



AGM 2016

Bayswater, Victoria, Australia, 25th November





Chairman's address

Mr. Jeffery Cheetham OAM



CEO's address

Ms. Samantha Cheetham

We exist to increase shareholder value by discovering, developing and marketing top quality, innovative dental products.

THE SDI MISSION

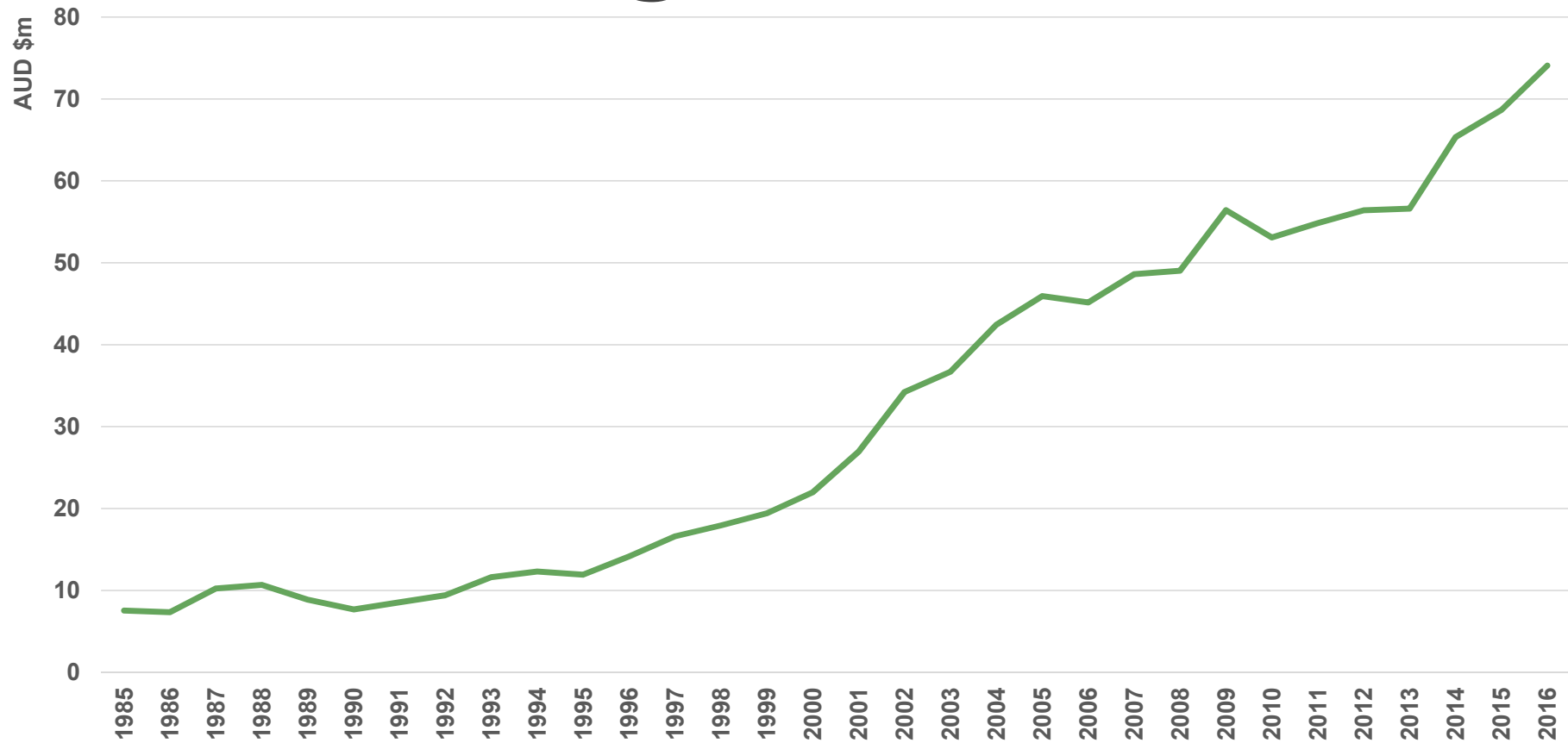
*To be an innovative leader in the dental industry,
developing our people and partnering with dentists and
distributors globally to help them deliver a superior
patient experience.*

