



24 August 2015

HILLS FULL YEAR FY15 RESULTS IN LINE WITH MARKET GUIDANCE – RESTRUCTURE COMPLETED

Hills Limited (ASX: HIL) today announced results for the year ended 30 June 2015 that were in line with the guidance issued in April 2015 and as confirmed on 7 August 2015.

Results for the year ended 30 June

	FY2015 \$000's	FY2014 \$000's	Change %
Statutory net (loss)/profit after tax attributed to owners	(85,947)	24,798	NA
Underlying ¹ net profit after tax attributed to owners	11,045	27,277	(59.5%)

Key Features

- Underlying¹ net profit of \$11 million in line with prior guidance;
- Impairments of \$94 million booked in respect of goodwill, other intangibles, deferred tax assets and freehold property as advised earlier this month;
- Restructure and divestment now complete with the sale of remaining legacy businesses including Cygnus Joint Venture, Team Poly and Smart Bar;
- Transformation and integration of new businesses continues; and
- New debt facilities of \$110 million in place.

Strategic Focus

The Health and Business Technologies businesses remain solid, operating in growth sectors.

Hills Chief Executive Officer, Grant Logan, said: "Getting back to basics, delivering outstanding customer service and making sure our supply chain works at its optimum levels will be the core focus for the remainder of the 2015 calendar year."

"We have undertaken significant activity to position Hills as Australia's first choice value added distributor in the Security, AV, Communications and Health service sectors. While most of the initiatives necessary to achieve this position have been completed, we will continue to refine our operational processes to support our staff in customer service excellence and restore supply chain efficiencies."

"Our competitive advantage is our national presence and ability to add value for our customers by providing a broad range of product with a bespoke product offering."

¹ Underlying net profit after tax attributable to owners is calculated as disclosed in note 22(c) of the Annual Report and is a non-IFRS measure used consistently by the Company over time. The measure is relevant because it is consistent with measures used internally by management and by some in the investment community to assess the operating performance of the business in light of its change program. It is calculated by removing the effect of non-operating items such as business combination transaction costs, impairments, the cost of disposing of freehold properties and one-off income tax credits. Non-IFRS measures are not subject to audit or review.



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Net Debt and Funding

The Company's restructure and transformation over the past 3 years has meant that its balance sheet is substantially de-risked.

Hills net debt at 30 June 2015 was \$32 million, with total facilities in place of \$110 million. The Company continues to comply with all of its banking covenants and has capacity for further acquisitions in Australia and New Zealand, in line with its strategic objectives.

Dividends

Having paid a dividend of 2.1 cents per share in the first half and in the context of a statutory loss for FY2015, there will not be a final dividend in relation to the 2015 financial year.

The Company's dividend policy remains unchanged, with a target on an annual basis of 50-75 percent of underlying profits, subject to future acquisitions and working capital requirements.

FY16 Outlook

The Company will focus on operational performance through FY2016. Significant energy is being directed to the following areas:

- Customer engagement;
- Vendor relationships;
- Training our people;
- Tight capital management;
- Margin improvement; and
- Growth both organically and by acquisition within Australia and New Zealand.

The Company has reduced the annualised corporate costs by approximately \$10 million during FY2015 and will continue to focus on cost reductions into FY2016.

Mr Logan said that "the Company is still a profitable company after the restructure and divestment, but most importantly, the earnings now come from the Technology and Health sectors where the risk profile is substantially reduced. However, it will take further time to return the businesses to the profit levels we expect."

More information on the outlook for FY2016 will be provided at the Annual General Meeting of Shareholders in November 2015.

Contacts

Hills Limited

Grant Logan
Chief Executive Officer
Hills Limited
+61 2 9216 5510

Media

John Field
Field Public Relations
P: +61 8 8234 9555
E: john@fieldpr.com.au

David Symons
Cato Counsel
P: +61 410 559 184
E: david@catocounsel.com.au