

15 February 2018

SDI Limited HY18 Profit Results

HY18 HIGHLIGHTS (vs HY17)

- **Aesthetics sales up 9% in local currencies (AUD 8%)**
- **Strong free cash flow of \$3.6 million**
- **Increased Interim dividend up by 10% to 1.1 cents**

MELBOURNE, Australia – SDI Limited (ASX: SDI). Profit after tax for the 6 months ending 31 December 2017 decreased by \$0.8 million to \$1.2 million compared to \$2.0 million for the previous year.

	HY 2018 (AUD)	HY 2017 (AUD)	Change %
Sales	33.6m	34.4m	(2.1)
EBITDA	3.6m	4.9m	(27.7)
NPAT	1.2m	2.0m	(42.6)
Borrowings	4.4m	5.4m	(18.5)
Cash	8.1m	3.7m	118.9
Dividends	1.1c	1.0c	10.0

Profit before tax decreased by \$1.3 million to \$1.5 million due to lower sales and slight margin compression compared to the previous period.

Earnings per share for the 6 months ending 31 December 2017 was 0.97 cents (1.70 cents HY17). Despite the reduced profit and reflective of the confidence in Management to deliver improved results in future periods, the Board of Directors has declared a 10% increase in the interim fully franked dividend to 1.1 cents per share.

Cost reduction initiatives to deliver \$1.1m annualised savings

LEAN manufacturing implementation has delivered targeted efficiency savings of \$1.1 million which will be fully realised over this calendar year and will be reflected in a lower cost of sales. Areas of improvement include: Quality Control, R&D support to manufacturing, warehousing, and process rationalisation.

Aesthetics delivered strong sales growth both in local currency and AUD terms

Aesthetics sales performed strongly, up 8.7% in local currency, offset by the continuing trend of declining Amalgam sales, down 14.3% in local currency, which represented 26.0% of the company's total sales.

Amalgam sales declined due to a deterioration in South American markets. These markets are significant Amalgam and price competitive markets which have challenging political and economic circumstances; SDI sales were impacted by a lower level of Government tenders.

Product Category Sales	Growth in Local Currency	Growth in AUD	Total AUD Sales
Aesthetics	8.7%	8.2%	39.6%
Equipment	(1.9%)	(2.2%)	25.7%
Whitening	-	(2.3%)	8.7%
Amalgam	(14.3%)	(15.3%)	26.0%

All business units with the exception of direct exports grew sales in local currency terms

Australian sales experienced lower than usual sales from South America (included in Australian direct exports), which declined 36.5% compared to HY17. Overall this business unit saw sales decline 6.3% in AUD terms.

The stronger European currencies favoured the translated earnings from SDI's European operations. However, UK sales declined 13.2% compared to HY17, impacting the overall performance. The sales performance in the UK was related to temporary issues that have now been resolved. The UK is also a strong market for whitening sales with a rebound in sales expected following a planned branding and new Pola product launches.

North American sales in local currency terms, after a period of transition, have begun to grow again up 0.5% in local currency terms. The weaker USD resulted in a 3.2% decline in AUD terms. The increasing prominence and influence of dental service organisations continues to create opportunities for SDI to more effectively grow sales to these groups through SDI's distribution partners.

Brazilian sales increased by 0.7% in local currency terms, which translated to a 2.2% decline in AUD terms.

Sales by Business Unit	Growth in Local Currency	Growth in AUD	Total AUD Sales
Aust. Sales (incl. Direct Exports)	(5.0%)	(6.3%)	35.0%
North America	0.5%	(3.2%)	24.5%
Europe	0.2%	3.8%	32.2%
Brazil	0.7%	(2.4%)	8.3%
TOTAL	(1.5%)	(2.1%)	100%

Europe was the strongest region by destination

Europe accounted for 36.3% of SDI's sales, with sales to this destination growing by 5.5% in Australian dollar terms, despite weaker UK sales over the period.

Sales by Region	HY 2018 (AUD)	HY 2017 (AUD)	Change %
APAC	6.1m	6.4m	(3.1)
Middle East / Africa	3.0m	3.0m	-
North America	8.2m	8.5m	(3.2)
South America	4.1m	4.9m	(16.8)
Europe	12.2m	11.6m	5.3

Strong balance sheet and free cash flow generation

The Company's total cash holdings for the 6 months increased by \$2.3 million after dividend payments of \$1.4 million, and decreasing inventories by \$1.6 million, highlighting better inventory management due to improved manufacturing processes.

Outlook

SDI expects to see continued growth in sales of non-Amalgam products and is well placed by product and region to participate in this growth. SDI also expects the decline in Amalgam sales to continue, albeit at a slower rate of decline than that experienced. SDI has historically experienced a stronger second half result skew and expects that the skew will continue in 2HFY18.

Investor conference call

There will be an investor presentation call today (15 February 2018) at 2:30 pm (AEDT). To access the call dial +61 2 9007 3187 and provide the conference ID 556984 to the operator.

Investor Contact:

Adrian Mulcahy
 Adrian.mulcahy@marketeye.com.au
 P: +61 438 630 422

About SDI Limited

Founded in 1972 and publicly listed on the Australian Securities Exchange in 1985, SDI Limited is a leading dental technology company that conducts research and development, manufacturing and marketing of specialist dental materials. SDI's products combine innovation and excellence to provide the ideal restorative materials for the dental profession.

All of SDI's products are manufactured in Victoria, Australia. SDI's products are distributed through distributors and retailers in over 100 countries throughout the world. SDI has offices and warehouses in Chicago, USA; Cologne, Germany; and Sao Paulo, Brazil.