution Model

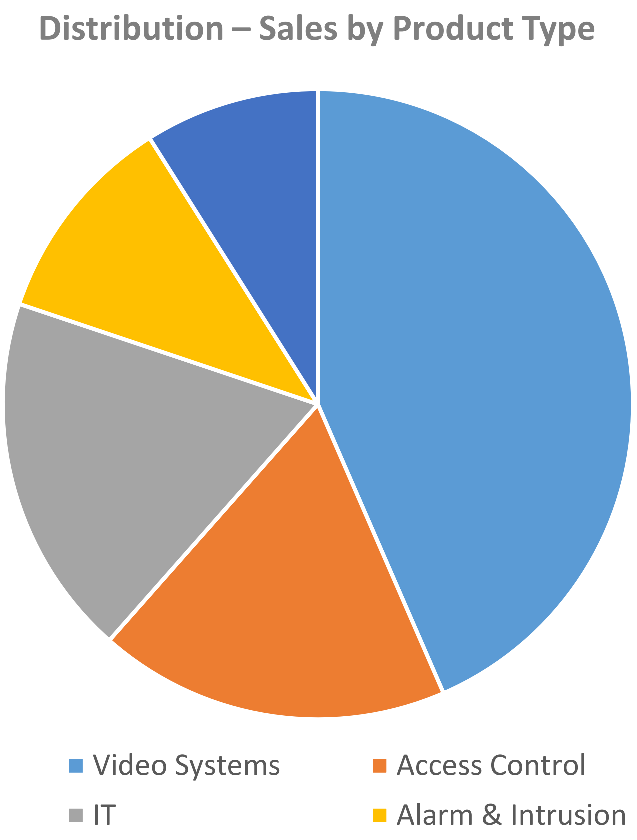
Warehousing and freight synergies are significant

Strong net asset backing of >$20m

Distribution business has a strong asset backing with over $20m in current inventory

Distribution – FY21 Priorities

- Trading conditions remain competitive and any recovery dependent on improved business confidence to drive project work
- Focus is on execution of the FY21 priorities to deliver sustained profitability
    - Return to sales growth led by major projects – leveraging exclusive Carrier and IDIS relationships
    - Renewed focus on state profitability metrics in Australia
    - Branch network to drive increased SMB sales by delivering an improved customer experience
    - Continue to rationalise the vendor portfolio in support of margins
- Exiting of existing foreign exchange impost expected by Q4
- Continued focus on inventory management to drive working capital improvements
- Cost reduction initiatives being undertaken in New Zealand



FY21 Outlook

- Hills is focused on execution of its Health strategy and further reductions in the cost base of its Distribution division and remains confident that this will support sustainable earnings growth in this business over the medium to long term
- The Q2 recovery in Health is expected to continue in H2
- Trading conditions remain competitive in the Australian Distribution division and any recovery is dependent on improved business confidence which will drive project work

Leading provider of Nurse Call solutions, Patient Entertainment Solutions and wi-fi networks in ANZ hospitals and aged care facilities

Leading provider of integrated Security, IT and Technical Services across Australia and New Zealand

Financial Statements

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Financial Results

Income Statement

A$ million	HY21	HY20 Restated[3]	Change %
Revenue	**93.2**	**126.7**	(26.5%)
COGS	(66.1)	(84.9)	(22.2%)
Gross Profit	27.1	41.8	(35.2%)
Gross Margin %	*29.1%*	*33.0%*	
Other income	0.0	0.0	(9.3%)
Operating expenses[2]	(20.7)	(32.7)	(36.8%)
Segment EBITDA[1]	6.4	9.1	(29.3%)
Depreciation & Amortisation	(4.6)	(4.6)	
Non-operating items	(5.7)	(0.3)	
EBIT	**(3.8)**	**4.2**	**nm**
Interest	(1.5)	(1.9)	(21.7%)
Tax	(1.1)	-	
Net Profit after Tax (NPAT)	**(6.5)**	**2.3**	**nm**
Underlying EBIT[1]	**1.9**	**4.5**	**(59.0%)**
Underlying EBITDA[1]	**6.4**	**7.4**	**(13.5%)**

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2. HY21 operating expenses are net of $2.95m relating to three months of JobKeeper
3. During the preparation of the consolidated financial statements, the Group identified that net assets in the prior reporting periods had been overstated by $1.55 million (net profit for the half year ended 31 December 2019 was overstated by $0.33 million; net loss for full year ended 30 June 2020 was $0.37 million understated and retained losses as at 30 June 2020 were understated by $1.18 million)

