



# Investor roadshow post FY2017

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## *Agenda*

- **Company overview**
- **FY17 highlights**
- **Product categories**
- **Key geographies**
- **Financial performance**
- **Strategy and outlook**



# SDI – Your Smile. Our Vision.

- Long successful operating history – founded in 1972 and listed on ASX in 1985 and Australia's largest dental manufacturer
- SDI conducts research and development of specialist dentist materials undertaking the development, manufacturing and marketing of dental restorative materials.
- SDI sells to 100+ countries on all continents and with sales teams and distribution in Australia, Brazil, Europe and North America

# Positioned in key dental markets



**Australia - Melbourne**  
Manufacturing  
R&D  
Corporate, sales and marketing  
Local Distribution and Direct Exports  
FTEE: 183



**Brazil – Sao Paolo**  
Packaging plant  
Sales, warehouse and distribution to Brazil and South America  
FTEE: 25



**Germany - Cologne**  
Sales, warehouse and distribution to Germany, UK and other European countries  
FTEE: 35



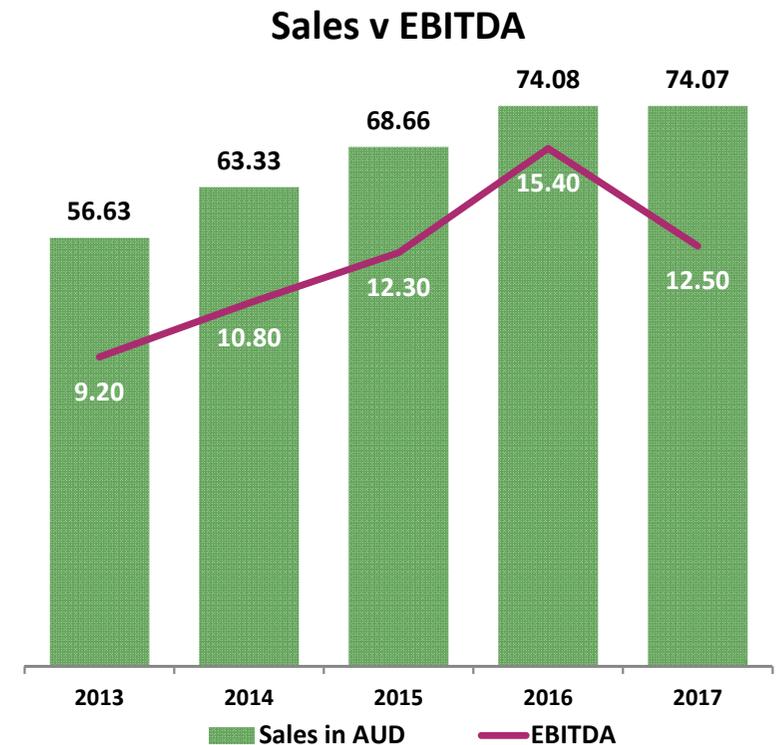
**USA – Chicago**  
Sales, warehouse and distribution to US and Canada  
FTEE: 29

