



1H17 Results Presentation

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1H17 Highlights

- NPAT of \$2.0m within guidance range
- Sales down 0.9% due to softer amalgam sales which declined 15.1% and currency
- Non-amalgam sales up 7.8% with strong growth in glass ionomers and composites
- Continued cost discipline resulted in operating expenses falling 0.6%
- Fully franked Interim Dividend up 25% on 1h16 to 1.0 cps
- Revised FY17 outlook: sales growth to be approximately 2% with non-amalgam sales increasing 10% and amalgam sales falling 13%

	1H17	1H16	Change %
Sales	\$34.4m	\$34.7m	(0.9)
EBITDA	\$4.9m	\$6.2m	(20.0)
NPAT	\$2.0m	\$3.0m	(32.8)
EPS	1.70c	2.53c	(32.8)
DPS	1.0c	0.80c	25.0



Regional sales review

- Currency headwinds in three largest regions with GBP/EUR the biggest change
- Key countries showed strong growth in aesthetic and whitening sales, SDI's focus categories.
- Amalgam market is declining worldwide, in some regions more than others.
- North America sales were weak due to relatively new sales force since restructure, slow down in market and differences between distributor purchases and sell-out.
- The GBP weakness masked an otherwise bright picture in this market with aesthetic sales up 7.7% and whitening up 3.2% in local currency
- Brazil packing plant is scaling up with plans to pack all main products for South America in Brazil. Growth was driven by stronger non-amalgam sales more than offsetting weaker amalgam, with the currency supportive

Region	Growth in Local Currency	Growth in AUD
Australian Sales	8.1%	5.9%
North America	(4.4%)	(7.4%)
Europe	4.6%	(5.0%)
Brazil	3.0%	9.4%
TOTAL	2.9%	(0.9%)

Average Currency Rates			
	1H17	1H16	Change
USD / AUD	0.7492	0.7256	3.2%
EUR / AUD	0.6841	0.6601	3.6%
CAD / USD	0.7565	0.7583	-0.2%
GBP / EUR	0.8555	0.7193	18.9%
BRL / AUD	2.4331	2.6705	-8.9%