- Revenue decreased 27% driven by the lost revenue from the divested businesses coupled with COVID-related revenue disruptions
- Gross margins were down on prior year reflecting the challenging trading conditions, an increasingly competitive marketplace and adverse impacts on competitiveness caused by foreign exchange losses
- Statutory net loss after tax of $6.5m, reflects $5.7m in non-operating expenses (largely comprised of one-off costs) plus the reversal of timing differences in deferred tax assets of $1.1m

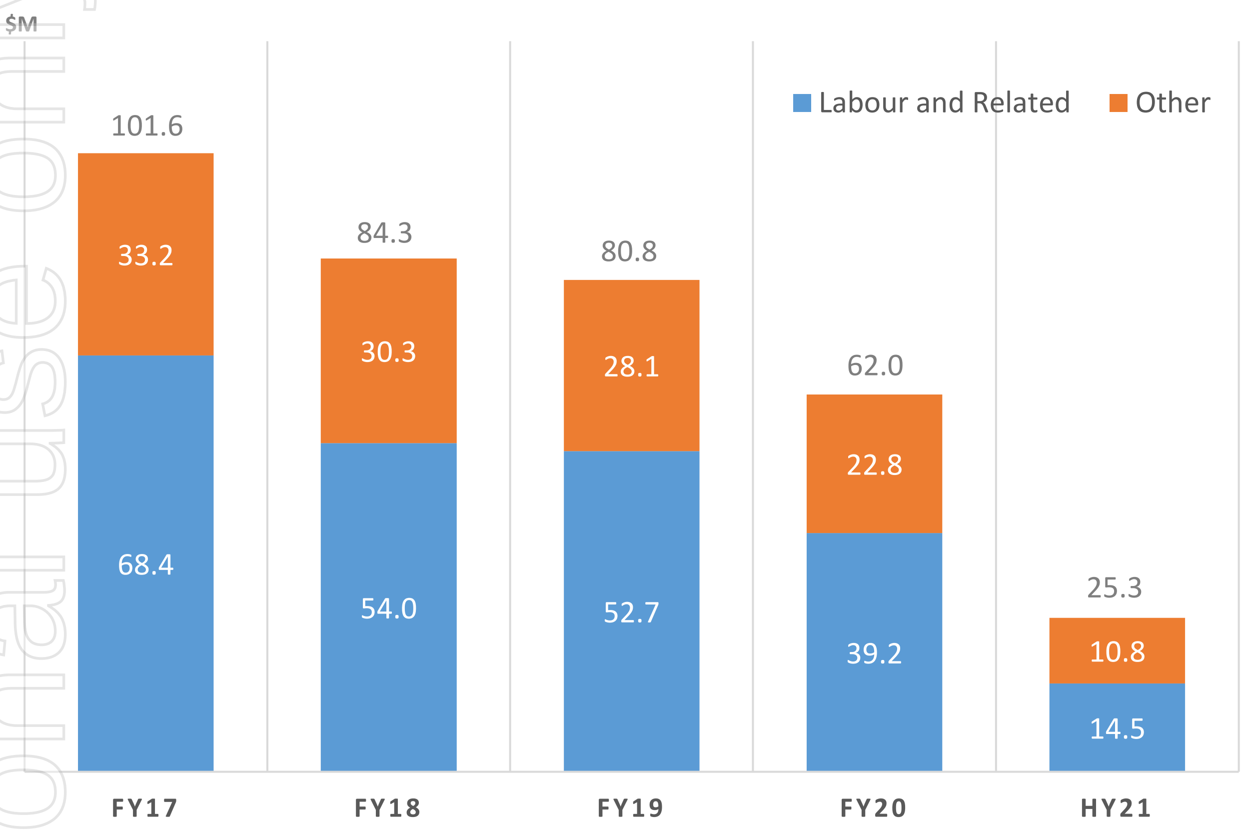
Non-Operating and Abnormal Expenses

$M	HY21
Foreign Exchange	(1.7)
Write-off of assets relating to exited businesses	(0.6)
Write-off of assets relating to exited vendors	(0.2)
Aged, slow-moving and demonstration stock write-off	(1.4)
Impairment of current and non-current assets	(0.55)
Other costs	(1.25)
Total	**(5.7)**

- Non-recurring and/or abnormal expenses, totalling $5.7m
    - $1.7m mark-to-market foreign exchange adjustments reflecting the volatility in the AUD in H1 (further $4.1m loss recorded at 30 June 2020)
    - Write off of $0.6m of assets relating to exited businesses following finalisation of those transactions
    - Write off of $0.2m of assets relating to existed vendor arrangements
    - Aged, slow-moving and demonstration stock write offs of $1.4m
    - Reassessment of asset lives and property settlements of $0.55m
    - Other costs relates predominantly to legal fees