# Financial highlights



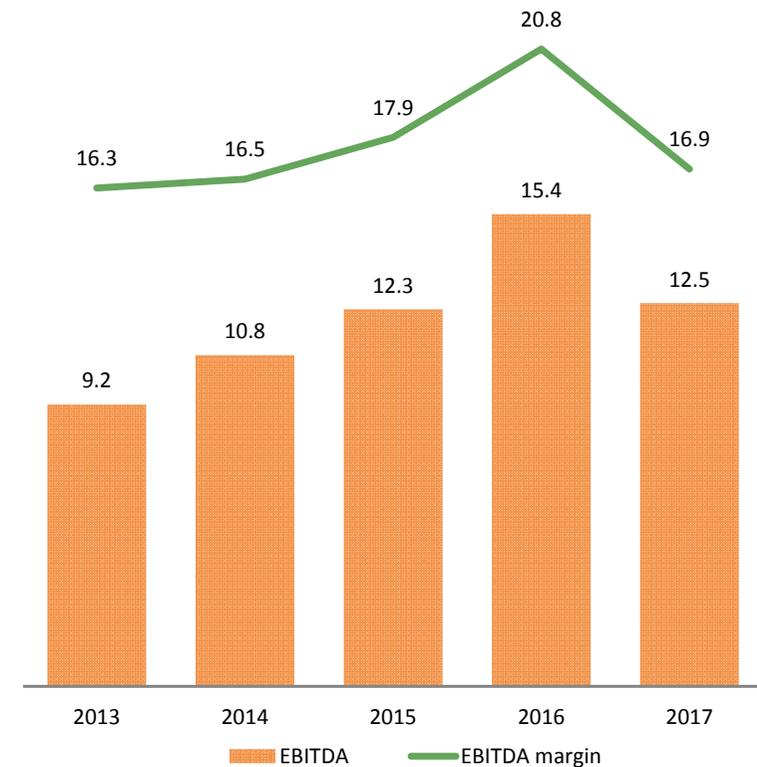
# FY17 Highlights

- NPAT of \$5.6m within guidance
- Aesthetic sales up 12% in local currency (9% in AUD)
- Whitening sales up 7% in local currency (4% in AUD)
- Australian direct export sales up 15% in local currency (12% in AUD)
- Operating expenses up by 0.6%
- Full year fully franked dividends of 2.3 cents up by 15%
- Debt reduction of \$1.6m



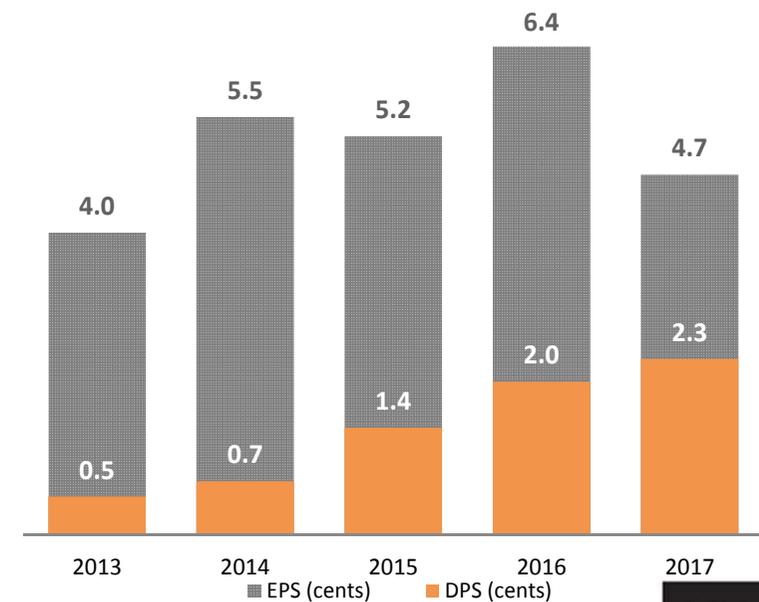
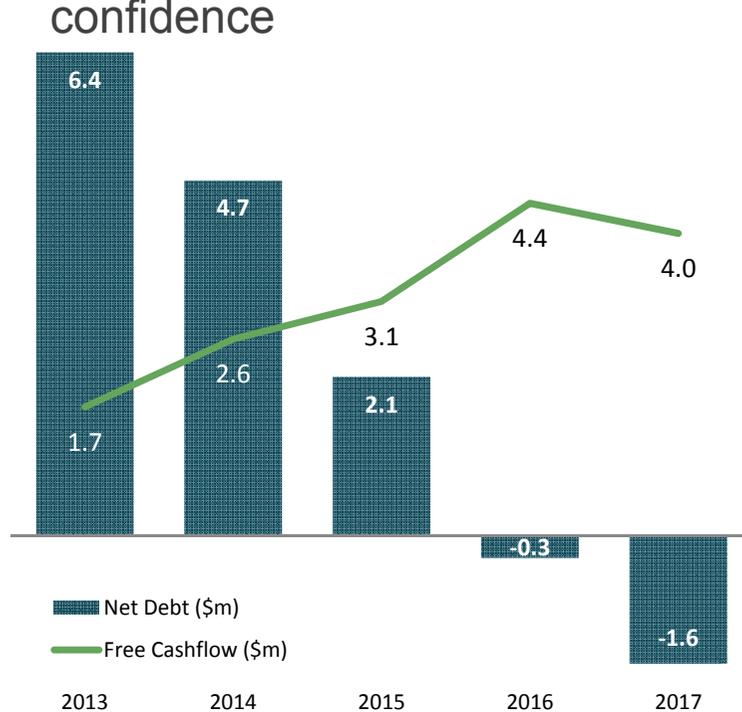
# Financial overview