THE SDI VISION

2015-16 Highlights

- Sales up 8% to \$74.1m
- EBITDA up 25% to \$15.4m
- NPAT up 22% to \$7.6m
- Non-amalgam sales increased by 18% over the year
- Strong pipeline of products under development
- Selling products in over 100 countries

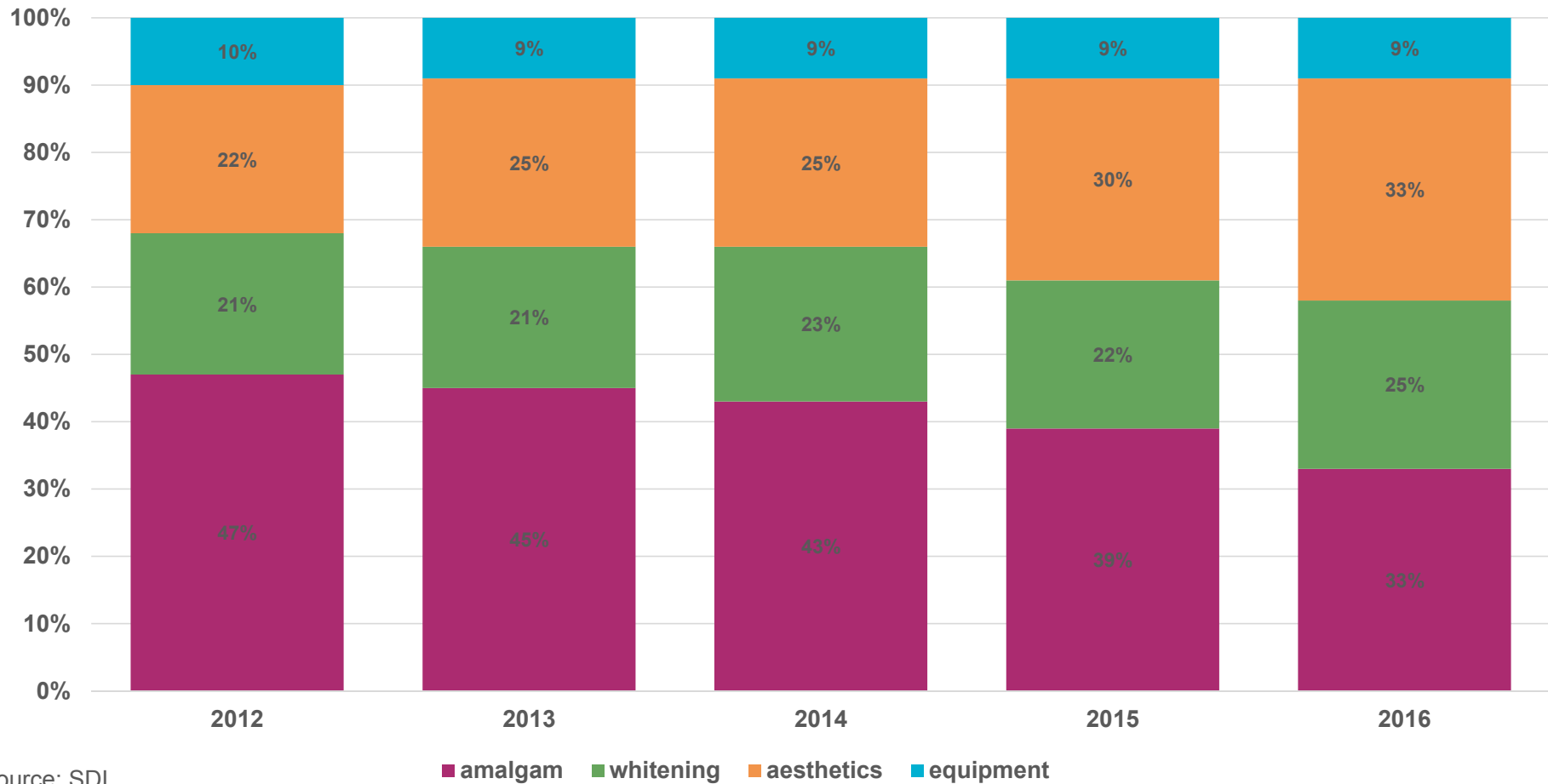
Solid sales growth



Source: SDI



Product mix is changing



Source: SDI



Sales growth by region



Source: SDI



Australian sales

- Grew 5.5%
- Strong sales team focused on growing market share both direct to dentists and through largest distributor
- #1 in tooth whitening
- #2 in glass ionomer



Invest in Europe

- Expanding European team – extra sales people in UK, Poland, Spain and France
- March 2017 International Dental Show – world's largest dental trade show
- European Headquarters now consolidated into one location in Cologne, Germany



North America will grow

- A significantly stronger management team now in place
- New role of Special Markets Manager for group practices, federal government – the current focus of the industry
- Key management located in Chicago HQ



Emerging markets

SOUTH AMERICA

- Gradual consolidation of all South and Central American sales to South American Headquarters in São Paulo, Brazil
- New South American Sales Manager role – for all non-Brazilian sales
- Packing operations have started
- Expanding middle class
- Solid reputation

ROW

- Expanding middle class – demand for quality dentistry is increasing
- Unstable economies but excellent opportunities
- Good tender business
- Starting to sell in Russia

Innovation is key

- We must have a strong pipeline of products
 - Very focused R+D teams collaborating closely with researchers and innovation centers globally
 - One team is focused on chemistry advancement and the other on delivery system innovation
 - Working with our competitors for their products – dental glass manufacturing, dental alloy manufacturing, packing their products into our advanced delivery systems
- 2016/17 product releases:
 - Aura Easy – composite – rollout happening now
 - Pola Luminare – December 2016
 - Riva Cem – a paste/paste cement – January 2017
 - Rarii Xpert – April 2017

Aura Easy

- New composite
- 4 shades only required instead of 8
- Natural and elegant restorations (“fillings”)
- Effortless placement
- Low shrinkage
- High strength

