



YOUR SMILE. OUR VISION.

1H22 RESULTS PRESENTATION

17 February 2022

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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



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AGENDA

- 1H22 highlights
- Product categories
- Key geographies
- Financial performance
- Strategy and Outlook



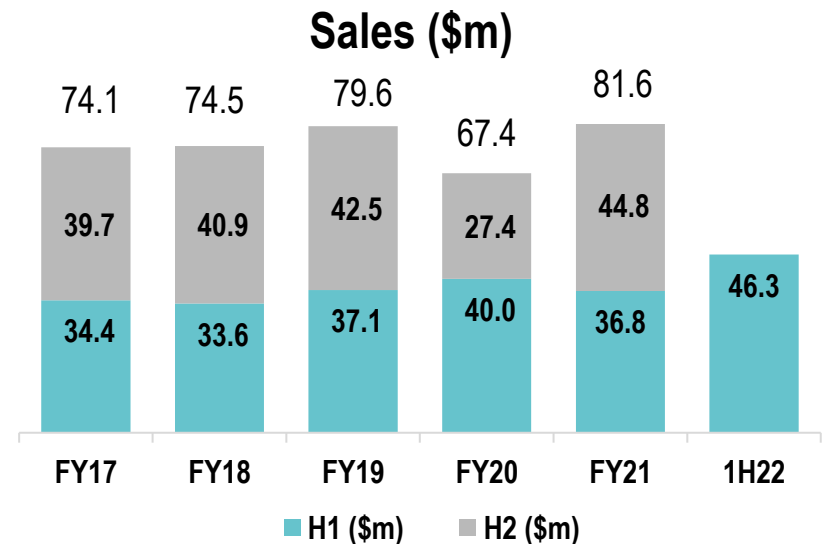
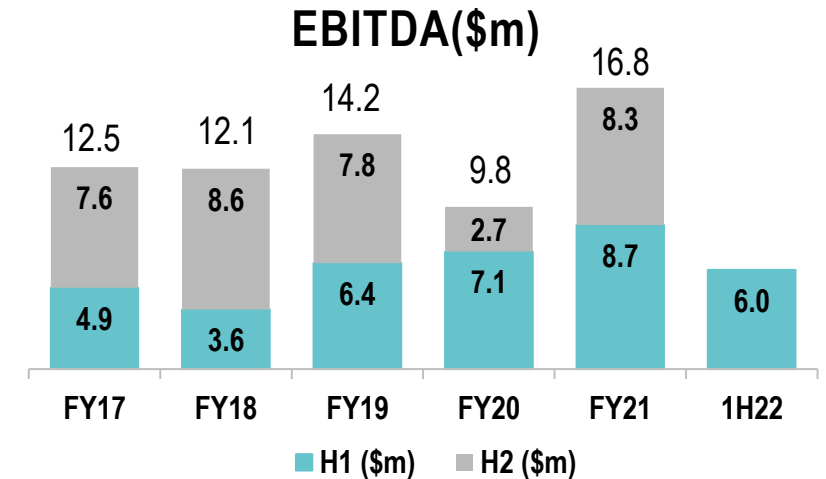
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1H 2022 SUMMARY

RECORD FIRST HALF SALES WITH BOTTOM LINE IMPACTED BY SIGNIFICANT FREIGHT COSTS

- Record sales of \$46.3m, up 26.0% on pcp, with strong growth in all product categories and in most regions.
- Additional Freight costs of \$2.7m impacted product margins by 5.8% with Operating expenses up 23.1% on pcp, or up 2.5% compared to the 1H 2020 half year.
- EBITDA down 30.3% to \$6.0 million on pcp, reflecting the elevated freight costs and operating inefficiencies
- EPS 2.26 cents compared to 3.85 cents for pcp
- Strong cash balance and no debt with Investment on research and development continuing.
- The strategic restructure of the Brazilian operations and fully operational in January 2022.
- Interim fully franked ordinary dividend maintained at 1.50 cents per share.



PRODUCT CATEGORIES



CATEGORY OVERVIEW

CONTINUED STRONG INCREASE IN WHITENING & AESTHETHICS PRODUCTS

- Aesthetics and Whitening up 30.5% and 20.6%, respectively, from market share gains and momentum in new product releases
- Equipment up 16.5%, benefiting from return to normal operating conditions
- Amalgam (15.5% of sales) up 41%. Due in part by the withdrawal of two major competitors from the amalgam market, but also certain regions returning to normal operating conditions with new government tenders a feature.

