



# **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.

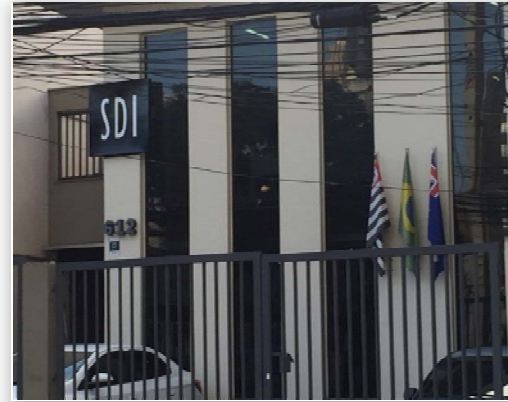
- Long successful operating history – founded in 1972 and listed on ASX in 1985 and Australia's largest dental manufacturer
- SDI conducts research and development of specialist dentist materials undertaking the development, manufacturing and marketing of dental restorative materials.
- SDI sells to 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**

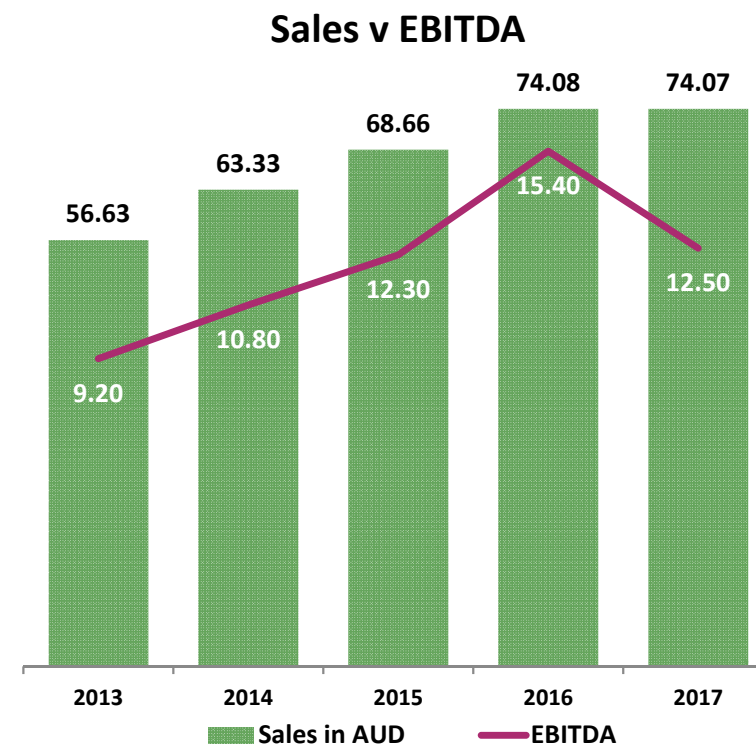
Sales, warehouse and distribution to US and Canada  
FTEE: 29

