

ASX announcement

21 February 2022



Proposed divestment of Hills security and IT distribution business

- Proposed divestment of Hills security and information technology distribution business for an estimated \$20 million cash consideration
- Consideration represents a premium to net assets
- Hills to focus on strong growth prospects in its health technology business and technical services operations
- Significant reduction in working capital requirements post transaction

Hills Limited (**ASX:HIL**) (“Hills” or the “Company”) announces it has signed a conditional business sales agreement (“BSA”) to divest its security and information technology distribution (**SIT**) division to ASX-listed company [Dicker Data Limited] (**ASX:DDR**). The proposed divestment is part of the Company’s ongoing strategy to focus on the strong growth prospects associated with the Hills Health Solutions division and technical services operation.

Under the terms of the BSA, Dicker Data will acquire the business for cash consideration structured as a partial net asset sale. Upon completion Dicker Data will acquire the business, inventory, customer and vendor relationships, employees and their entitlement obligations, and certain other net assets of the SIT division. Hills will retain the Hills brands, and the trade receivables and payables existing at completion.

The purchase price represents a premium to the net assets to be sold and the final amount is largely dependent upon inventory-related balances at the completion date. The price is estimated to be in the range of \$20 million.

Hills is retaining the Technical Services business that is currently a part of the broader Distribution division and will continue to pursue its existing customer and geographic diversification growth strategy for this technology installation focused business.

The divestment of the SIT division follows Hills’ exit, in late 2021, of its New Zealand security distribution operations.

Completion of the proposed divestment is subject to the following key conditions:

- Hills shareholder approval by a simple majority, which will be sought at a general meeting of shareholders, expected to be held in early April 2022.
- Independent Expert opinion that concludes that the proposed transaction is “fair and reasonable” to Hills shareholders.
- Consent of key suppliers and landlords of the SIT division to novate existing contracts to Dicker Data.
- Approval of the Commonwealth Bank of Australia in accordance with the terms of the existing loan agreement.
- No material adverse change occurring in the SIT division between the date of the agreement and transaction completion.

Unanimous Board recommendation

The Directors unanimously approved the proposed divestment to Dicker Data and will recommend that shareholders vote in favour of the transaction, subject to the Independent Expert opining to shareholders that the deal is “fair and reasonable”. Each Director, who is also a shareholder, intends to vote in favour of the proposed transaction.

Use of proceeds

Subject to completion of the proposed transaction, Hills intends to apply the proceeds from the divestment to reduce debt and restructuring of corporate operations.

Intentions for Hills post transaction

Following completion of the proposed transaction, the Board intends that Hills will remain an ASX-listed company, with its Hills Health Solutions division then forming the main undertaking of the group. The Board has identified a number of acquisition opportunities in the Australian health solutions market that can complement and expand the Hills Health Solutions division and intends to pursue such acquisition opportunities through the remainder of 2022.

Notice of meeting

In due course, Hills shareholders will be provided with a Notice of Meeting and accompanying Explanatory Memorandum and Independent Expert’s Report, which will contain full details of the proposed transaction and next steps.

Half Year Results

The Company is in the process of completing its half year audit and will release its results to the Market on Monday, 28 February 2022. The results will include the impact of the transaction and an assessment of the carry forward value of assets in the Hills Group.

Commentary

Hills Chief Executive Officer David Clarke said: “In recent years, the Distribution division has been adversely affected by COVID-related lockdowns, supply chain delays and worldwide semiconductor shortages. Notwithstanding these external issues, the business’ performance has not met the expectations of the Board. Our assessment is that the effort and investment required to address revenue declines and improve profitability of this division will provide superior returns if focused on the health technology sector. Ultimately, we have determined that a change of ownership to an organisation with strong capability in technology distribution and solutions, is in the best interests of the Hills shareholders and the future success of the SIT division, its people, suppliers and customers.

“This divestment continues the Company’s efforts to focus our attention and resources on those businesses with the greatest growth potential, most particularly Hills Health Solutions. We are pleased that Dicker Data has committed to taking on all SIT division employees and we thank those employees for their loyalty and service to Hills.”

This ASX announcement is authorised for release by the Board of Hills Limited.

About Hills

Hills (ASX:HIL) is a majority Australian-owned publicly listed company that is a value-added manufacturer, distributor and installer of integrated technology solutions that connect, entertain and secure people in the environments they trust the most: their homes, hospitals, aged care facilities, schools, universities, workplaces, and government institutions. www.hills.com.au

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About Dicker Data

Dicker Data (ASX:DDR) is an Australian-owned and operated, ASX-listed technology hardware, software, and cloud distributor with over 42 years of experience. Dicker Data's sales and presales teams are experienced product specialists who are dedicated to helping customers tailor solutions to suit their client's needs.

As a distributor, Dicker Data sell exclusively to its valued partner base of over 8,200 resellers across ANZ. Dicker Data prides itself on developing strong long-term relationships with its customers, and helping them grow. This customer-first approach means it is proactive in engaging with its resellers and allows it to dynamically shift with changing market conditions, in turn helping to increase profitability.

Dicker Data distributes a wide portfolio of products from the world's leading technology vendors, including Cisco, Citrix, Dell Technologies, Hewlett Packard Enterprise, HP, Lenovo, Microsoft and other Tier 1 global brands. As the leading Australian distributor for many of these vendors, Dicker Data is dedicated to helping its partners deliver industry-leading solutions built on the world's best technologies. <https://www.dickerdata.com.au/>