- Long term earnings trend is positive
  - FY2017 profit and margin unfavorably impacted by currency
- FY2017 saw stronger sales growth in emerging markets, which are generally lower margin regions, partially offset by supportive mix change
- The relative strength of the AUD detracted from an otherwise stronger underlying result



# Dividends growth and no net debt

- Net cash position with strong free cashflow
- Increased dividend and payout ratio reflective of balance sheet strength and the board's confidence



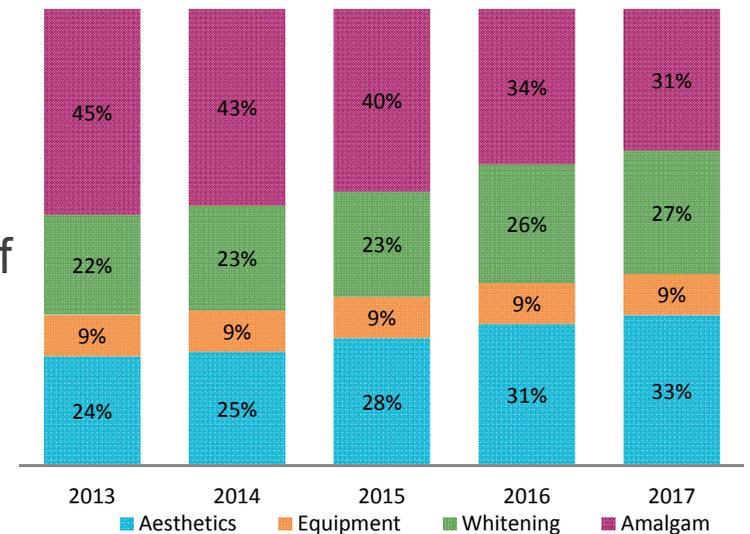
# Product categories



# Product sales mix

- Aesthetics and whitening categories now account for 60% of sales (CAGR 16.4% p.a. 2013 to 2017)
  - Growth in Glass Ionomers continued to outperform
  - Good acceptance of Aura
- Amalgam decline is reflective of industry trends
- Equipment sales will be supported from recent launch of a new curing light which is receiving positive feedback

Product Category Sales	Growth in Local Currency	Growth in AUD	Total AUD Sales
Aesthetics	12%	9%	33%
Equipment	(4%)	(3%)	9%
Whitening	7%	4%	27%
Amalgam	(7%)	(9%)	31%



# Competitive landscape

whitening	aesthetics	equipment	amalgam
			
			
			
			
			
			
			
			
			

# Product portfolio

whitening

aesthetics

equipment

amalgam



# Aesthetics “the white fillings”

- \$2.6bn market – SDI has 1% of market
  - Composites – competitive market and the largest market within Aesthetics
  - Glass Ionomers – fewer competitors with 3M and GC the main players
  - SDI is continually innovating in this segment