Product category sales	Change in local currency %	Change in AUD %	Total AUD sales %
Aesthetics	30.5	28.7	45.9
Equipment	16.5	15.6	7.1
Whitening	20.6	18.7	31.5
Amalgam	41.0	40.3	15.5



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KEY GEOGRAPHIES



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SALES BY BUSINESS UNIT

RETURN TO NORMAL OPERATING CONDITIONS

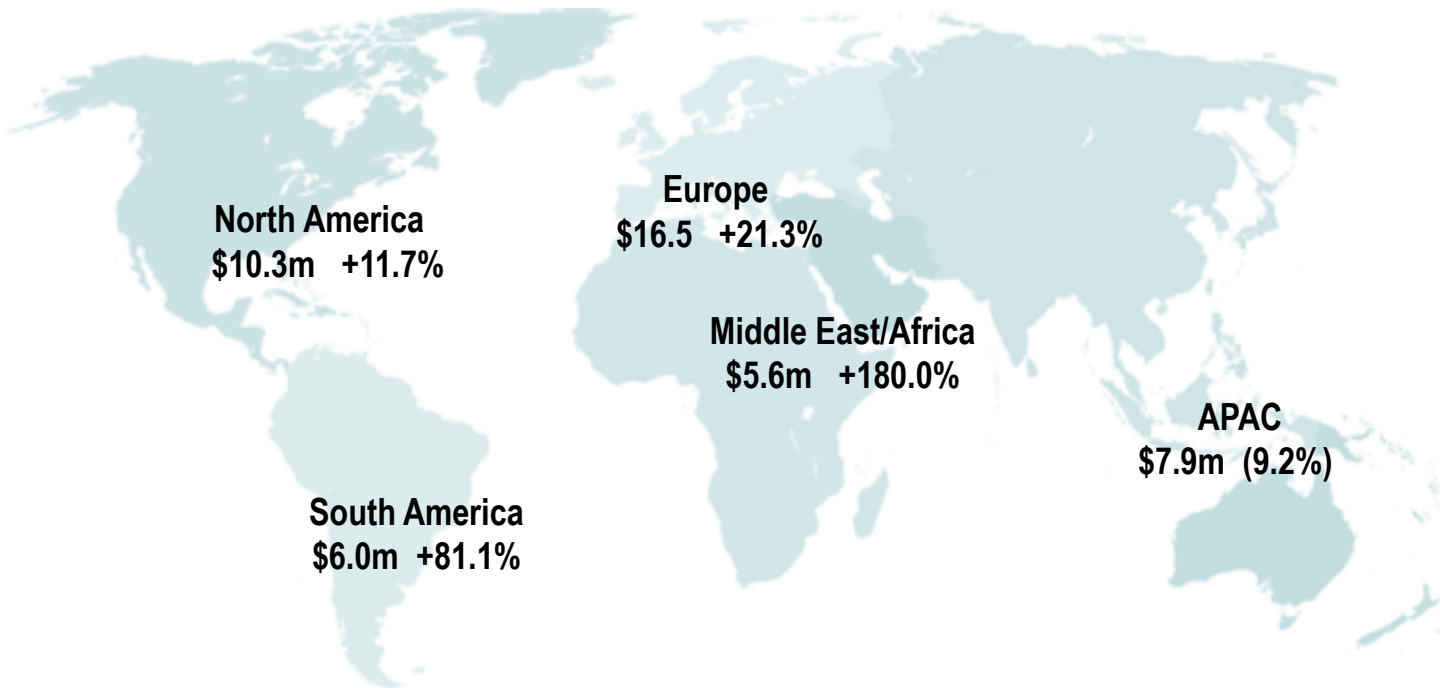
- European up 28.7%, due to strong demand in key markets and improved conditions in the UK
- Australian sales (incl Domestic and direct export markets), up 31.0%, with direct exports increasing by 67.0% and partly offset by domestic sales, down 16.8%, from Government lock downs in Victoria and NSW
- Brazil sales up 66.9% from market share gains and overall market growth

Sales by Business Unit	Growth in local currency %	Growth in AUD %	Total AUD Sales %
Australian sales (including direct exports)	31.0	29.9	37.7
North America	13.0	11.7	22.1
Europe	28.7	25.5	32.6
Brazil	66.9	67.2	7.6
TOTAL	27.8	26.0	100.0%