NOW **eASIER** THAN EVER

4 SHADES =
Simple, brilliant
restorations,
every time!



Your Smile. Our Vision.
www.sdi.com.au



aura eASY
ultra universal restorative material



Changing our image

- Corporate video
- Gradual move with new image to all things SDI



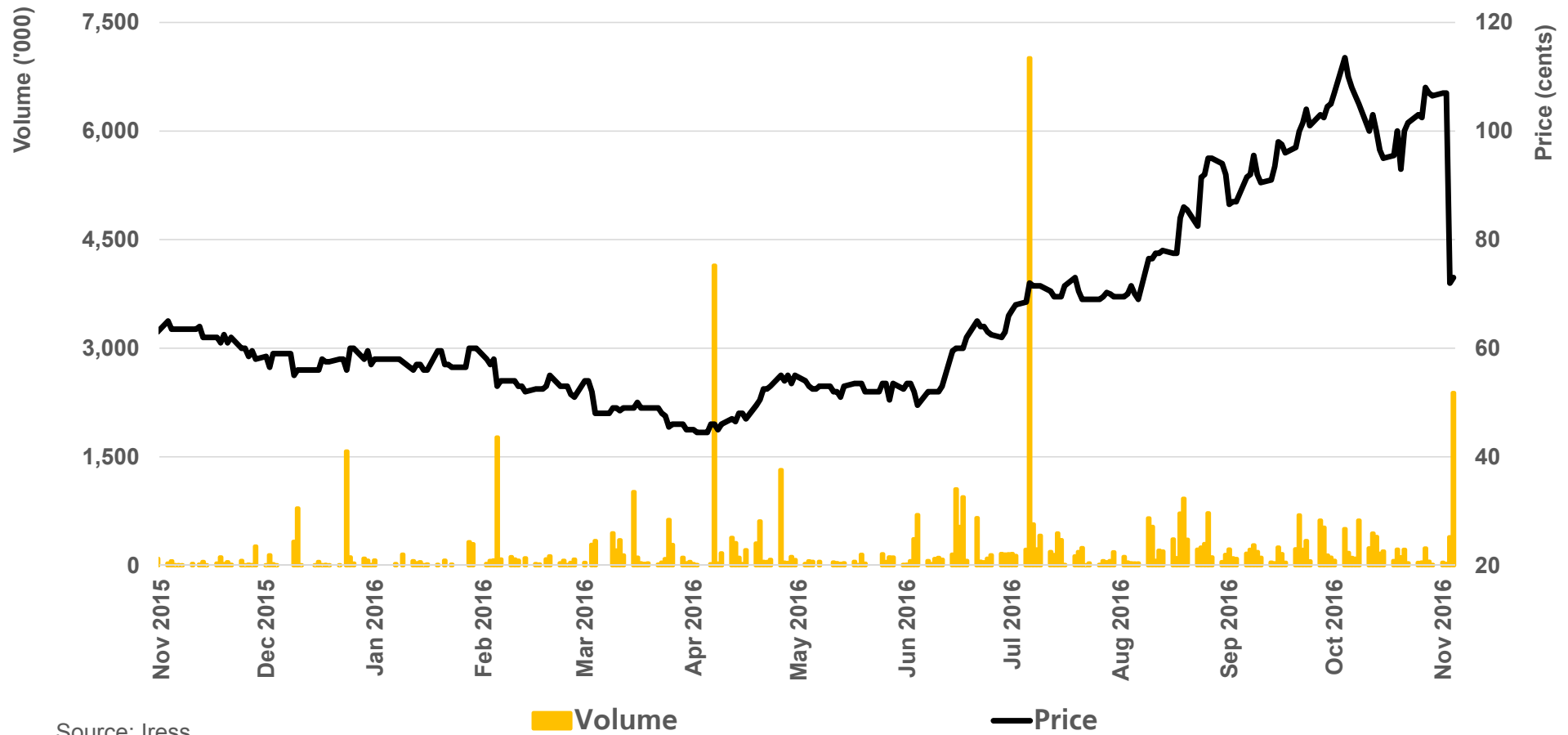
Your Smile. Our Vision.



Strategy

- Vertically integrated global dental manufacturer continuing to invest in our sales teams and distributor markets
- Operational excellence
- Innovation is our passion – 1-2 new products every year
- Ongoing improvement of brand image
- High performing teams
- Safety always

12 month share price performance



Source: Iress



Trading Update

- For the six months ending 2017 net profit after tax is expected to be in the range of \$2.0m to \$2.5m which is lower than that reported in 1H2016
- Non-amalgam sales in local currencies expected to be up 9% for 1H 2017; Amalgam sales in local currencies expected to be down 7% for 1H 2017 when compared to 1H 2016
- Relative AUD strength compared to GBP and Euro is resulting in a lower translation of sales and lower margins (product costs are mostly incurred in AUD)
- YTD October UK sales increased by 18% in GBP when compared to the same period last year, however, when translated into AUD the sales were down 6% causing an overall lower gross margin. In 2015/16, UK sales represented 14% of SDI's total sales and we are committed to growing in this market
- We are expecting a stronger second half and for the 12 months ending 30 June 2017 and reconfirm our guidance that non-amalgam sales will grow by 10% while amalgam sales will be flat in local currencies
- We invest for the long term growth and an increasing market for SDI



COO's address

Mr. John Slaviero

Profit & Loss

Increased profitability and returns for investors

PROFIT & LOSS (\$'000)	FY16	FY15	Change
Revenue			
Sales revenue	74,077	68,655	8%
Cost of goods sold	(27,988)	(29,182)	
Gross profit	46,089	39,473	17%
Other income	258	226	
Expenses			
Selling and admin	(32,642)	(29,000)	
R&D	(680)	(550)	
Other	(1,604)	(1,027)	
Finance costs	(323)	(422)	
EBITDA	15,400	12,300	25%
Tax	(3,532)	(2,500)	
NPAT	7,566	6,200	22%

