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

26 August 2022

Full Year Results Announcement for FY 2022

SDI Limited delivers a record full year sales result

MELBOURNE, Australia – SDI Limited (ASX: SDI). Net profit after tax of \$7.3 million for the twelve months ending 30 June 2022, compared with \$8.9 million for the same period last year.

SUMMARY FINANCIALS (AUD)	FY 2022	FY 2021	Change %
Sales (\$m)	95.2	81.6	16.5
EBITDA (\$m)	14.7	16.8	(12.4)
NPAT (\$m)	7.3	8.9	(18.6)
Net Cash	6.5	10.6	(38.9)
Earnings Per Share (cents)	6.13	7.52	(18.5)
Final Ordinary dividend (cents)	1.75	1.65	6.1
Full year ordinary dividend (cents)	3.25	3.15	3.2

FY 2022 Highlights

- Record total sales of \$95.2 million up 16.5% compared to the previous corresponding period (pcp), with strong growth in all product categories and regions
- EBITDA of \$14.7 million, down 12.4% (FY21: \$16.8 million), reflecting elevated freight costs incurred in the period
- Freight costs were up \$3.3 million impacting product margins by 3.8% and operating expenses up 16.4%, or up 9.0% when allowing for currency movements and government assistance programs in the 2021 financial year
- Earnings per share ('EPS') was down 1.39 cents to 6.13 cents (FY21: 7.52 cents)
- Strong net cash position having delivered strategic increase in inventories of \$4.5 million and the continued investment in research and development
- Final fully franked ordinary dividend up by 6.1% to 1.75 cents per share

Commenting on the result Chief Executive Officer Samantha Cheetham said: "We achieved record full year sales with all product categories growing strongly in all regional markets. Drivers included the momentum from new product releases and clear increases in market share in our core categories, underpinned by many markets returning to normal operations.

We are seeing the dental industry across the globe returning to normal operating activity levels. What has not normalised is the elevated cost of freight, with delays and cost inflation continuing to be a challenge for us. Part of the elevated cost; however, is attributable to our deliberate strategy to secure inventory in our warehouses to meet customer demand, simply prioritising service to our customers. We are confident this strategy to meet customer demands, is driving, in part our increased market share".



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Key product category sales

Category	Growth in local currency %	Growth in AUD %	Total AUD sales %
Aesthetics	17.2	17.6	45.3
Whitening	12.9	12.5	31.4
Equipment	11.5	14.0	7.2
Amalgam	21.0	23.2	16.1

In local currencies, sales growth in all product categories grew strongly. This performance reflects market share gains and the continuing momentum from new product releases in previous financial years.

Although there is very little sales focus on amalgam, it increased by 21.0% in local currencies, and now represents 16.1% of total sales. This result was driven by the withdrawal of two major competitors from the amalgam market, resulting in an increase of 14.5% in the large North American amalgam sales, which represents 29.6% of its total sales. In addition, amalgam was a significant feature with new government tenders returning as regions started to revert back to normal operating conditions.

Sales by business unit

Business unit	Growth in local currency %	Growth in AUD %	Total AUD sales %
Australia (incl direct exports)	15.8	17.1	34.1
North America	5.8	5.8	23.2
Europe	21.7	21.7	35.0
Brazil	26.1	26.1	7.7
Total	16.0	16.5	100.0%

The business unit performance reflects a return to normal operating conditions.

European sales up 21.7% in local currencies, driven by strong demand in its key markets and assisted by the UK, where conditions continued to improve in the year.

Australian sales which include Australian domestic and direct export markets, was up 15.8% with Australian direct exports increasing by 29.3%. This was partly offset by domestic sales which were down 3.5%, due mainly to Government lock downs and their impact on Dentists in Victoria and NSW during the period.

Brazilian sales increased by 26.1% in local currencies, reflecting further market share gains and overall market growth.