Continued Progress on Cost Reduction

Operating Expenses (including depreciation and amortisation)[1]



1. Operating expenses exclude abnormal and non-recurring items

- Operating expenses H1 down $12.0m to $25.3m, largely reflecting
  - the removal of the divested businesses ($5.7m)
  - cost savings in the continuing operations at the top end of the $3-5m range targeted in FY21
  - JobKeeper ($2.95m)

Cashflow

A$ million	HY21	HY20
Receipts from customers	108.5	146.6
Payments to suppliers and employees	(106.6)	(137.3)
Net financing costs	(1.4)	(1.7)
Net cash flows from operating activities	**0.5**	**7.6**
Capex - (PPE and Intangibles)	(1.1)	(2.3)
Proceeds from disposal of PPE/divestments	0.0	4.7
Net cash flows from investing activities	**(1.1)**	**2.4**
Proceeds from / (repayment of borrowings)	(0.1)	(12.0)
Net cash flows from investing activities	**(0.1)**	**(12.0)**
Change in cash balance	(0.7)	(2.1)

- Operating cashflow of $0.5m, a decline on prior year primarily driven by
  - Cost of exiting and utilising foreign exchange contracts at uncompetitive rates ($4.8m)
  - Tougher trading conditions, aggressive competitor pricing and resultant fall in product margins
- This was despite improved net working capital, including lower inventories and trade receivables ($5.3m)
- Comparable period included benefits of working capital savings from exited businesses
- Capex remains subdued due to trading conditions and Health spending somewhat delayed during the development of the new Health strategic plan
- Statutory repayment of borrowings includes new Commonwealth Bank of Australia facility and lease liability payments under AASB 16

Balance Sheet

A$ million	Dec'20	June'20 Restated[1]
Trade and other receivables	34.5	39.6
Inventories	22.0	25.1
Other current assets (excluding cash)	0.6	-
Current assets (excluding cash)	**57.1**	**64.7**
Property, plant and equipment	11.0	12.3
Intangible assets	3.8	3.7
Right of use assets	9.7	10.8
Deferred tax assets	15.6	16.7
Non-current assets	**40.1**	**43.6**
Trade and other payables	27.3	30.2
Provisions	7.4	8.3
Lease liability (right of use assets)	12.3	13.9
Other liabilities	1.9	4.6
Liabilities (excluding borrowings)	**48.9**	**57.0**
Net debt	**11.3**	**8.2**
Total equity	**37.0**	**43.1**
Gearing (Net Debt/Net Debt + Equity)	23.4%	16.0%
Underlying EBITDA (last 12 mths)	6.4	7.4
Net Debt/EBITDA	1.8	1.1
Net Interest (last 12 months)	1.5	1.9
EBITDA/Net Interest	4.3	3.9

1. During the preparation of the consolidated financial statements, the Group identified that net assets in the prior reporting periods had been overstated by $1.55 million (net profit for the half year ended 31 December 2019 was overstated by $0.33 million; net loss for full year ended 30 June 2020 was $0.37 million understated and retained losses as at 30 June 2020 were understated by $1.18 million)

- Working capital release of $5.3m
  - Inventory decline versus 30 June 2020 reflected tighter procurement practices, improved responsiveness to sales trends and some reduction in aged stock
  - Declines in trade receivables and trade payables reflects a strong focus on cash management during the tighter economic conditions
- Net debt increased to $11.3m reflects cash outflows from closing out excess foreign exchange hedge positions as well as the impacts of tougher trading results
- Successful refinancing of the Group debt in December 2020 with a 3-year arrangement with the Commonwealth Bank of Australia at significantly better terms than the previous facility

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Disclaimer

The information contained in this presentation gives general background information about the company's activities as at the date of the presentation. It is information given in summary form and is based on information available to the company that has not been independently verified. No express or implied warranty is given as to the accuracy or completeness of the information in this document or any corresponding presentation. Statements contained in this presentation, particularly those regarding possible or assumed future performance, estimated company earnings, potential growth of the company, industry growth or other trend projections are or may be forward looking statements. Such statements relate to future events and expectations and therefore involve unknown risks and uncertainties. Actual results may differ materially from those expressed or implied by these forward-looking statements.

To the maximum extent permitted by law, responsibility for the accuracy or completeness of any forward-looking statements, whether as a result of new information, future events or results or otherwise, is disclaimed.

This document should be read in conjunction with the HY21 Results Announcement and HY21 Appendix 4D.