YOUR SMILE. OUR VISION.
SDI LIMITED ACN 008 075 581 | ABN 27 008 075 581
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ASX and Media Release
27 February 2025

SDI Limited delivers a solid result underpinned by improvement in gross margins

MELBOURNE, Australia – SDI Limited (ASX: SDI). Net profit after tax increased by 3.5% to $3.8 million for the six months ending 31 December 2024, compared to $3.7 million for the previous corresponding period last year.

Summary financials (AUD)	HY 2025	HY 2024	Change
Sales ($m)	51.5	52.2	-1.3%
Gross product margin (%)	63.5	61.5	+200 bps
EBITDA ($m)	8.6	9.0	-4.4%
NPAT ($m)	3.8	3.7	3.5%
Earnings per share (cents)	3.22	3.11	3.5%
Interim ordinary dividend (cents)	1.5	1.5	Unchanged

HY 2025 Highlights

- Total sales of $51.5 million, down 1.3% on the previous corresponding period (“pcp”), with good growth in the European and Brazilian markets offset by declines in Middle Eastern and Asian markets, and the continual decline in Amalgam product sales.
- Product margin improvement to 63.5%, up 200 bps on pcp, reflecting operational efficiencies, geographical and product mix.
- Operating expenses of $27.1 million, up 4.3% on pcp.
- EBITDA decreased by 4.4% to $8.6 million (HY24 $9.0 million).
- Earnings per share (‘EPS’) increased by 3.5% to 3.22 cents compared to 3.11 cents for the same period last year.
- Interim fully franked ordinary dividend maintained at 1.5 cents per share.

Commenting on the result, Chief Executive Officer Samantha Cheetham said: “*I am pleased with the continued sales growth in Aesthetic products along with improved product margins and well managed operating expenses. The product margin improvements, while benefitting from product mix, is also due to some efficiency measures we are beginning to see, and we expect this positive trend to continue for the remainder of the year. The continuing weakness in Amalgam sales is not unexpected as this product gets closer to its end of life in many markets. During the half we also saw weakness in the Middle East, with some specific market related challenges, and Asia also underperformed in this period. Looking ahead we expect Whitening sales to further improve with our planned rebranding rolling out in the second half of 2025 financial year.”*

Key product category sales

Category	$m AUD	Change in local currency %	Change in AUD. %	Total AUD sales %
Aesthetics	27.0	4.5	2.5	52.3
Equipment	2.9	-0.1	-5.9	5.6
Whitening	15.2	0.6	-.0.1	29.4
Amalgam	6.4	-12.8	-15.0	12.7
Total	**51.5**	**0.5**	**-1.3**	**100.0**

In local currencies, Aesthetics sales continued to show good growth, up 4.5% on pcp. Aesthetics sales increased across all regions partly offset by a decline in Australian direct export sales down 17.4%. Whitening sales increased by 0.6% with good increases in the European and Australian domestic markets. Equipment sales, SDI's smallest product category and largely a complimentary product, fell by 0.1% reflecting a decrease in all markets apart from Brazil and Europe which increased by 9.7% and 3.7%. Amalgam sales decreased by 12.8%, declining in most markets particularly the North American market, down 20.2%.

Sales by business unit

Business unit	$m AUD	Growth/(decline) in local currency %	Growth/(decline) in AUD %	Total AUD sales %
Australian sales (incl direct exports)	16.2	-10.9	-11.5	31.4
North America	10.6	-7.2	-7.5	20.7
Europe	20.6	10.9	10.1	40.0
Brazil	4.1	28.4	9.2	7.9
Total	**51.5**	**0.5**	**-1.3**	**100.0**

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

European sales were up 10.9% in local currencies, driven by demand for Aesthetic products in most European markets. North American sales decreased by 7.2% on pcp, primarily due to a 20.2% decline in Amalgam sales.

Australian sales, which include Australian domestic and direct export markets, were down by 10.9%, with Australian direct exports decreasing by 15.7% when adjusted for currency movements. These sales were impacted mainly by the reduction in sales from the Middle East and Asian regions.

Brazilian sales increased by 28.4% on pcp in local currencies due to Distributors returning to normal business after reducing their inventory in the pcp.

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Sales by region

Region	HY 2025 ($m AUD)	HY 2024 ($m AUD)	Growth/(decline) in AUD %
APAC	9.4	10.2	-8.0
Middle East / Africa	4.3	5.6	-23.8
South America	5.5	5.4	2.1
North America	10.6	11.5	-7.5
Europe	21.7	19.5	11.3

Sales by region reflects shows growth in the European and South American markets which were aided by increased demand for Aesthetic products. Middle Eastern and African sales were predominately affected by delays in shipments due to short term issues around customer payments and the instability in some of the Middle Eastern markets. APAC sales were down reflecting lower ordering from the Asian market.

Gross profit margins

Product margins in Australian dollars increased by 200 bps to 63.5%, driven by operational efficiencies, strong growth in the Aesthetic products. Product and geographical sales are a significant influence on the gross margin, with sales growth in Aesthetics in the European market attracting higher product margins. In September 2023 the warehousing operations were moved to the new site resulting in operational efficiencies along with some new machines entering partial production.

Expenses

Operating expenses in Australian dollars up 4.3% on pcp. After adjusting for currency movements operating expenses increased by 5.3% compared to pcp, reflecting ongoing inflationary pressures, particularly relating to employment costs and increased marketing expenditure on new product releases.

Tax Expense

Tax expense of 29.4% compared to 32.1% for the pcp reflecting the non-deductibility of asset impairments in the pcp.

Balance sheet

Cash decreased by $1.4 million after investing $1.9 million in property, plant and equipment, and $2.3 million in product development expenditure, $1.4 million in inventory and reducing debt by $2.1 million for the six months ending 31 December 2024. Subsequent to the reporting date, debt has been further reduced by $4.0 million relating to the sale of a property which settled on 17 January 2025. The Company has unused bank facilities of $9.0 million and $4.9 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, will compete in the wider Aesthetic categories due to its natural tooth colour and strength. It has been released in several key markets in FY24 and released in Europe in July 2024, with Stela being SDI's most successful product launch to date.

- **Achieving manufacturing and logistic efficiencies**. In FY23 the Company purchased a six-acre property for $19 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 December 2027, with a construction and refurnishing cost of $23 million and additional equipment of $14 million. It is expected that this will generate a pre-tax return on capital of 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 three new product launches by March 2025. The team will continue to focus on ensuring European regulatory requirement deadlines are met. 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 interim fully franked dividend payment at 1.50 cents per share (HY24 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 26 February 2025 at 11:00am AEST.

To register for this webinar please us the following link below:

SDI 1H25 Result Conference call

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.