North American sales increased by 5.8% reflecting the slower uptake of aesthetics compared to other markets. As stated above, amalgam represents 29.6% of North American sales



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Sales by region

Region	FY 2022 (AUD)	FY 2021 (AUD)	% Change
APAC	17.1m	16.2m	5.3
Middle East / Africa	10.0m	6.1m	64.3
South America	10.2m	7.6m	34.3
North America	22.1m	20.4m	8.4
Europe	35.8m	31.3m	14.1

The strong growth across all regions was underpinned by the normalising of operating conditions across all key regions. The APAC region, with growth of 5.3%, was impacted by Government lock downs in Victoria and NSW. The Middle East/Africa region up 64.3%, benefited from the delivery of large tenders during the year.

Gross profit margins

Product margins in Australian dollars decreased by 5.7% to 55.8%, with added freight costs and currency movement adjustment accounting for 3.3% of the decline. The remaining 2.4% decrease was due to regional and product sales mix. SDI exports to over 100 countries and the margins enjoyed in each region are not uniform which impacts the outcome. Growth in lower margin Australian direct exports and Brazilian sales (which may also be impacted at times by the product mix) contributed to the overall margin mix. Additionally, the strong sales growth in the lower margin Amalgam product impacted overall gross margins.

Operating expenses

Total operating expenses in Australian dollars increased by 16.8% on pcp. After adjusting for currency movements and government assistance programs, underlying operating expenses increased by 9.2% on pcp. When compared to the pre-pandemic levels in the full year 2019, operating expenses increased by 11.3% after adjusting for currency movements.

Balance sheet

The net cash position decreased by \$4.2 million to \$6.3 million after increasing inventories by \$4.5 million, planned investment in plant and equipment of \$1.7 million, product development expenditure of \$2.2 million, and increase in freight costs of \$3.3 million. The Company has actively increased its inventory levels to ensure customer needs were met and in part to mitigate the continued global freight delays. The Company has unused bank facilities of \$10 million.

Government assistance payments were not received in FY22, compared to receiving \$3.9 million in the pcp. Of the \$3.9 million received last year, \$2.2 million was allocated to operating expenses and \$1.7 million to the manufacturing departments to support the Company's commitment to keep its global employees employed during that period.

Strategy and outlook

The Company remains focused on its strategic priorities:

- Aesthetics and Whitening products continue to be the focus for new product development. The Company's Amalgam replacement product is on schedule to be released globally at the International Dental Show (IDS) held in Cologne, Germany in March 2023 along with several other key products. Product registrations are being submitted and approvals are expected to start coming in around October/ November 2022.
- Achieving manufacturing and logistic efficiencies. Space is becoming a critical issue for these



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departments to achieve process efficiencies. The Company has reviewed its footprint and concluded that a green field site to move its total operations is not financially viable. However, it has recently purchased a 1.4-acre property \$5.0 million adjacent to its current properties. This will give the opportunity to refurbish its current production site to improve processes resulting in efficiencies.

- Investment in production automation and processes to ensure the Company continues to operate efficiently and manage new and existing product growth. The Company has recently purchased a high-speed production machine which will increase its syringe output of four of its products, from one to eight per minute.
- On-going investment in research and development to release one to two products per year.
- Investing in sales and marketing to further increase the Company's market share in its core product categories.

Commenting on the outlook, Samantha Cheetham said: "I am encouraged by the strong sales growth in our markets and see genuine momentum in our business underpinned by the Company's strategy. While there are continuing global challenges and uncertainty, we have built and continue to invest in a strong base to support our future growth plans".

Dividends

Showing the Board's confidence in the future of the business, the Directors has declared a final fully franked ordinary dividend of 1.75 cents per share, compared to 1.65 cents for 2021. The full year ordinary dividends of 3.25 cents equates to a payout ratio of 53.1%.

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.

Investor Webinar

An investor webinar will be held on 26 August 2022 at 11:00am AEST. To register for this webinar please use the following link below:

<https://ccmediaframe.com/?id=TI07weW7>

Please contact Adrian Mulcahy if you have any queries.

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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.