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FY20 RESULTS PRESENTATION

21 August 2020

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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

AGENDA

- FY20 summary
- Product categories
- Key geographies
- Financial performance
- Strategy and Outlook

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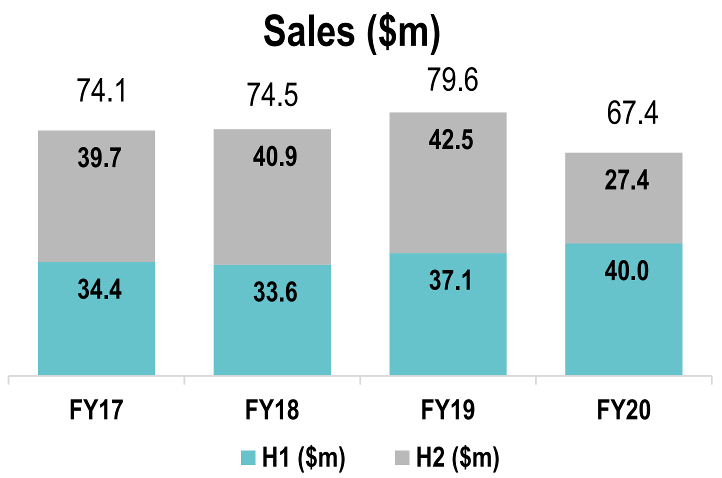
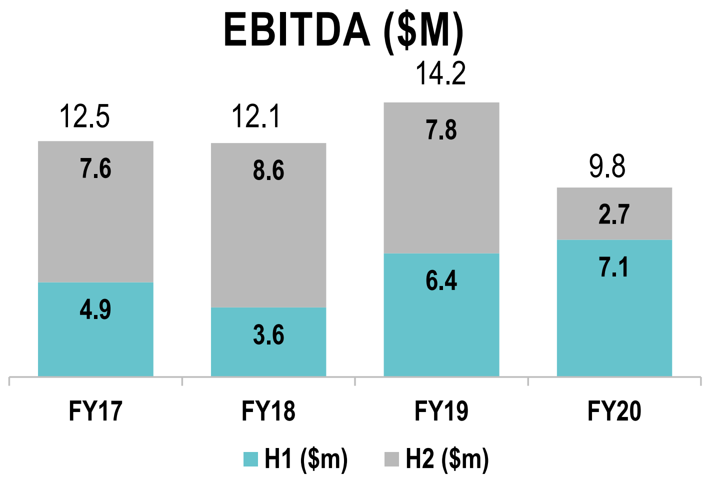
FY20 SUMMARY

GROWTH MOMENTUM IMPACTED BY COVID-19 IN 2H20





- Total Sales down 15.4% to $67.4m with 2H20 sales down by 35.6%; traditionally strong half for business
- Growth momentum achieved in 1H20 has paused in 2H20; sales declined as dentists were limited to emergency procedures only, due to worldwide government restrictions
- Gross margin up to 64.8% despite lower sales, highlighting the favourable change to product mix
- Final fully franked dividend per share of 0.50c

- Management reacted promptly to changing conditions, with Directors and management salaries reduced by 40%
- Costs carefully managed with YoY OPEX down 8.2%
- Devaluation of Brazilian Real (down 33% in 2H20) resulted in $1.4m currency loss; Brazilian operations pending strategic review
- Despite challenging operating conditions, the business remained profitable in 2H

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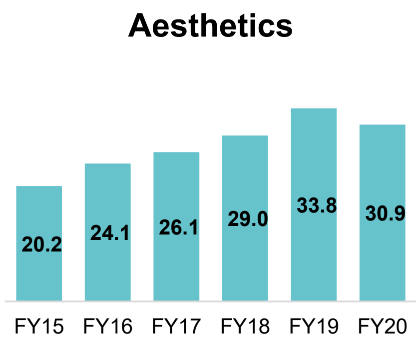
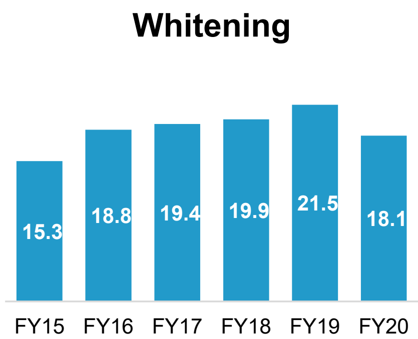
PRODUCT CATEGORIES