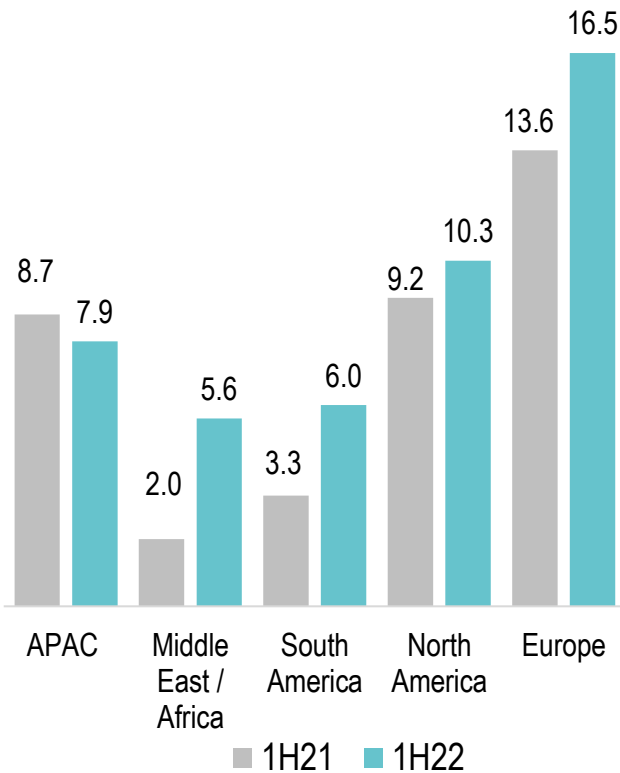


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DISTRIBUTION



Sales by geography (A\$m)



FINANCIAL PERFORMANCE



PROFIT & LOSS

Profit & Loss (\$'000)	1H22	1H21	% Change
Revenue			
Sales Revenue	46,328	36,762	26.0%
Cost of goods sold	-22,051	-12,920	70.7%
Gross Profit	24,277	23,842	1.8%
Gross margin	52.4%	64.9%	-12.5%
Other income	-223	-1,002	-77.7%
Expenses			
Selling & Administration	-18,899	-14,692	28.6%
Research & Development	-566	-807	-29.9%
Other Expenses	-992	-1,031	-3.8%
Profit before tax	3,597	6,310	-43.0%
Tax expense	-907	-1,732	-47.6%
Net profit after tax	2,690	4,578	-41.2%
Tax expense	907	1,732	-47.6%
Amortisation & depreciation	2,433	2,314	5.1%
Net interest expense	12	50	lge
EBITDA	6,042	8,674	-30.3%

- Total sales of \$46.3m, up 26.0% on pcp, with strong growth in all product categories and in most regions
- Product margins in Australian dollars decreased by 12.5% to 52.4%, with added freight costs, adjusted for currencies movements, accounting for 6.4% of this decline
- A further 6.1% decrease in the margin was due to regional and product sales mix
- Total operating expenses after adjusting for currency movements and government assistance programs, underlying operating expenses increased by 12.6% on pcp.
- EBITDA down 30.3% to \$6.0m vs \$8.7m in pcp
- NPAT down 41.2% to \$2.7m vs \$4.6m in pcp

BALANCE SHEET

Balance Sheet (\$'000)	1H22	1H21
Assets		
Cash & cash equivalents	6,523	10,559
Trade & other receivables	17,803	19,291
Inventories	22,907	21,509
Property, plant & equipment	18,636	19,288
Right of use assets	1,414	1,571
Intangibles	24,730	24,396
Other Assets	3,399	1,790
Total Assets	95,412	98,404
Liabilities		
Trade & other payables	7,486	9,286
Lease liabilities	1,409	1,573
Borrowings	0	0
Employee benefits	3,468	3,417
Deferred tax liability	2,499	4,348
Other Liabilities	0	0
Total Liabilities	14,862	18,624
Net Assets	80,550	79,780

- Net cash position down \$4.0m to \$6.5m with planned investments in inventories \$1.4m, plant and equipment \$0.6m, and product development expenditure \$1.2m and additional freight costs of \$2.7m.
- Active management of inventory, ensuring customer needs were met and in part to mitigate the continued global freighting delays.
- The Company has unused bank facilities of \$10 million.

CASH FLOW

Cash Flow (\$'000)	1H22	1H21
Receipts from customers	47,335	29,065
Payments to suppliers & employees	-44,171	-21,130
Other revenue	-235	2,429
Interest & other finance costs paid	-13	-52
Income tax paid	-2902	-448
Net cash from operating activities	14	9,864
Payments for property, plant & equip.	-647	-943
Payments for intangibles	-1,298	-1,421
Proceeds from disposal of PP&E	12	35
Net cash used for investing activities	-1,933	-2,329
Net cash used in financing activities	-2,138	-2,322
Cash & cash equivalents at end of period	6,523	11,059

- Operating cashflow down due to:
 - Operational costs returning to normalised levels
 - Increased freight costs
 - Higher sales in markets with longer dated trading terms
 - Absence of revenue from government assistance programs
 - Payment of FY21 final dividend

STRATEGY & OUTLOOK



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STRATEGY

- Aesthetics and Whitening products continue to be the focus for new product development; for achieving Manufacturing efficiencies and driving sales and marketing teams.
- 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.



OUTLOOK

- The review of the manufacturing footprint, including relocation, further investment in automation, and on manufacturing processes to manage future growth is ongoing
- While the challenges of elevated costs and the uncertainty of further lockdowns is still a reality, in time these conditions will normalise, and deliver ongoing benefits from the strong base built in SDI's target markets.



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Q&A



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