Composites: 2014, 2015, 2016

Glass ionomers: 2017



# Whitening

- \$550m market (via dentists) - SDI has 4% market share (45% share in Australia)
- Ultradent and Philips are the main competitors
- SDI's leading brand is Pola
- New branding rollout planned
- Continual innovation required



An advertisement for SDI Polaoffice+ tooth whitening. The background is a solid blue color. On the right side, a woman with long, wavy blonde hair is smiling, showing her bright white teeth. To her left, there is a horizontal row of five square color swatches representing different shades of teeth, ranging from dark grey to bright white. The text "IT'S YOUR TIME TO SHINE" is written in large, white, sans-serif capital letters at the top left. Below the swatches, the text "FIND A BRIGHTER SHADE OF WHITE." is written in smaller, white, sans-serif capital letters. At the bottom left, there is a black square with the white text "SDI". At the bottom right, there is a blue square with the white text "pola" and "ADVANCED TOOTH WHITENING SYSTEM" below it. In the center, there is a box of SDI Polaoffice+ tooth whitening product, with the text "SDI polaoffice+ THE WORLD'S FASTEST BLEACH" on it.

# Small equipment

- \$140m market – SDI has 8% market share
- Many competitors, especially from China
- SDI's original Radii was a market leader in 2004. SDI is known for high quality curing lights with the Radii brand very strong
- New product, Radii Xpert, first shipment is in September 2017
- USP – target assist precision curing, collimated light

## radii xpert

Professional LED Curing Light

Smarter design. Optimal cure every time.

Radii Xpert is a smarter curing light that incorporates the latest in LED technology to deliver targeted, consistent light for optimally cured restorations.



Target assist  
precision curing



Collimated  
light



Smart technology  
for ease of use



Ergonomically  
well-balanced grip



Your Smile. Our Vision.  
[www.sdi.com.au](http://www.sdi.com.au)



# Research, innovation, results

- **FY17 product releases**
  - Aura Easy - composite
  - Pola Luminare - tooth whitening - December 2016
  - Riva Cem - a paste/paste cement - March 2017
  - Industry trade show product launches (Germany) – March 2017
  - Rarii Xpert – small equipment - April 2017
- **1 – 2 new products per year to drive growth**
  - Concentrating on categories that deliver high sales margins
  - 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 centres globally
- **Riva star** – focus on public health programs to minimise adverse restorative procedures