# Financial highlights



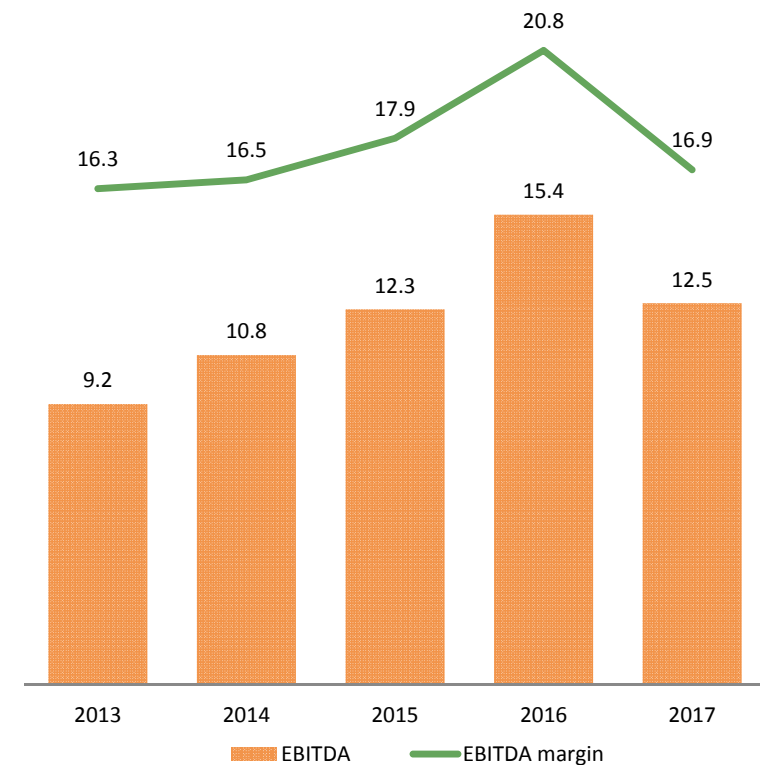
# FY17 Highlights

- 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



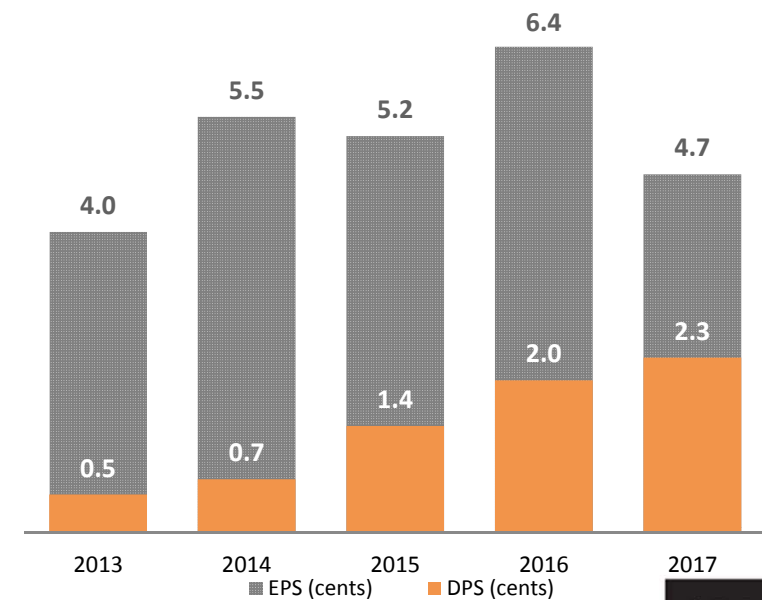
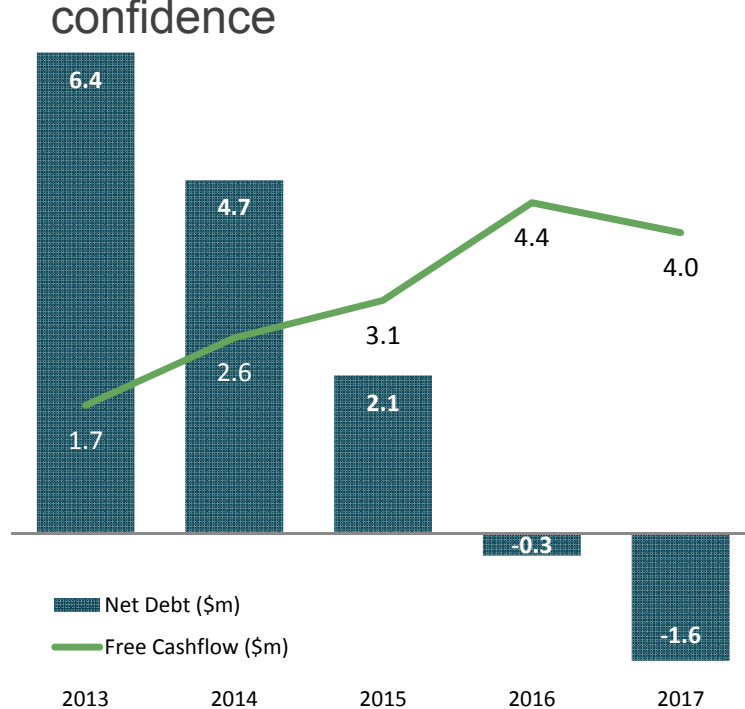
# Financial overview

