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SDI LIMITED ACN 008 075 581 | ABN 27 008 075 581
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ASX and Media Release

21 August 2020

Full Year Results Announcement for FY20

SDI impacted by global pandemic in final quarter

MELBOURNE, Australia – SDI Limited (ASX: SDI). Net profit after tax of \$4.2 million for the 12 months ending 30 June 2020, compared with \$7.3 million for the same period last year. The full year result was impacted by COVID-19, with dental procedures limited to emergency cases in most countries in the final quarter of the financial year.

SUMMARY FINANCIALS (AUD)	FY20	FY19	Change %
Sales (\$m)	67.4	79.6	(15.4)
EBITDA (\$m)	9.8	14.2	(30.9)
NPAT (\$m)	4.2	7.3	(42.2)
Net Cash (\$m)	4.7	6.5	(28.2)
Final ordinary dividend (cps)	0.50	1.50	(66.7)

- Net Profit After tax \$4.2 million (down 42.2% from \$7.3 million in FY19) with the final quarter, typically the strongest quarter for the group, impacted by global restrictions on dental care.
- Total sales \$67.4 million (down 15.4% from \$79.6 million in FY19), reflecting the challenges faced in the final quarter of the year. When adjusted for currency movements, sales were down 18.1%.
- Earnings before interest, tax, depreciation, and amortisation (EBITDA) was down 30.9% to \$9.8 million, compared to \$14.2 million for the corresponding period last year.
- Earnings per share (EPS) was down 2.61 cents to 3.56 cents compared to 6.17 cents for the same period last year.
- Final fully franked ordinary dividend of 0.5 cent per share.
- Year-on-year operating expenses were carefully managed, down 9.8% in local currencies, including Directors and management salaries reduced by 40%.
- Investment on Research & Development continued.
- SDI participated in Government subsidy programs in several countries, ensuring no redundancies across the group.
- Health and safety of team are paramount; strict infection control policies introduced with department zoning and the use of video conferencing tools for all staff team meetings where practical.
- Melbourne manufacturing facility operating under the “Permitted industry” exemption despite local Stage 4 government restrictions.
- A strategic review was commenced on the Brazilian Operations, with devaluation of the Brazilian Real having a material impact, resulting in \$1.4 million of unrealised currency losses.
- Income tax expense was 17.2% of pre-tax profit compared to 30.1% for the same period last year, due to a partial write-down of intercompany debt relating to the Brazilian subsidiary, and the R & D concessional expenditure deduction from lower pre-tax profits.

Commenting on the result Samantha Cheetham, CEO of SDI said: “Throughout the COVID-19 pandemic our primary concern has been ensuring the health and safety of our employees around the world. We quickly developed and implemented strict, facility specific safety and hygiene protocols across all locations. While this has been an incredibly challenging period for our business, we are pleased to have retained all our staff. The final quarter of the year is our seasonally strongest period, and unfortunately the global pandemic has coincided with this critical time for our business. We are of the view that while some sales may be lost, we believe that most are deferred to a time when restrictions allow ordinary operations in dentistry to continue. “



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Key Product Category Sales

Product category sales	Growth in local currency %	Growth in AUD %	Total AUD Sales %
Aesthetics	(12.2)	(9.1)	45.9
Equipment	(16.1)	(14.9)	7.6
Whitening	(18.1)	(15.4)	26.9
Amalgam	(29.7)	(27.2)	19.6

The pandemic had a significant impact on all product groups with Aesthetics showing the smallest decline. The demand for the key product categories of restoratives and whitening products decreased in the 4th quarter. However, products used for non-aerosol generating procedures showed good results. The overall sales mix as a percentage of total sales was in line with previous years.

Sales by Business Unit

Sales by Business Unit	Growth in local currency %	Growth in AUD %	Total AUD Sales %
Australian sales (including direct exports)	(16.1)	(12.6)	39.6
North America	(28.6)	(23.9)	21.7
Europe	(19.1)	(16.3)	30.7
Brazil	16.0	6.5	8.0
TOTAL	(18.1)	(15.4)	100.0%

The sales by business unit reflected the impact seen in the final quarter with most down on the previous year.