# Key geographies

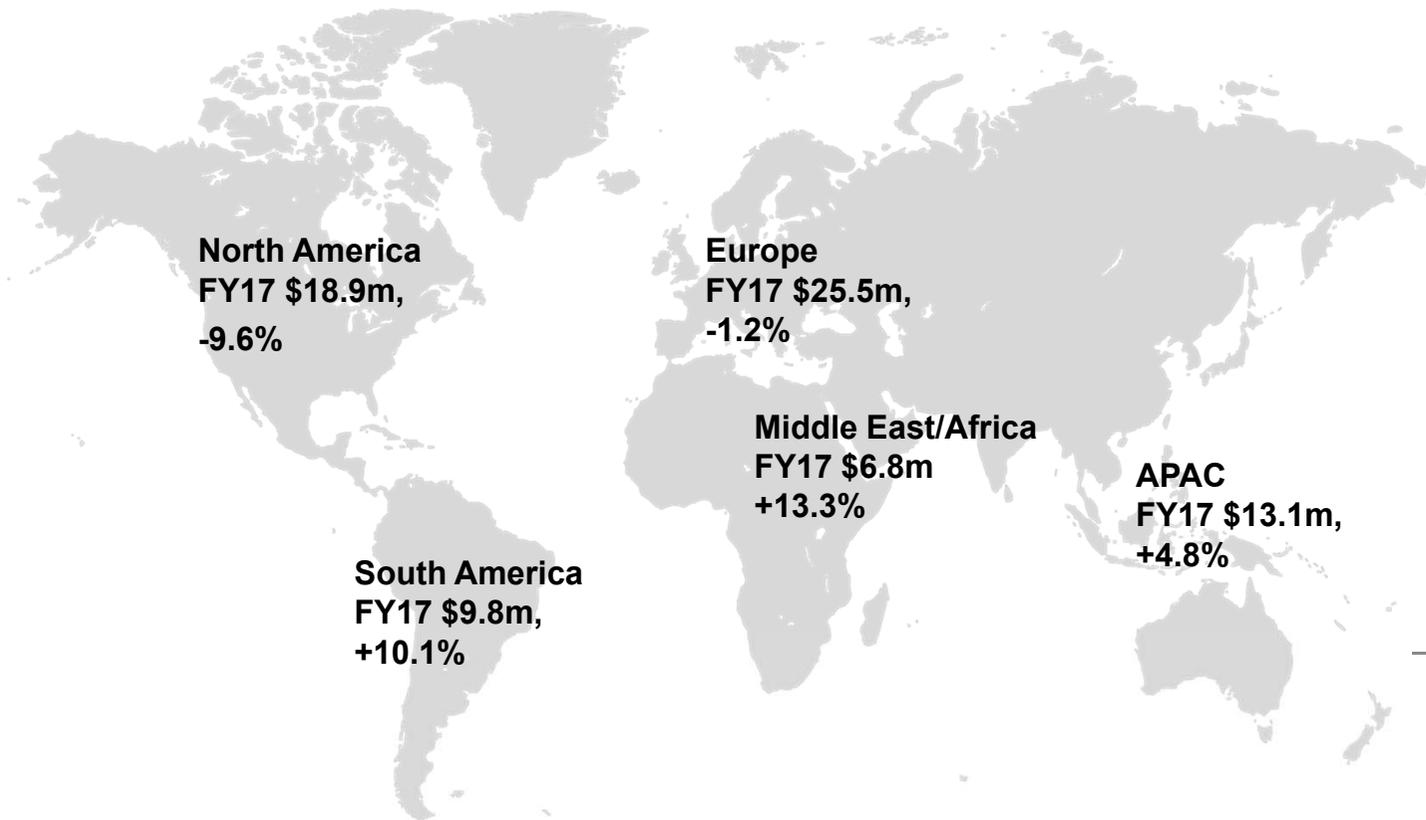


# Geographical business units

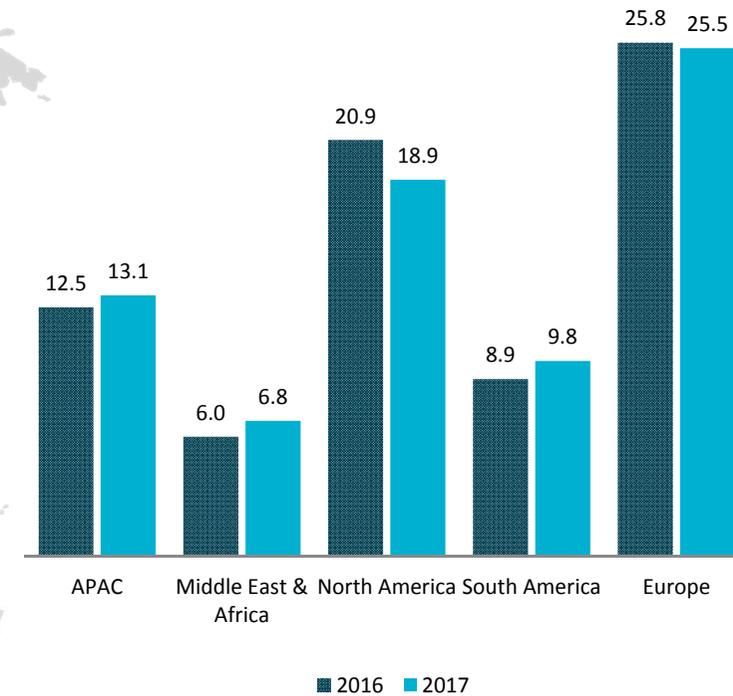
- Double digit growth in the Australian office was primarily due to strong direct exports to the emerging markets
- Europe was flat in local currency with the Australia dollar result held back by the unfavourable move in Sterling
- The decline in North American sales was a function of:
  - Market trends in Amalgam with 35% of total amalgam sales in this market
  - Changes to the Sales team, now complete