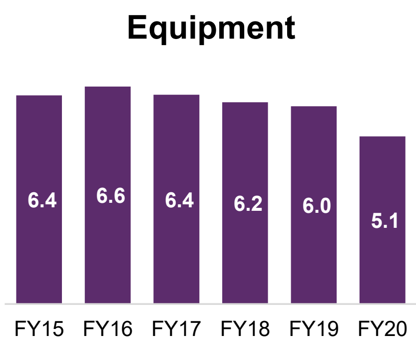
CATEGORY OVERVIEW

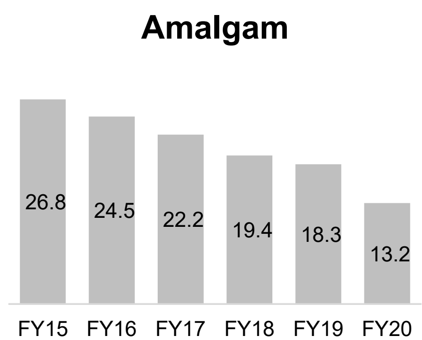
MOMENTUM IMPACTED BY COVID-19 WITH PRODUCTS TRENDS CONTINUING

- Global government restrictions led to a decreased demand across all product groups, as globally most dentists were limited to emergency procedures only
- Growth momentum achieved during the record 1H20 was impacted by global pandemic in 2H20, a traditionally the stronger half for the business
- Aesthetics showed the smallest decline, reflective of this being a key focus category, down 9.1% (down 12.2% in local currency)
- Whitening and Equipment down 15.4% and 14.9% (18.1% and 16.1% in local currency)
- Amalgam sales down 27.2% (down 29.7% in local currency)









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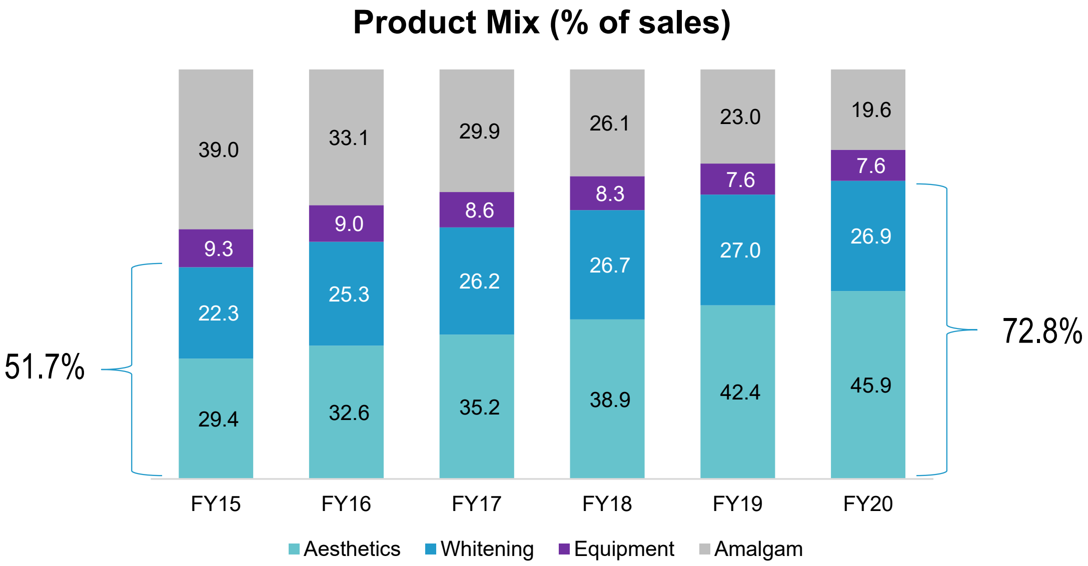
PRODUCT MIX

STRATEGY ON TRACK; AESTHETICS AND WHITENING - 73% OF SALES



- Despite lower sales, strategy is on track with higher margin Aesthetics and Whitening marginally increased as a % of total sales
- These two categories now account for 72.8% vs 52% in FY15
- Increased gross margin of 64.8% driven primarily by continued demand for Aesthetics products reflective of the ongoing shift in product mix favouring these products