- 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





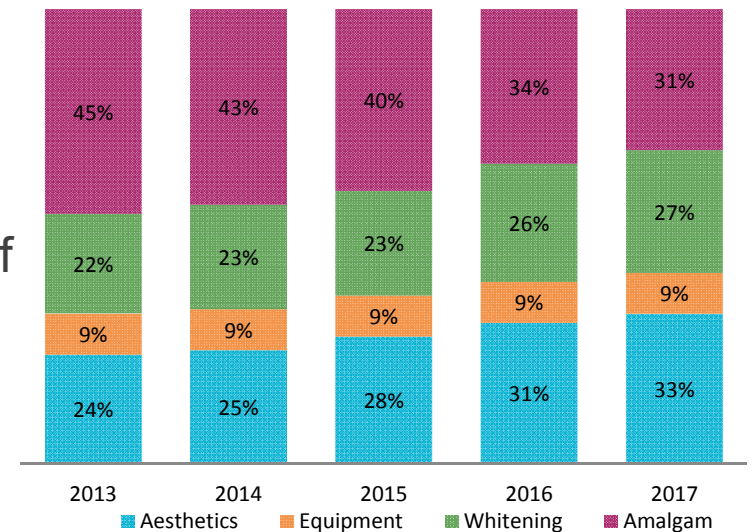
# Product categories



# 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
SDI			
Dentsply Sirona			
PHILIPS ZOOM!	ivoclar vivadent: <small>passion vision innovation</small>		
	Kerr™		
	COLTENE		
	VOCO THE DENTALISTS		
	3M Science. Applied to Life.™		
	GC		
ULTRADENT PRODUCTS, INC.			

# 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



IT'S YOUR  
TIME  
TO SHINE

FIND A BRIGHTER  
SHADE OF WHITE.