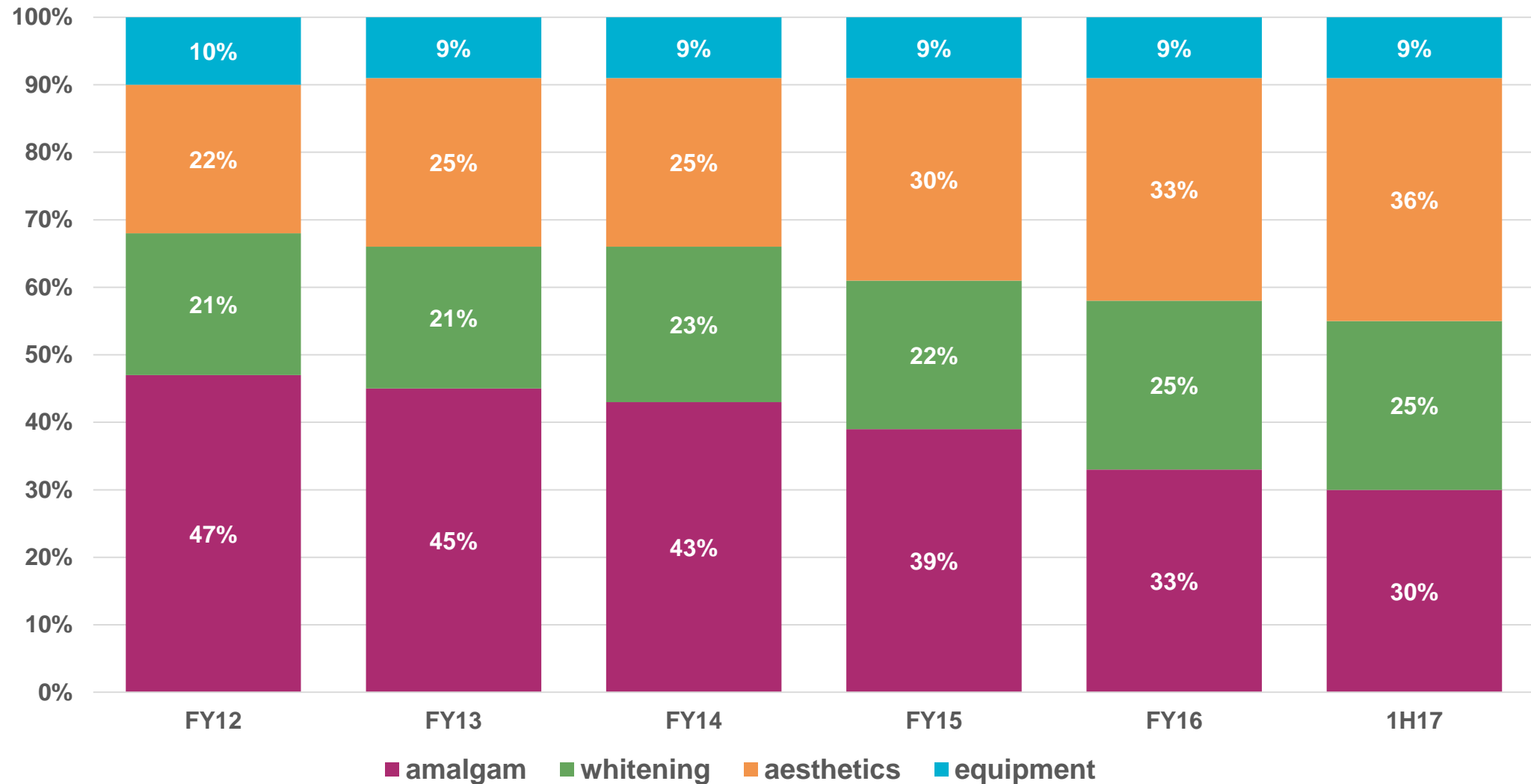
Product Category review

- Glass ionomers demand rising as dentists become more educated about these high fluoride releasing, bio-compatible, aesthetic filling materials.
- Composite fillings are the most aesthetic fillings, hence are popular worldwide and SDI's products are becoming more well-known.
- Equipment sales are flat but new product will soon be released.
- Whitening demand increasing as consumers demand whiter, brighter teeth.
- Amalgam is being replaced by more aesthetic filling materials and environmental recommendations.

Product Category Sales	% growth AUD	% of total Sales
Aesthetics	13.4%	35.8%
Equipment	Flat	8.6%
Whitening	3.7%	25.6%
Amalgam	-15.1%	30.0%



Continued product mix change



Profit & Loss

PROFIT & LOSS (\$'000)	1H17	1H16	Change
Revenue			
Sales revenue	34,358	34,659	(1%)
Cost of goods sold	(13,690)	(13,084)	
Gross profit	20,668	21,575	(4%)
Other income	16	105	
Expenses			
Selling and admin	(16,275)	(16,345)	
R&D	(450)	(387)	
Other	(1,021)	(833)	
Finance costs	(113)	(166)	
EBITDA	4,943	6,178	(20%)
Tax	(805)	(941)	
NPAT	2,020	3,008	(33%)

- Adjusted for F/X movement, sales increased by 2.9%
- Stronger sales in lower margin markets, devaluation of GBP
- Adjusted for F/X movement expenses increased by 0.9%

Conservative balance sheet

BALANCE SHEET (\$'000)	1H17	1H16	Change
Current assets			
Cash & equivalents	3,668	6,001	(39%)
Trade and receivables	13,495	14,454	
Inventories	20,453	18,365	
P repayments	1,003	550	
Non-current assets			
Other receivables	1,413	1,165	
Property, plant and equipment	17,741	18,334	
Intangibles	22,171	21,533	
Total assets	<u>79,944</u>	<u>80,402</u>	(1%)
Current liabilities			
Trade and other payables	4,233	4,375	
Borrowings	2,245	2,521	(11%)
Provision for income tax	753	1,516	
E mployee benefits	3,335	3,322	
Non-current liabilities			
Borrowings	3,122	3,209	(3%)
Deferred tax liability	1,383	1,488	
E mployee benefits	280	192	
Total non-current liabilities	<u>4,785</u>	<u>4,889</u>	
Total liabilities	<u>15,351</u>	<u>16,623</u>	(8%)
Net assets	<u>64,593</u>	<u>63,779</u>	1%

- Dividend payment \$1.4M
- High level of sales in November and December
- Lower sales in amalgam than forecasted. Stocking of Brazilian subsidiary for transition of supplying South America

- Total borrowing down 5.3% from June 2016

Cash flow Statement

CASH FLOW STATEMENT (\$'000)	1H17	1H16	Change
Receipts from customers	35,069	34,464	
Payments to suppliers and employees	(31,657)	(32,322)	
Other revenue	16	105	
Interest and other finance costs paid	(113)	(156)	
Income taxes paid	(1,759)	(961)	• Greater tax payments due to 2016 strong result
Net cash from operating activities	1,556	1,130	38%
Payments for property, plant and equipment	(724)	(842)	
Payments for intangibles	(1,401)	(981)	• Increased expenditure on R&D development and patent costs
Proceeds from disposal of property, plant and equipment	-	91	
Net cash used in investing activities	(2,125)	(1,732)	23%
Net cash used in financing activities	(1,789)	(982)	82% • Increased dividend payments and debt reduction
Free cash flow / EBITDA	31%	18%	72%