Sales increased by 8% or \$5.4m

- Adjusted for F/X movements sales increased by 1.3%

Gross product margin increased to 62% (58% in FY15)

Total Expenses increase by 13.7% or \$4.3m

- Expense growth of 13.7 to 35.2m
- After adjusting for F/X movements and once off costs, expenses increased by 8%
- Increased tax expense to 31.9%

EBITDA up 25% to \$15.4m

NPAT up 22% to \$7.6m



Balance Sheet

Conservative balance sheet, very little debt

BALANCE SHEET (\$'000)	FY16	FY15	Change
Current assets			
Cash & equivalents	6,001	5,037	19%
Trade and receivables	15,619	14,075	
Inventories	18,365	16,568	
Other	550	668	
Non-current assets			
Property, plant and equipment	18,334	18,555	
Intangibles	21,533	21,030	
Total assets	80,402	75,933	6%
Current liabilities			
Trade and other payables	4,375	5,415	
Borrowings	2,521	3,676	(31%)
Provision for income tax	1,516	322	
Employee benefits	3,322	3,202	
Non-current liabilities			
Borrowings	3,209	3,438	(7%)
Deferred tax liability	1,488	1,661	
Employee benefits	192	128	
Total non-current liabilities	4,889	5,227	
Total liabilities	16,623	17,842	(7%)
Net assets	63,779	58,091	10%

Assets:

Cash balance increased by \$1.0m to 6.0m

Trade Receivable increased on higher June sales

Inventories increase driven by F/X valuation & raw materials cost increases

Liabilities:

Continuing debt reduction of around \$1.0m per year

Debt / Equity decreased by 4% to 9%

FY16 dividend increased 30% to 2 cents

ROE increased to 12% from 11% in FY15

Cash Flow

Resilient cash generative business

CASH FLOW STATEMENT (\$'000)	FY16	FY15	Change
Receipts from customers	72,533	67,686	
Payments to suppliers and employees	(61,272)	(57,093)	
Other revenue	258	161	
Interest and other finance costs paid	(323)	(422)	
Income taxes paid	(2,417)	(2,634)	
Net cash from operating activities	8,779	7,698	14%
Payments for property, plant and equipment	(2,433)	(2,889)	
Payments for intangibles	(2,073)	(1,808)	
Proceeds from disposal of property, plant and equipn	76	121	
Net cash used in investing activities	(4,430)	(4,576)	(3%)
Net cash used in financing activities	(3,524)	(2,531)	39%
Cash at end of financial year	6,001	5,037	19%

Currency Rates

Average Currency Movements						
	2013 /14	Movement	2014 / 15	Movement	2015 / 16	Movement
		Loss / (gain)		Loss / (gain)		Loss / (gain)
USD / AUD	0.91	-11%	0.83	-9%	0.73	-12%
EUR / AUD	0.67	-15%	0.69	3%	0.66	-4%
GBP / EUR	0.83	-7%	0.75	-10%	0.75	0%
CAD / USD	0.93	-6%	0.85	-9%	0.76	-11%
BRL / AUD	2.09	0	2.22	6%	2.70	22%
End Period Rates						
	2013 /14	Movement	2014 / 15	Movement	2015 / 16	Movement
		Loss / (gain)		Loss / (gain)		Loss / (gain)
USD / AUD	0.94	2%	0.77	-18%	0.74	-4%
EUR / AUD	0.67	-15%	0.69	3%	0.67	-3%
GBP / EUR	0.80	-7%	0.71	-11%	0.83	17%
CAD / USD	0.94	-1%	0.80	-15%	0.77	-4%
BRL / AUD	2.09	3%	2.22	6%	2.38	7%

Market sales Growth

Margin is determined by:

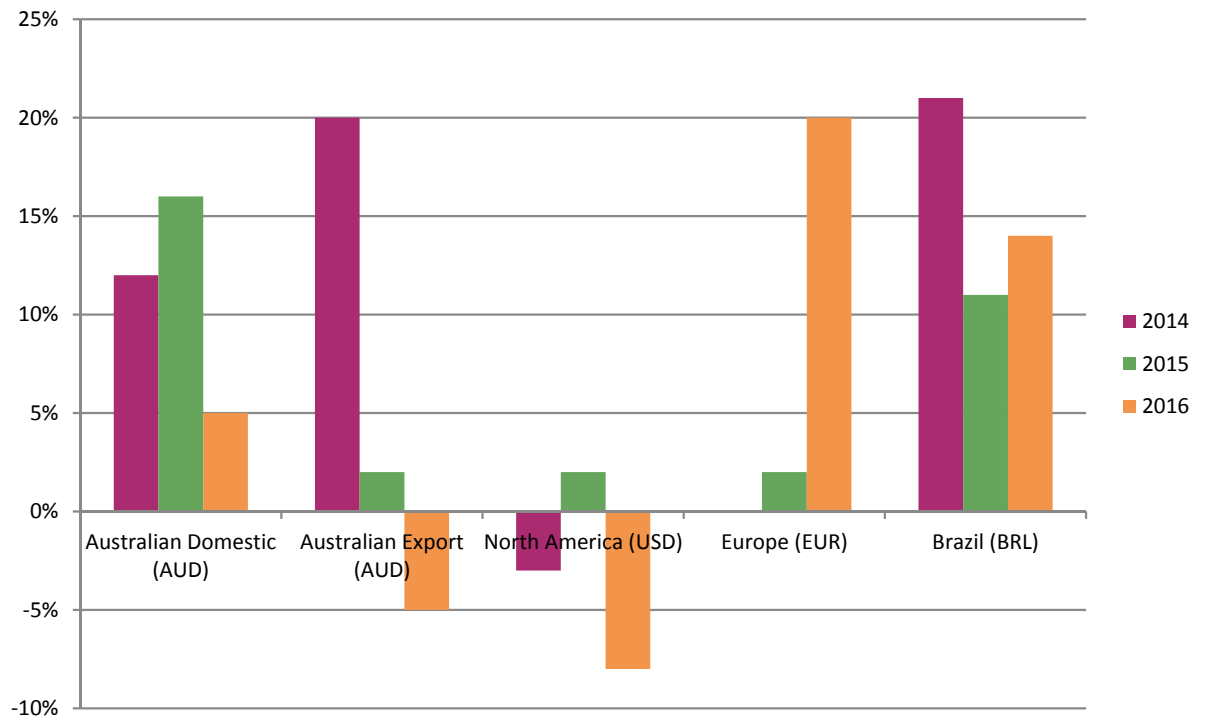
- Sales mix by region
- Product sales mix
- Currency variations
- Production efficiencies

Product Margins:

- 2014 – 58.6%
- 2015 – 57.9%
- 2016 – 62.2%

Low Margin Markets:

- Brazil
- Australian Exports



Currency

F/X Adjustments:

- Gross Profit Margin
- Operating Expenses
- Cash Translations - Realized Gains / Losses
- Revaluation of Assets & Liabilities - Unrealized Gains / Losses

Capital Expenditure

Capex: \$2.4m

- Investment in new Manufacturing equipment
- Upgrade of Glass manufacturing
- Continual upgrade of I.T. Systems
- Ongoing Capex expected to be appropriately \$2.0m

R & D:

- Development: \$1.6m – Charged to Intangibles
- Ongoing Developments expected to be consistent with the 2016 financial year
- Technical Support / Improvements: \$1.0m – Charged to Production

Other Intangibles: \$0.4m

Financial

Debt reduction: \$1.4m:

- Debt Reduction of \$1.0m per year to continue

Dividend:

- 2016: Dividend: 31.4% of NPAT
- Maintain a minimum dividend of 30% of NPAT



Thank You