SDI polaluminare  
THE WORLD'S FASTEST BLEACH

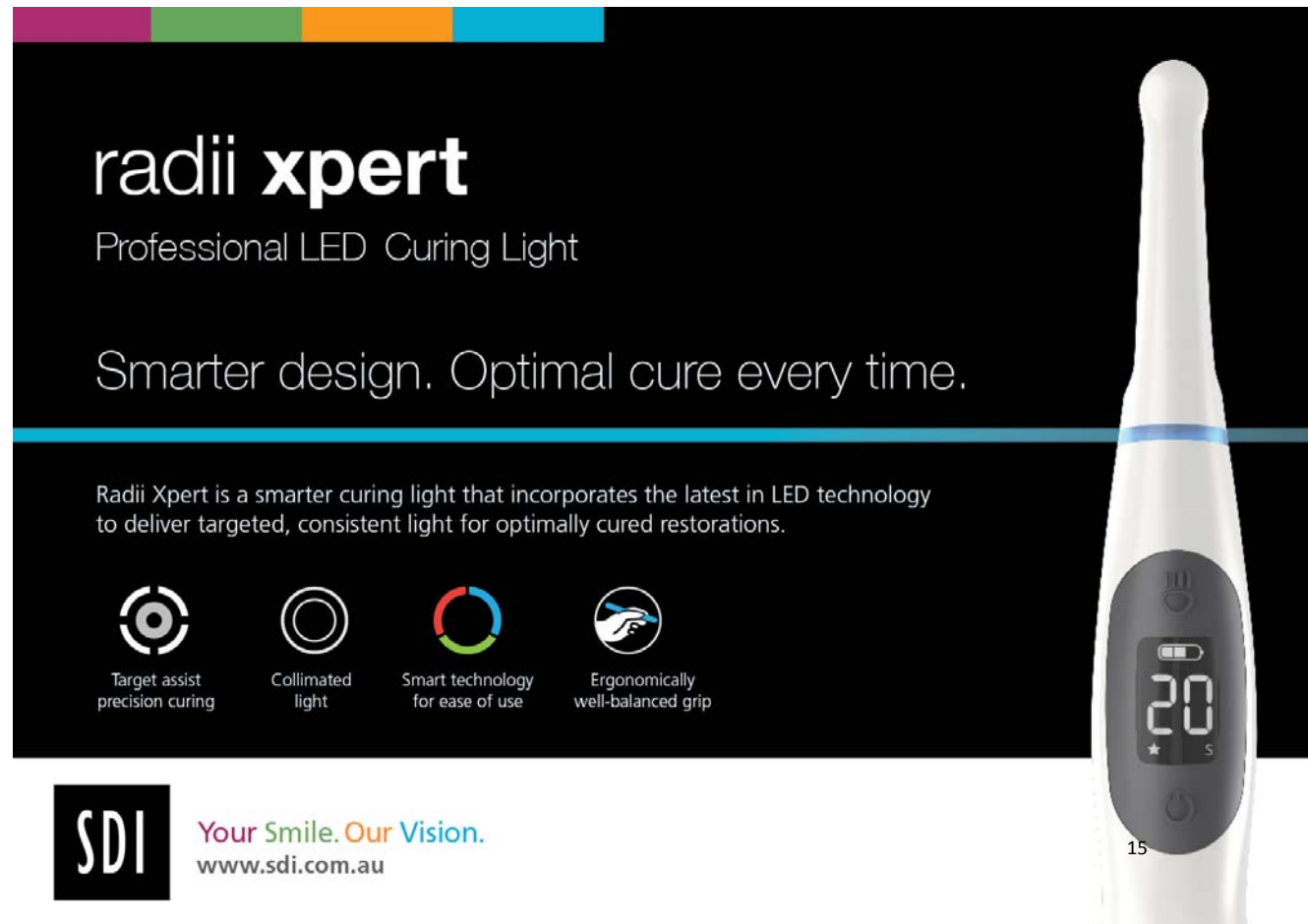
SDI

pola  
ADVANCED TOOTH  
WHITENING SYSTEM

A woman with blonde hair smiling, with a tooth shade guide overlaying her teeth. The guide shows five shades from dark to light, with the woman's teeth matching the lightest shade.

# 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



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# 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

