YOUR SMILE. OUR VISION.
SDI LIMITED ACN 008 075 581 | ABN 27 008 075 581
HEAD OFFICE 3-15 BRUNSDON STREET, BAYSWATER. PO BOX 314, VICTORIA, 3153 AUSTRALIA.
TOLL FREE 1800 337 003 | **TELEPHONE** +61 3 8727 7111
FAX +61 3 8727 7222 | info@sdi.com.au | www.sdi.com.au

ASX and Media Release
24 August 2023

SDI Limited delivers a record FY23 sales result

MELBOURNE, Australia – SDI Limited (ASX: SDI). Net profit after tax of $7.1 million for the twelve months ending 30 June 2023, a decrease of $0.2 million when compared to the previous corresponding period last year.

SUMMARY FINANCIALS (AUD)	FY 2023	FY 2022	Change %
Sales ($m)	107.9	95.2	13.3
Gross product margin (%)	56.8	55.8	100 bps
EBITDA ($m)	16.2	14.7	9.6
NPAT ($m)	7.1	7.3	(3.1)
Earnings Per Share (cents)	5.94	6.13	(3.1)
Cash ($m)	6.0	7.0	(14.3)
Final Ordinary dividend (cents)	1.75	1.75	-

FY 2023 Highlights

- Record total sales of $107.9 million, up 13.3% on the previous corresponding period (“pcp”), with strong growth in Aesthetics and Amalgam product categories.
- Product margin improvement to 56.8%, up by 100 bps on pcp, reflecting price increases and some relief from lower logistic costs.
- Operating expenses of $52.1 million, up 19.6% on pcp, driven by the return to normalised travel and marketing costs plus other inflationary cost pressures
- EBITDA increased by 9.6% to 16.2 million (FY22 $14.7 million).
- Earnings per share (‘EPS’) down 0.19 cents to 5.94 cents compared to 6.13 cents for the same period last year.
- Cash position down with continued investment in research and development, and capital expenditure.
- Strategic purchase of six-acre site to support future growth, financed by bank debt.
- Final fully franked ordinary dividend maintained at 1.75 cents per share.

Commenting on the result Chief Executive Officer Samantha Cheetham said: “*We are very pleased with the continued revenue growth momentum over the last 12 months, resulting in record sales of $107.9 million driven by further market share gains. Operating expenses are back to normalised levels with trade shows and travelling back in the calendar and we have seen logistics costs slowly trending towards pre-pandemic levels. Whilst there has been some additional costs and some inefficiencies in the short term as we support our customers, we remain confident that our strategy of meeting customer needs will continue to deliver longer term profitability for our group.”*

Key product category sales

Category	$m AUD	Growth in local currency %	Growth in AUD %	Total AUD sales %
Aesthetics	51.1	13.0	18.3	47.4
Whitening	31.3	1.2	4.8	29.0
Equipment	6.5	-10.7	-5.5	6.0
Amalgam	19.0	17.8	24.2	17.6

In local currencies, Aesthetics sales continued to show strong growth, up 13.0% on pcp, increasing across all regions. Growth in aesthetics was largely driven by market share gains, with the release of new products in prior periods gaining momentum in the market. A modest increase of 1.2% in Whitening, was attributable to stronger results in most regions, apart from Europe. Equipment sales, SDI's smallest product category and largely a complimentary product, fell by 10.7% across all markets, apart from in Australia. Amalgam grew strongly, led by increased demand in the UK market, continued strong demand in North America and successful Government tenders in the Middle East.

Although there is very little sales focus on Amalgam, this category increased by 17.8% in local currencies on pcp, and now represents 17.6% ($19.0 million) of total sales. Recent market share gains are largely driven by two competitors leaving the category.

Sales by business unit

Business unit	$m AUD	Growth in local currency %	Growth in AUD %	Total AUD sales %
Australia (incl direct exports)	36.3	5.4	11.4	33.6
North America	25.6	7.3	15.9	23.8
Europe	36.9	10.9	11.3	34.2
Brazil	9.1	13.7	24.0	8.4
Total	**107.9**	**8.4**	**13.4**	**100.0%**

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

Australian sales, which include Australian domestic and direct export markets, were up by 5.4% on pcp, with Australian direct exports increasing by 7.1%, when adjusted for currency movements, with Australian domestic sales up 1.7%. Direct exports growth was driven by tenders in the middle east, and strong growth in the Asia region.

European sales were up 10.9% in local currencies, driven by strong demand in the UK market where conditions have now normalised.

Brazilian sales increased by 13.7% on pcp in local currencies reflecting overall market growth and aesthetics products gaining traction.

North American sales increased by 7.3% on pcp reflecting the strong increase in the Amalgam sales driven by the exit of two major competitors in the Amalgam market. Aesthetics grow by 12.8% reflecting the gradual transition of the market towards Aesthetic products and the release of new products in prior periods gaining momentum in the market.