Sales by reporting business unit	Growth in Local Currency	Growth in AUD	Total AUD Sales
Aust. Sales (incl. Direct Exports)	11%	9%	35%
North America	(7%)	(10%)	25%
Europe	-	(5%)	31%
Brazil	8%	20%	9%
TOTAL	2%	0%	100%

# Geographical sales



Sales by geographical location A\$(m)



# North America

- \$1.5b market with 150,000 dentists – SDI has 1.5% market share
- 39% of SDI's FY17 Amalgam sales were to US (vs 44% FY16)
- Transition with new sales management and reps through FY17
- Key success factors:
  - Sales force effectiveness - from field sales force to internal sales organisation;
    - Increasing concentration by dental service organisations/corporate ownership and centralised operations;
  - Product innovation; and
  - Key opinion leader education

# APAC

- \$400m market with 205,000 dentists – SDI has 3% market share
- Accounts for 17% SDI sales and is the fast growing region with Australia and New Zealand strong established markets
- Higher acceptance of new technologies by dentists compared to other regions
- Strategy is to expand into Asia – key regions such as South Korea and Malaysia with India and China large potential markets, but access more difficult
- Key success factors:
  - Moving brand awareness from amalgam company to an aesthetic company:
  - Sales force effectiveness:
  - Clinical education:
  - Direct sales force in AU to support distributor: and
  - Closer to our end user, innovations

# Europe

- \$1.1b market with 420,000 dentists - SDI has 2% market share
- Growing sales team
- Successful International Dental Show in March 2017
- Key countries – UK, Spain and France
- GBP weakness after Brexit reduced margins and revenues
- Key Success factors:
  - Moving brand awareness from amalgam to aesthetics
  - Product innovation
  - Sales force effectiveness



# Latin America

- \$250m market with 340,000 dentists – SDI has 7% market share
- Brazilian operation packs products for distribution throughout Brazil
- Expanding middle class; more opportunity in the private market instead of unreliable government tenders
- Very aesthetically orientated
- Successful CIOSP trade show in February 2017
- Key success factors:
  - Moving brand awareness from amalgam to aesthetics
  - Key opinion leader education
  - Product innovation



# Financial performance



# Profit & Loss

PROFIT & LOSS					
(\$'000)	FY17	%	FY16	%	Change
Revenue					
Sales revenue	74,066	100.0%	74,077	100.0%	(0.0%)
Cost of goods sold	(29,625)	(40.0%)	(27,988)	(37.8%)	5.8%
Gross profit	44,441	60.0%	46,089	62.2%	(3.6%)
Other income	217	0.3%	248	0.3%	(12.5%)
Expenses					
Selling and admin	(28,735)	(38.8%)	(28,613)	(38.6%)	0.4%
R&D	(921)	(1.2%)	(680)	(0.9%)	35.4%
Other	(2,507)	(3.4%)	(1,604)	(2.2%)	56.3%
EBITDA	12,495	16.9%	15,440	20.8%	(19.1%)
Depreciation & Amortisation	(4,094)	(5.5%)	(4,029)	(5.4%)	1.6%
Tax	(2,615)	(3.5%)	(3,532)	(4.8%)	(26.0%)
Net finance costs	(210)	(0.3%)	(313)	(0.4%)	(32.9%)
NPAT	5,576	7.5%	7,566	10.2%	(26.3%)