Brazilian sales grew by 16.0% in local currency; however, when adjusted for export sales previously exported from Australia, sales in local currencies increased by 6.1% and when translated to Australian Dollars local sales decreased by 2.6%. Further, the devaluation of the Brazilian Real has significantly reduced product margins, putting pressure on selling prices to stay competitive with local competitors. SDI has made a substantial investment in this market and with the effect of the pandemic on the country's present and future economy, future investment has been suspended pending a full review of the Brazilian operations.

Sales by region	FY 2020 (AUD)	FY 2019 (AUD)	Growth
APAC	14.2m	14.7m	(3.7%)
Middle East / Africa	6.9m	8.7m	(20.7%)
South America	8.0m	9.4m	(14.3%)
North America	14.6m	19.2m	(23.9%)
Europe	23.7m	27.6m	(14.0%)

Most regions reflected the overall trends seen in the final quarter with the APAC region least affected by the pandemic, with a 3.7% decline in sales for the year.

Gross Profit Margins

Gross product margins in Australian Dollars increased by 2.2% to 64.8% compared to 62.6% for the corresponding period last year. When adjusted for currency movements, gross margin increased by 1.0% to 63.6% compared to the previous corresponding period. The improved margin is reflective of the ongoing shift in product mix, but also the changes experienced in the overall regional performance.



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Operating Expenses

Total operating expenses in Australian dollars decreased by 8.2%, when compared to the previous corresponding period. Approximately 55% of SDI's total operating expenses relate to its offshore subsidiaries and after adjusting for currency movements, total operating expenses decreased by 9.8%. In response to the pandemic, the Company reduced its expenditure in all areas, apart from research expenditure with a further increase of \$0.6 million for the year.

Balance Sheet

The Company's net cash position decreased by \$1.8 million after increasing inventories by \$3.4 million, planned investment in plant and equipment of \$2.5 million and product development expenditure of \$1.9 million. Inventories increased due to the build-up of stock for the expected 4th quarter sales, which was impacted by the pandemic.

The Company has ample headroom in its \$10 million bank facilities, with only \$1.5 million drawn as at 30 June 2020.

Strategy and outlook

The Company continues to drive its strategic priorities. Firstly, the rationalisation of the product portfolio is now complete with a 45% reduction of SKU's expected to drive further production efficiencies; secondly, the key product categories of Aesthetics and Whitening products continue to be the focus for product development, manufacturing efficiencies and sales and marketing teams; thirdly, on-going investment in research and development to release one to two products per year is on target; and finally, SDI's Amalgam replacement product is on schedule to be released in 2023.

It is expected the 2021 financial results will follow similar trends to previous years highlighting strong growth in both the Aesthetic and Whitening products and the continued decline in Amalgam products. In addition, Equipment sales are expected to grow with the ongoing roll out to all markets of the new curing light. The Company will continue to invest in research and development with the aim of launching at least one new product in the next financial year.

Commenting on the outlook Samantha Cheetham, CEO of SDI said: "We are encouraged by the early signs with many operations globally beginning to restart and as a result, we are seeing a recovery in sales in the global markets we operate in.

"Evidence of the recovery beginning is seen in our July numbers, having achieved sales similar to those recorded FY19 despite almost no contribution from the UK region, which is yet to commence reopening. In regions where government restrictions have started to ease, we are advised that dentists are experiencing a significant backlog of patients. While the outlook remains uncertain and some sales may be lost, we believe that most have been deferred to a time when restrictions allow ordinary operations in dentistry to continue".

Dividends

The Board of Directors has declared a final fully franked ordinary dividend of 0.50 cents per share which is 1.00 cent lower than the previous final dividend.

The Board has decided that the Company's Dividend Reinvestment Plan ('DRP') will not be offered to Shareholders for these dividend payments.

This announcement has been authorised by the Board of Directors of SDI Limited.



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Investor conference call

A group investor conference call will be held on 21 August at 11:00am AEDT. Details of the call are:

- Phone number: + 1800 455 963 (Australia) or 1800 908 299 (alt. Australia toll free)
- Conference ID: 10009244

To bypass the operator and gain immediate access to the call, participants can preregister via:

<https://s1.c-conf.com/DiamondPass/10009244-invite.html>

Please contact Adrian Mulcahy if you have any queries.

Investor Contact:

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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 Australia, USA, Germany, and Brazil.