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**
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## Half Year Results Announcement for 1H FY24

# SDI Limited delivers a record half year of revenues with continual improvement in gross margin

**MELBOURNE, Australia –** SDI Limited (ASX: SDI). Net profit after tax increased by 37.0% to $3.7 million for the six months ending 31 December 2023, compared to $2.7 million for the previous corresponding period last year.

| SUMMARY FINANCIALS (AUD) | HY 2024 | HY 2023 | Change |
|---|---|---|---|
| Sales ($m) | 52.2 | 50.5 | +3.5% |
| Gross product margin (%) | 61.5 | 56.2 | +530 bps |
| EBITDA ($m) | 9.0 | 6.1 | +48.9% |
| NPAT ($m) | 3.7 | 2.7 | +37.0% |
| Earnings Per Share (cents) | 3.11 | 2.28 | +36.4% |
| Net Cash ($m) | 7.1 | 6.0 | +$1.1m |
| Final Ordinary dividend (cents) | 1.50 | 1.50 | unchanged |

### HY 2024 Highlights

- Record total sales of $52.2 million, up 3.5% on the previous corresponding period (“pcp”), with strong growth in Aesthetics products, partially offset by a decline in Amalgam product categories.
- Product margin improvement to 61.5%, up 530 bps on pcp, reflecting some relief from lower logistic costs and geographical and product mix.
- Operating expenses of $26.0 million, up 4.2% on pcp, driven by inflationary cost pressures and impairment expense of $0.7 million.
- EBITDA increased by 48.9% to 9.0 million (HY23 $6.1 million).
- Earnings per share (‘EPS’) up 0.83 cents to 3.11 cents compared to 2.28 cents for the same period last year.
- Cash position up with continued investment in research and development, and capital expenditure.
- Interim fully franked ordinary dividend maintained at 1.50 cents per share.

Commenting on the result Chief Executive Officer Samantha Cheetham said: “*We are satisfied the continued sales growth in the business but particularly pleased with the strong improvement in our gross margins, now back to levels seen in FY21. This has been driven by favourable product mix with the growth in our higher margin Aesthetic products. Our Amalgam sales declined as expected, following an unusually strong year last year, with some players having exited the market. In summary, the combination of solid revenue growth, ongoing expense control and impressive product margin improvement has led to a solid first half profit, setting a strong base for the second half of the financial year.*”

**Key product category sales**

| Category | $m AUD | Growth in local currency % | Growth in AUD % | Total AUD sales % |
|---|---|---|---|---|
| Aesthetics | 26.3 | 5.0 | 10.0 | 50.4 |
| Whitening | 15.2 | -0.6 | 4.1 | 29.1 |
| Equipment | 3.0 | -7.7 | -2.9 | 5.9 |
| Amalgam | 7.7 | -17.1 | -12.9 | 14.6 |

In local currencies, Aesthetics sales continued to show strong growth, up 5.0% on pcp. Sales increased across all regions apart from Brazil with Aesthetic sales down 17.4%. 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 decrease of 0.6% in Whitening reflected a decline in most regions apart from Europe up 3.6% and North America up 1.9%. Equipment sales, SDI's smallest product category and largely a complimentary product, fell by 7.7% across all markets. Amalgam decreased by 17.1%, declining in most markets after an abnormally strong period in the prior year

**Sales by business unit**

| Business unit | $m AUD | Growth in local currency % | Growth in AUD % | Total AUD sales % |
|---|---|---|---|---|
| Australia (incl direct exports) | 18.2 | -0.9 | -2.5 | 34.9 |
| North America | 11.5 | -3.5 | -1.4 | 22.0 |
| Europe | 18.7 | 6.9 | 16.2 | 35.9 |
| Brazil | 3.8 | -20.3 | -12.7 | 7.2 |
| **Total** | **52.2** | **-1.2** | **3.5** | **100.0** |

The business unit performance reflects favourable currency movements and strong growth from the European business.

European sales were up 6.9% in local currencies, driven by strong demand in most European markets.

Australian sales, which include Australian domestic and direct export markets, were down by 0.9%, with Australian direct exports decreasing by 4.7% when adjusted for currency movements. Direct export markets, including the Middle East, South America (excluding Brazil) and Asia saw inconsistent ordering patterns, affected by customer import licences, payment terms and credit limits. Australian domestic sales were up 3.3% reflecting normalised market conditions.

Brazilian sales decreased by 20.3% on pcp in local currencies partly due to a major distributor reducing its inventory. It is expected that this distributor will return to its normal ordering patterns in the second half of the financial year.

North American sales decreased by 3.5% on pcp due to a 10.0% decline in Amalgam sales which represents 28.9% of its total sales. Additionally, sales were affected by lower private label Composite sales and a cyber-attack on a major Distributor.

**Sales by region**

| Region | HY 2024 $m (AUD) | HY 2023 $m (AUD) | % Change |
|---|---|---|---|
| APAC | 10.2 | 9.2 | 11.0 |
| Middle East / Africa | 5.6 | 5.6 | - |
| South America | 5.4 | 6.2 | -13.3 |
| North America | 11.5 | 11.7 | -1.4 |
| Europe | 19.5 | 17.8 | 9.7 |

Sales by regions reflects strong growth in APAC and European markets were aided by favourable currency movements and strong demand for Aesthetic products. South American markets reflect the decreased sales in the Brazilian and Australian direct export markets.

**Gross profit margins**

Product margins in Australian dollars increased 530 bps to 61.5%, driven by strong growth in the Aesthetic products and improved logistics costs. Product mix is a significant influence on the gross margin, with strong sales growth in Aesthetics, which are higher margin products, a positive driver of the overall gross margin for the group.

**Operating expenses**

Total operating expenses in Australian dollars increased by 4.2% on pcp. After adjusting for currency movements operating expenses increased by 1.4% compared to pcp. Adjusting for a $0.7 million asset impairment relating to buildings and the Brazilian operation, operating expenses in local currencies, decreased by 1.6%.

**Balance sheet**

Cash increased by $1.1 million after investing an additional $3.0 million in property, plant and equipment, and $2.2 million in product development expenditure, and debt increasing by $0.9 million for the six months ending 31 December 2023. The Company has unused bank facilities of $6.0 million and $7.1 million cash in bank.

**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 Aesthetic product 'Stela', originally designed as an Amalgam replacement product, but used for many indications 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 European approval is pending.

- **Achieving manufacturing and logistic efficiencies**. The Company has purchased a six-acre property for $19.0 million which has an existing 4,000 sqm warehouse and has relocated its current warehousing. Planning is currently in progress to redevelop the site to relocate its current manufacturing operations by the end of FY 2027, with a construction and refurnishing cost of $45 million and additional equipment of $15 million. It is expected that this will generate a pre-tax return on capital of greater than 20%.

- **Investment in production automation** and processes to achieve operating efficiencies and manage new and existing future product growth. The Company has recently purchased several high-speed production machines which will start showing returns in the next six months. Other machines are on order for delivery over the next 12 months which will result in further efficiencies and increase future production capacity.

- **On-going investment in research and development** of new products. The product launch plan is back on to ensure one new product by December 2024. The operations teams will also 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 to entry and a competitive advantage.

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

- The United Nations have planned that dental Amalgam products will be phased out in 2030.

**Dividends**

Showing the Board's confidence in the future of the business, the Directors have maintained the dividend payment by declaring an interim fully franked ordinary dividend of 1.50 cents per share (HY23 1.50 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 28 February 2024 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.