- 2.3% sales increase in local currency
- Strong sales in Aesthetics and Whitening products were offset by Amalgam sales (down 9% in AUD)
- Higher proportion of sales in lower margin markets
- Flat operating expenses for FY17
- Foreign currency loss of \$0.9m of which : \$0.5m is unrealised
- R&D expensed was \$921k

# Balance Sheet

BALANCE SHEET (\$'000)	FY17	FY16	Change
<b>Current assets</b>			
Cash & equivalents	5,754	6,001	(4.1%)
Trade and receivables	15,451	15,619	(1.1%)
Inventories	17,135	18,365	(6.7%)
Prepayments	818	550	48.7%
<b>Non-current assets</b>			
Receivables	1,124	1,165	(3.5%)
Property, plant and equipment	18,121	18,334	(1.2%)
Intangibles	22,859	21,533	6.2%
<b>Total assets</b>	<b>81,262</b>	<b>80,402</b>	<b>1.1%</b>
<b>Current liabilities</b>			
Trade and other payables	4,551	4,375	4.0%
Borrowings	1,137	2,521	(54.9%)
Provision for income tax	248	1,516	(83.6%)
Employee benefits	3,506	3,322	5.5%
<b>Non-current liabilities</b>			
Borrowings	3,000	3,209	(6.5%)
Deferred tax liability	2,206	1,488	48.3%
Employee benefits	209	192	8.9%
<b>Total liabilities</b>	<b>14,919</b>	<b>16,623</b>	<b>(10.3%)</b>
<b>Net assets</b>	<b>66,343</b>	<b>63,779</b>	<b>4.0%</b>

- Focus on inventory management lead to improved stock turns
- Receivable days have increased due to proportionally higher direct exports, with extended payment terms
- Increased R & D expenditure, continuing the investment in new product development
- Continued debt reduction program

# Cash Flow

CASH FLOW STATEMENT (\$'000)	FY17	FY16	Change
Receipts from customers	73,110	72,533	0.8%
Payments to suppliers and employees	(60,580)	(61,272)	(1.1%)
Other revenue	226	258	(12.4%)
Interest and other finance costs paid	(219)	(323)	(32.2%)
Income taxes paid	(3,165)	(2,417)	30.9%
Net cash from operating activities	9,372	8,779	6.8%
Payments for property, plant and equipment	(2,678)	(2,433)	10.1%
Payments for intangibles	(2,920)	(2,073)	40.9%
Proceeds from disposal of property, plant and equipment	275	76	261.8%
Net cash used in investing activities	(5,323)	(4,430)	20.2%
Net cash used in financing activities	(4,208)	(3,524)	19.4%

- Strong free cash flow
- Purchase of Land for \$0.5m
- Increased R & D expenditure
- Continued debt reduction

# Strategy and outlook



# SDI is transforming

- Our culture is be focused strategically and our values are embedded in the way we work. SDI is changing from within
- 5 strategic priorities:
  1. Operational excellence
  2. Innovation and product quality
  3. Dynamic brand and culture
  4. High performing teams
  5. Safety always
- Innovation is key - innovation in chemistry and delivery systems resulting in leading product development
- Fully integrated dental manufacturer with driving manufacturing efficiencies
- Building brand awareness

# Outlook

- The most significant product release for FY18 will be Radies Xpert (curing light) with sales expected to contribute from Sept.
- Increasing sales to special markets including large group practices, corporates and public institutions
- Growth opportunity in developing markets as demand for quality dentistry increases
- In FY18 we expect continued sales growth in non-amalgam products (70% of sales), partially offset by ongoing weakness in the market for amalgam.



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# • Appendices



# Average currency movements

	2015 / 16	2016 / 17	Favourable / (unfavourable)
USD / AUD	0.73	0.75	(3%)
EUR / AUD	0.66	0.69	(5%)
GBP / EUR	0.75	0.86	(15%)
CAD / USD	0.76	0.75	1%
BRL / AUD	2.70	2.43	10%