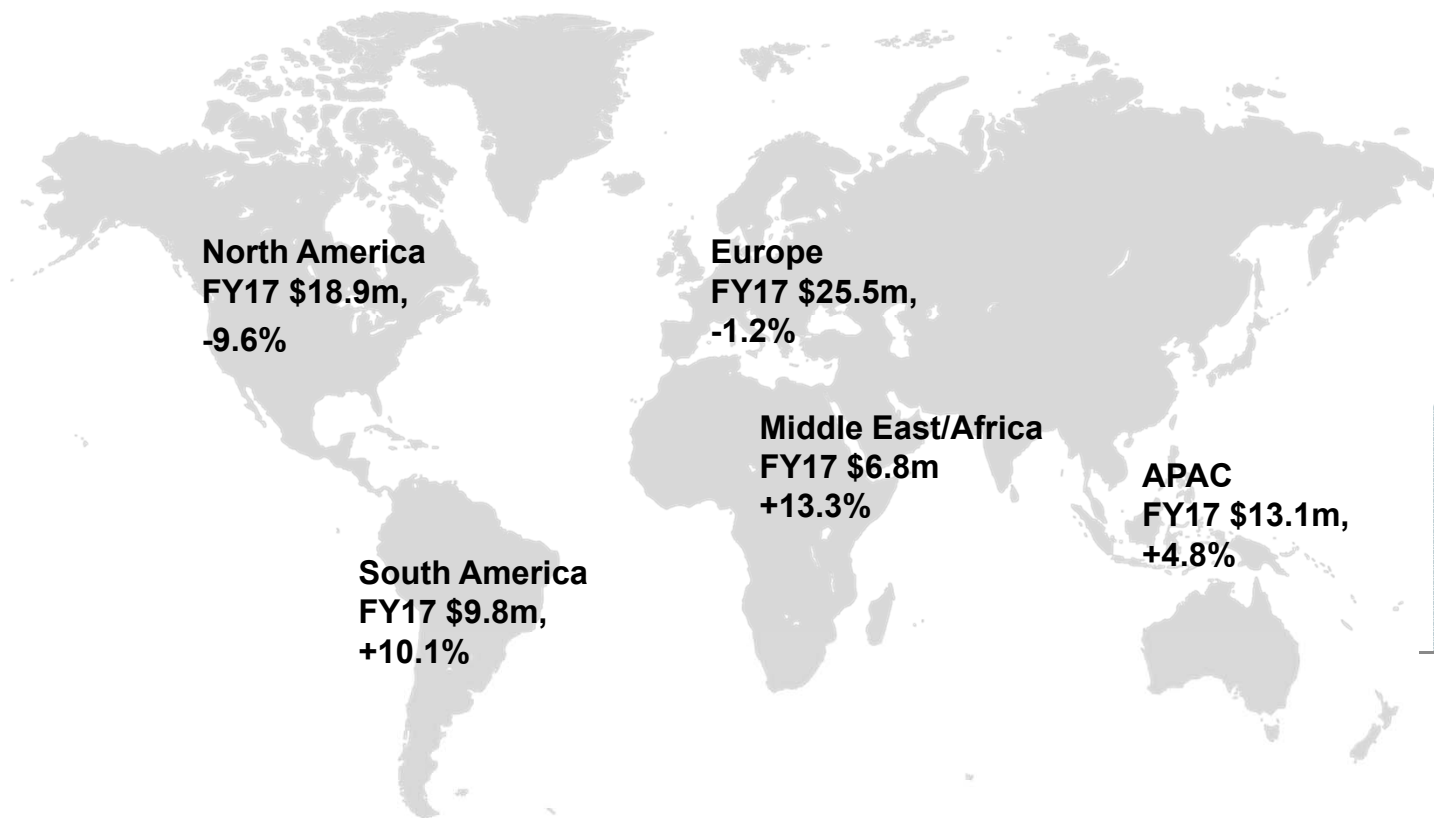


# Geographical business units

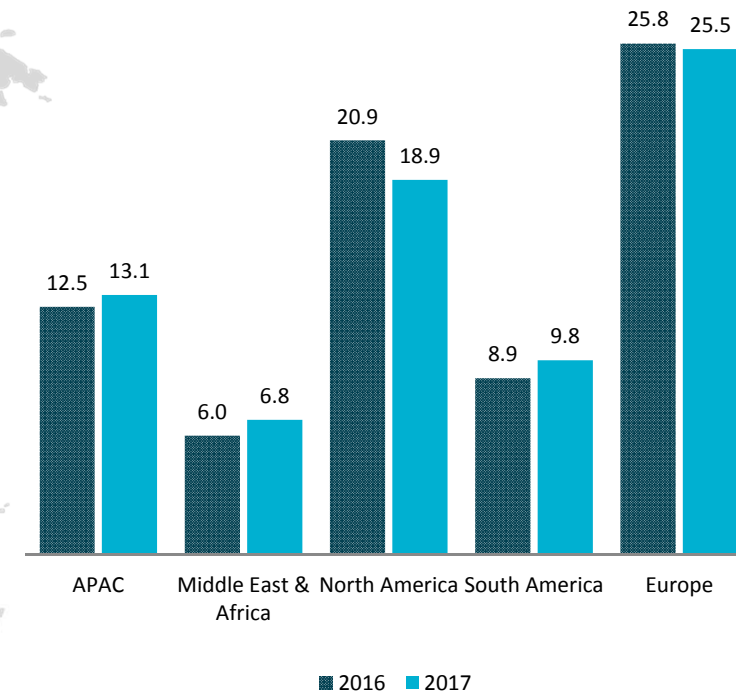
- Double digit growth in the Australian office was primarily due to strong direct exports to the emerging markets
- Europe was flat in local currency with the Australia dollar result held back by the unfavourable move in Sterling
- The decline in North American sales was a function of:
  - Market trends 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
Current assets			
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%
Non-current assets			
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>
Current liabilities			
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%
Non-current liabilities			
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 Radii 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%