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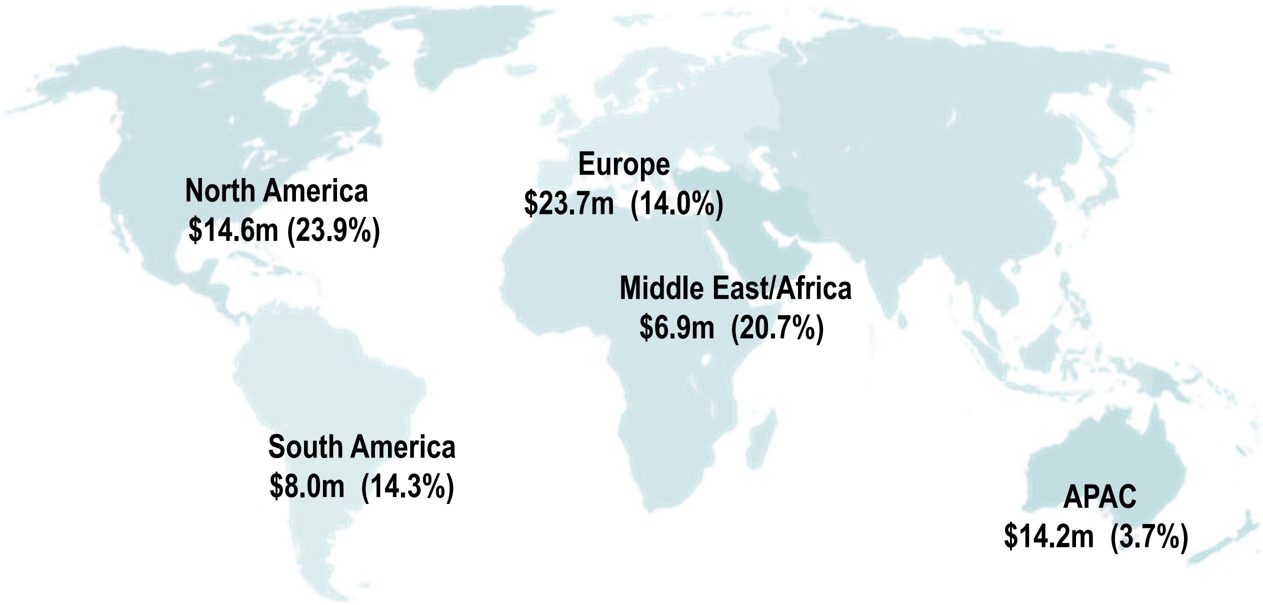
KEY GEOGRAPHIES

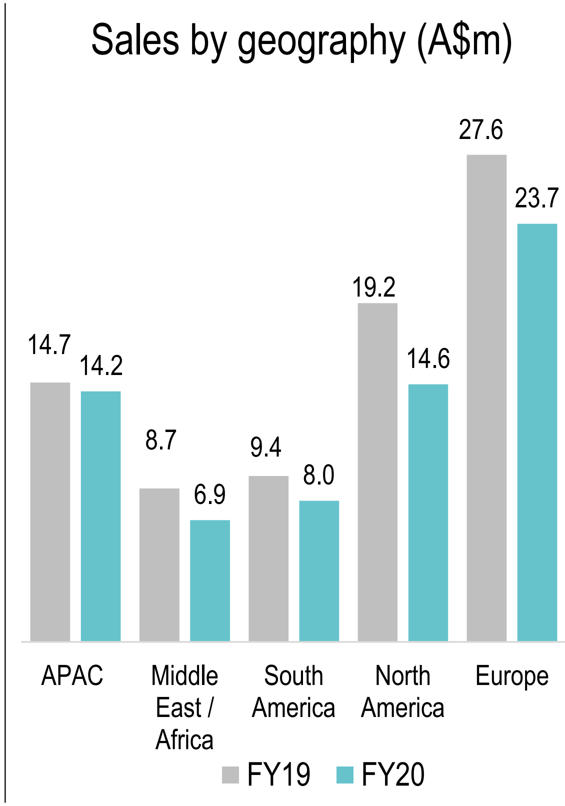
SALES BY BUSINESS UNIT

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%

- Brazilian sales grew by 16.0% in local currency, 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%.
- The devaluation of the Brazilian Real has significantly reduced product margins. Future investment in Brazil operations has been suspended pending a full review
- As a result of the pandemic, demand for key product categories of restoratives and whitening products decreased in the 4th quarter with some products for non-aerosol generating procedures showing good results, but not significant overall