SDI LIMITED ACN 008 075 581 | ABN 27 008 075 581
HEAD OFFICE 3-15 BRUNSDON STREET, BAYSWATER. PO BOX 314, VICTORIA, 3153 AUSTRALIA.
TOLL FREE 1800 337 003 | **TELEPHONE** +61 3 8727 7111
FAX +61 3 8727 7222 | info@sdi.com.au | www.sdi.com.au

Sales by region

Region	FY 2023 $m (AUD)	FY 2022 $m (AUD)	% Change
APAC	18.4	17.1	8.0
Middle East / Africa	12.4	10.0	23.1
South America	11.7	10.2	14.8
North America	25.6	22.1	15.9
Europe	39.8	35.8	11.1

The strong growth across most regions was underpinned by the normalising of operating conditions including the success following the return of government tenders in the Middle East/Africa region.

Gross profit margins

Product margins in Australian dollars increased 100 bps to 56.8%, driven by moderately improved logistics costs and price increases. SDI exports to over 100 countries with margins not uniform, impacting the overall outcome. Additionally, with respect to product differences, the strong sales growth in the lower margin Amalgam tenders impacted overall gross margin for the group.

Expenses

Total operating expenses in Australian dollars increased by 19.6% on pcp. After adjusting for currency movements operating expenses increased by 16.8% compared to pcp. Adjusting for a $0.4 million asset impairment in the Brazilian operation and interest expense, operating expenses in local currencies, increased by 14.0%.

Operating Expense (Non-Production)	% Increase AUD	
Employee related	8.7	Increased superannuation and payroll tax rates, employee pay rate pressure
Marketing /Travel	25.1	New products releases, exhibition & travel costs back to pre-pandemic levels.
Information technology	29.2	Increase expenditure on cyber security and other IT projects

When looking at total costs which also include costs relating to production which are reported in cost of sales, the following table reflects the category with significant movements.

Cost category (incl production related costs)	% to Sales	% Change	Comment
Inward / outbound Freight	4.8%	(18.9)	Moderating but still elevated
Employee costs (incl. operations and production)	37.6%	4.2	Increased superannuation and payroll tax rates, employee pay rate pressure
Marketing/Travel	14.7%	25.1	New product releases, exhibition costs and travel back to pre-pandemic levels

While freight costs have moderated, as a percentage of sales they remain elevated and are expected to ease further in the coming years. The most notable increase in operating expenses are marketing and travel expenses, up 25.1% on pcp. These increases relate to operating conditions returning to normal and the recommencement of important education and marketing activities such as trade shows. Inflation is having an impact across several expense categories; however, employee cost growth has eased since FY22.

Tax Expense

Tax expense increase by 5.8% to 34.0% compared to 28.2% for the pcp, due to the non-deductibility of an asset impairment of $0.4 million and a prior year tax adjustment $0.3 million relating to the Brazilian subsidiary. Adjusted for these items tax expense was 29.9%.

Balance sheet

The Company invested $24.3 million in land and buildings financed by bank borrowings The Company has unused bank facilities of $8.5 million and $6.0 million cash in bank.

Strategy and outlook

The Company intends to provide an update on expectations for the coming financial year at the November 2023 AGM, but remains focused on its strategic priorities:

- **Aesthetics and Whitening products** continue to be the focus for new product development. The Company's Aesthetic product 'Stela', designed as an Amalgam replacement product and general posterior restorative, and will compete in the wider Aesthetic categories due to its natural tooth colour and strength. It has been released in several key markets apart from Europe, where EU approval is pending.

- **Achieving manufacturing and logistic efficiencies**. The Company has reviewed its footprint, has purchased a six-acre property for $19.0 million which has an existing 4,000 sqm warehouse, and is expecting to relocate its current warehousing in September 2023. Planning is currently in progress to redevelop the site to relocate its current manufacturing operations in the next 2 to 3 years. With the relocation of the Company's current warehouses much needed space for manufacturing will accommodate new machinery and deliver manufacturing efficiencies. SDI believes that the investment in the new facility will require a total capital expenditure, expected to be completed by the end of FY 2027, of $60 million and expects this will generate a pre-tax return on capital of greater the 20%.

- **Investment in production automation** and processes to achieve operating efficiencies and manage new and existing future product growth. The Company has recently purchased a high-speed production machine which will increase its syringe output on four products, moving from one to approximately eight syringes per minute. Other machines are on order for delivery over the next 12 months.

- **On-going investment in research and development** of new products. As part of the R&D initiatives, the team will be focused on meeting the updated regulatory requirements in Europe for restorative products and securing registrations. SDI embraces the stringent regulatory requirements as these provide high barriers of entry and a competitor advantage.

- **ESG** – The Company has made a commitment, including the creation of an internal working growth, to make significant progress in establishing a risk framework for sustainability and has appointed and consultant to assist in this process.

Dividends

Showing the Board's confidence in the future of the business, the Directors have maintained the dividend payment by declaring a final fully franked ordinary dividend of 1.75 cents per share (FY22 1.75 cents). 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 24 August 2023 at 11:00am AEST. To register for this webinar please us the following link below:

Investor Webcast link

Please contact Adrian Mulcahy if you have any queries.

Investor Contact:
Adrian Mulcahy
Adrian.mulcahy@automicgroup.com.au
P: +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 Australia, USA, Germany, and Brazil.