Working Capital

Working Capital Analysis	1h13	FY14	1h14	FY15	1h15	FY16	1h17
Sales (\$m)	30.1	65.3	31.6	68.7	34.7	74.1	34.4
<i>Last 2 months Sales</i>	<i>36.5%</i>	<i>24.1%</i>	<i>34.0%</i>	<i>23.0%</i>	<i>37.5%</i>	<i>21.7%</i>	<i>36.8%</i>
Current Assets (\$m)	31.6	32.5	34.6	35.6	37.2	39.4	38.6
Current Liabilities (\$m)	14.6	13.3	14.1	12.6	12.1	11.7	10.6
<i>Ratio</i>	<i>2.2</i>	<i>2.4</i>	<i>2.5</i>	<i>2.8</i>	<i>3.1</i>	<i>3.4</i>	<i>3.7</i>
Working Capital (CA-CL) (\$m)	17.0	19.2	20.5	22.9	25.1	27.6	28.1
<i>% Sales</i>	<i>56.5%</i>	<i>29.3%</i>	<i>64.8%</i>	<i>33.4%</i>	<i>72.4%</i>	<i>37.3%</i>	<i>81.7%</i>
Working Capital days							
Inventories	99	80	100	88 #1	101	91 #2	109 #3
Receivables	61	67	71	71	66	71	72
Total Working Capital	103	107	118	122	132	136	149

- Large amount of sales in the final months of the reporting period has resulted in higher debtors
- Generally low inventory turns due to the large amount of stock in transit - Average \$1.5m, lower than forecast Amalgam sales, higher inventory holdings in Brazil
- Longer credit terms for Australian Direct Exports: Range from 60 to 90 days and, stronger sales growth in these markets

#1 Purchase of extra of Mercury supplies

#2 Purchase of additional Mercury supplies, packing inventory for Brazil & devaluation of AUD

#3 Increase stock for Brazil to export to Latin America & lower than expect Amalgam

Innovation is key

2017 product releases

- Aura Easy - composite - rollout happening now
- Pola Luminare - tooth whitening – rollout happening
- International Dental Show, Cologne Germany
 - Riva Cem - paste/paste glass ionomer cement
 - Rarii Xpert – small equipment



Product pipeline is full

Strong pipeline of products

- Amalgam alternatives – 2017
- Concentrating on categories that deliver high sales margins
- 1 – 2 new products per year to drive growth
- Building on SDI's world-leading technical expertise, particularly in glass ionomers and tooth whitening.
- Very focused R+D teams collaborating closely with researchers and innovation centers globally



Outlook

- Outlook for FY17 is for sales growth to be approximately 2%, driven by 10% growth in non-amalgam and a 13% decline in amalgam
- Continued shift in product mix
 - reduced demand for amalgam
 - increasing demand and penetration of non-amalgam products
- Growth opportunity in developing markets as demand for quality dentistry increases

Questions

Appendix

Overview

- ASX:SDI – listed 7th Nov 1985
- Market cap - \$78m (22.2.17)

BACKGROUND

- Founded in 1971
- Australia's largest dental manufacturer
- All research, development and manufacturing is in Melbourne
- 271 Staff worldwide
- Offices in São Paulo, Brazil; Chicago, USA; Cologne, Germany
- Worldwide distribution with 500+ distributors
- Numerous national and international awards, including Australian Exporter of the Year for Health and Biotechnology

*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

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

THE SDI MISSION

Product Strategy

- Vertically integrated global dental manufacturer
- Products for expanding market segments with very few players
- Example: Glass Ionomer Cements
 - *Estimated at > USD 200M*
 - *Two main players (GC Dental, 3M Oral Care)*
- Continual investment to extend current areas of technical expertise
 - New and improved delivery systems, the focus of SDI's technology
 - Materials chemistry development (*whitening, composites, glass ionomers*)
 - Liquid development
 - Equipment (*applicators, high-speed mixers, curing lights, etc*)

➤ ***Working towards a white amalgam***



Currency/margin

Margin is determined by:

- Sales mix by region
- Product sales mix
- Currency variations
- Production efficiencies
- Cost base in AUD

Product Margins:

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

Low Margin Markets:

- Brazil
- Australian Exports

High Margin Markets:

- Europe
- North America
- Australia

F/X Adjustments:

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