GEOGRAPHIES





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FINANCIAL PERFORMANCE

PROFIT & LOSS

Profit & Loss ($'000)	FY20	FY19	% Change
Revenue			
Sales Revenue	67,374	79,598	(15.4%)
Cost of goods sold	(23,737)	(29,805)	(20.4%)
Gross Profit	**43,637**	**49,793**	(12.4%)
Gross margin	**64.8%**	**62.6%**	
Other income	**56**	**901**	
Expenses			
Selling & Administration	(33,381)	(37,883)	(11.9%)
Research & Development	(1,775)	(1,015)	74.9%
Other Expenses	(3,422)	(1,312)	49.5%
Profit before tax	**5,115**	**10,484**	**(51.2%)**
Tax expense	(878)	(3,155)	(72.2%)
Net profit after tax	**4,237**	**7,329**	**(42.2%)**
Amortisation & depreciation	(4,667)	(3,669)	5.4%
Net interest expense	(9)	(24)	(62.5%)
EBITDA	**9,791**	**14,177**	**(36.7%)**

- Total sales of $67.4 million, down 15.4% vs $79.6m in FY19, reflecting the challenges faced in the final quarter of the year
- EBITDA down 30.9% to $9.8 million vs $14.2m FY19
- Operating expenses carefully managed, down 9.8% in local currencies
- Additional research expenditure of $0.6m
- SDI participated in Government subsidy programs in several countries, ensuring no redundancies across the group
- Net currency loss of $1.7m vs FY 19 net currency gain $0.8m
- Devaluation of Brazil Real resulted in $1.4m unrealised currency loss

BALANCE SHEET

Balance Sheet ($'000)	FY20	FY19
Assets		
Cash & cash equivalents	6,153	6,481
Trade & other receivables	9,605	17,780
Inventories	20,656	17,242
Property, plant & equipment	19,225	18,680
Intangibles	24,752	24,603
Other Assets	4,414	1,813
Total Assets	**84,805**	**86,599**
Liabilities		
Trade & other payables	3,364	6,249
Borrowings	1,500	-
Employee benefits	2,621	3,516
Deferred tax liability	2,334	2,363
Other Liabilities	1,196	1,386
Total Liabilities	**11,015**	**13,514**
Net Assets	**73,790**	**73,085**

- Net cash position decreased by $1.8 million
- Reduction in receivables due to tight control of outstanding invoices and lower total sales
- Inventories increased due to the build-up of stock for the expected 4th quarter sales, which was impacted by the pandemic
- Maintained investment in product development
- New Accounting Standard for leasing introduced 1 July 2019
- The Company has ample headroom in its $10m bank facilities, with only $1.5m drawn as at 30 June 2020

CASH FLOW

Cash Flow ($'000)	FY20	FY19
Receipts from customers	75,146	78,215
Payments to suppliers & employees	(66,154)	(65,722)
Other revenue	1,121	72
Interest & other finance costs paid	(9)	(37)
Income tax paid	(3,074)	(2,025)
Net cash from operating activities	**7,030**	**10,503**
Payments for property, plant & equip.	(2,489)	(3,146)
Payments for intangibles	(2,222)	(2,706)
Proceeds from disposal of PP&E	87	158
Net cash used for investing activities	**(4,624)**	**(5,694)**
Proceeds from borrowings	1,500	-
Dividends paid	(3,388)	(4,279)
Repayment of borrowings	(769)	(2,214)
Net cash used in financing activities	**(2,657)**	**(6,493)**
Cash & cash equivalents at end of period	**6,153**	**6,481**

- Decrease in cash primarily due to lower Q4 sales & the inventory build up for Q4, which is typically the strongest quarter for business
- In response to the pandemic, expenditures in all areas were reduced, apart from investment in research & development
- Payment of dividend reflects the strong net cash position and company's commitment to its shareholders

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STRATEGY & OUTLOOK

STRATEGY

- Portfolio rationalisation complete with a 45% reduction of SKUs expected to drive further efficiencies
- Aesthetics and Whitening products continue to be the focus
- On-going investment in R&D to release 1-2 products per year is on target
- SDI’s Amalgam replacement product is on schedule to be released in 2023

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OUTLOOK

- While outlook remains uncertain, FY21 expected to follow similar trends to previous years with growth in both the Aesthetic and Whitening products, and the continued decline in Amalgam products
- Equipment sales are expected to grow with the roll out to all markets of the new curing light
- Encouraging early signs with many operations globally beginning to recover
- July 2020 sales similar to FY19 levels, despite almost no contribution from the UK region which is yet to commence reopening

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