

SDI Limited returns to growth in FY18

FY18 HIGHLIGHTS

- **NPAT of \$5.7m (up 1.5%)**
- **Aesthetics sales up 9% in local currencies (AUD 11%)**
- **Full year fully franked dividends up by 9%**
- **Borrowings decreased by \$1.9 million**
- **Riva Star gains registration approval from FDA and Health Canada**

MELBOURNE, Australia – SDI Limited (ASX: SDI) is pleased to announce its results for the 12 months ending 30 June 2018. Profit after tax was up 1.5% to \$5.7m from \$5.6m in FY2017 on Sales of \$74.5m (\$74.1m FY17).

	FY 2018 (AUD'000)	FY 2016 (AUD'000)	Change %
Sales	74.5	74.1	0.6
EBITDA	12.1	12.5	(2.8)
NPAT	5.7	5.6	1.5
Borrowings	2.2	4.1	(45.6)
Earnings per share	4.76c	4.69c	1.5
Dividends per share	2.5c	2.3c	8.7

Sales grew 0.6% to \$74.5 million compared to \$74.1 million for the previous year with net currency movements having no material impact on the result. Earnings before interest, tax, depreciation and amortisation ('EBITDA') decreased by 2.8% to \$12.1 million, compared to \$12.5 million for the corresponding period last year.

Total operating expenses in Australian dollars increased by 3.0% when compared to the previous year. Approximately 54% of SDI's total operating expenses relate to its offshore subsidiaries and are subject to currency movements when reporting in Australian dollars. When adjusted for currency movements, expenses increased by 2.1%.

Earnings per share for the 12 months ended 30 June 2018 increased by 1.5% to 4.76 cents compared to 4.69 cents for the same period last year. The Board of Directors has declared a final fully franked dividend of 1.4 cents per share with total dividends for the 2018 financial year up 8.7% to 2.5 cents.

Chief Executive Officer, Ms Samantha Cheetham commented "We are pleased to return to growth and are particularly encouraged by the strong performance in our non-amalgam products".

Ms Cheetham added "Our efficiency gains in our manufacturing processes and the continued focus on product development are driving operational improvements and more favourable product mix respectively. We are positioning the company well as we continue to compete in the global dental market".

Gross profit margins improve

Total product margins increased by 1.1% to 61.1%, compared to 60.0% for the corresponding period last year. This was primarily due to product and market sales mix, and costs savings through the continual implementation of efficiencies in the Australian manufacturing plant.

Sales growth in key product categories

Sales growth, while modest at 0.6% and impacted by the continued decline in Amalgam sales (down 12.7% in local currency) hides the strong performance of Aesthetics sales which rose 9.3% in local currency and Whitening up 1% in local currency over the 12 months to June 2018.

Product Category Sales	Growth in Local	Growth in AUD	Total AUD Sales
Aesthetics	9.3	10.5	38.9
Equipment	(2.5)	(4.2)	8.3
Whitening	1.0	2.0	26.7
Amalgam	(12.7)	(12.9)	26.1

Sales by business units

In local currencies, Australian sales including direct exports (excluding intercompany sales) increased by 4.9%. After allowing for the redirection of Brazilian export sales to Australia, sales increased by 0.2%. These exports include the price competitive markets of Latin America, Africa, and Asia where Amalgam represents 19.7% of sales.

SDI North America's sales decreased 1.7% in local currency. The ongoing restructuring of a major distributor has negatively impacted sales in this market.

Sales in SDI Europe increased by 0.6% in local currency. This result was impacted by the lower sales from its export markets driven by the Turkish market, and the continual decline of Amalgam sales.

Brazilian sales decreased by 9.0% in local currency. After allowing for the redirection of its export sales to Australia, Brazilian domestic sales increased by 0.8%. SDI Brazil continues to expand its packing operations, with the plan well-advanced to begin the manufacturing of some product lines. This initiative will reduce import costs and will lead to the business being better placed to compete with local manufacturers.

Sales by Business Unit	Growth in Local Currency %	Growth in AUD	Total AUD
Aust. Sales (incl. Direct Exports)	4.9	2.9	35.1
North America	(1.7)	(4.6)	24.1
Europe	0.6	6.9	33.2
Brazil	(9.0)	(15.0)	7.6
TOTAL	0.5	0.6	100.0

Regional sales were impacted by the continued reduction of Amalgam products where Amalgam represents a significant percentage of sales, and variations in exchange rates. Over the period the USD and BRL weakened, whereas the EUR strengthened.

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

The Company's total cash holdings for the 12 months increased by \$2.5 million after decreasing debt by \$1.9 million and decreasing inventories by \$2.7 million, highlighting continued improvements in inventory management due to improved manufacturing processes and higher than expected sales for May and June. Expenditure on property, plant and equipment decreased by \$0.9 million as 2017 included \$0.7 million relating to the purchase of adjoining land. Capitalised product development expenditure decreased \$0.4 million while product research activities expensed increased by \$0.3 million.

The Board of Directors has declared a final fully franked dividend of 1.4 cents per share which will be paid on 21 September 2018. Total dividends for the 2018 financial year have increased by 8.7% to 2.5 cents, compared to 2.3 cents for the previous financial year.

The Directors have decided that the Company's Dividend Reinvestment Plan ('DRP') will not be offered to Shareholders for this dividend payment.

Outlook

SDI expects to see continued growth in sales of non-amalgam products through its strong global distribution network. SDI also expects that the decline in Amalgam sales to continue.

Investor conference call

There will be an investor presentation call today (21 August 2018) at 11am. To access the call dial +61 2 9007 3187 and provide the conference ID 813290 to the operator.

Investor Contact:

Adrian Mulcahy

Email: adrian.mulcahy@marketeye.com.au

Mobile: +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.