



# FY16 Results Presentation



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# Agenda

- About SDI
- FY 2016 Highlights
- Financial Overview
- Strategy
- Key priorities
- Outlook



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# Company Overview

## Corporate Information – 24 August 2016

- ASX:SDI – listed 7<sup>th</sup> Nov 1985
- Current share price: \$0.70
- Market cap - \$82.6m

## Background

- Founded in 1971
- Australia largest dental manufacturer
- All research, development and manufacturing is in Melbourne
- 265 Staff worldwide
- Offices in São Paulo, Brazil; Chicago, USA; Cologne, Germany
- Worldwide distribution with 500+ distributors
- Numerous national and international awards, including Australian Exporter of the Year for Health and Biotechnology



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# Product & Markets

## **Comprehensive product offering, far-reaching distribution**

- Over 90% of SDI products exported to over 100 countries
- SDI represented in all key markets via distributors and/or dealers



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# Products

## Supplying specialist products for modern dentistry

Category	% change in AUD FY16	Key brands	Market opportunity
Glass ionomers	+28.2%	Riva	Growing demand for high fluoride releasing, bio-compatible, aesthetic filling materials
Composites	+15.6%	Aura, Luna, Ice	High demand for aesthetic filling materials
Whitening	+22.9%	Pola	Huge consumer demand for whiter, brighter teeth
Equipment	+5.0%	Radii Plus, Radii-cal, Ultramat	Good replacement market for everyday dental tools
Amalgam	-7.5%	Permite, GS-80	Tender business in countries with lower socio-economic regions; special markets in USA



# Markets

## Opportunities for growth in global markets

Region	Description	Revenue \$A FY16	% change in local currency
Australia & Export	Australia, New Zealand, Asia, Middle East, Africa, Latin America, Eastern Europe	\$23.3m	Australia +5.5% Export -5.7%
Europe	Western and Eastern Europe	\$24.3m	+19.9%
North America	USA and Canada	\$20.9m	-7.9%
Brazil	Brazil and Latin America	\$5.6m	+14.1%
<b>Total</b>		<b>\$74.1m</b>	

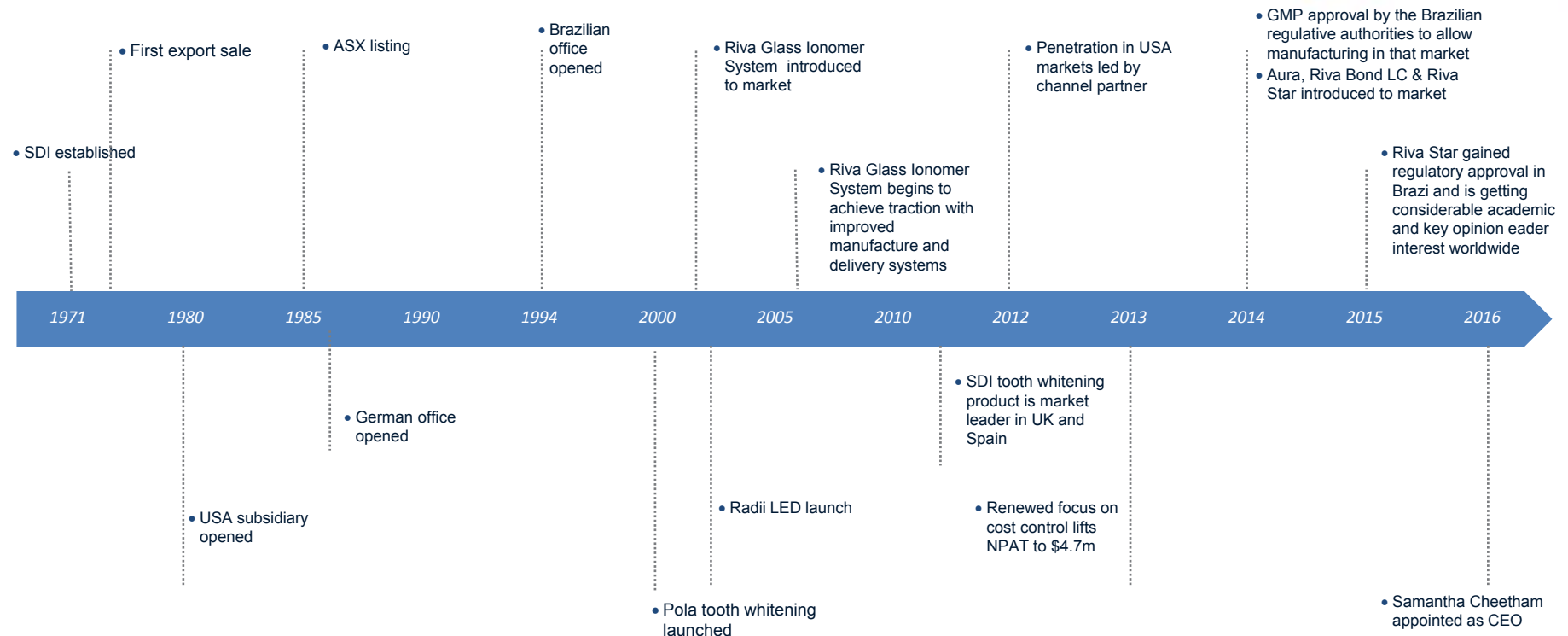


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# Track record of dental innovation and success

## Long history and successful record of new product development



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# FY16 Highlights

- Sales up 8% to \$74.1m for FY16
- EBITDA up 25% to \$15.4m for FY16
- NPAT up 22% to \$7.6m for FY16
- Non-amalgam sales increased by over 18% over the year
- Strong pipeline of products under development
- Selling products to over 100 countries



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# Market overview

## **Stable competitive environment**

- Continued shift in product mix
  - reduced demand for amalgam
  - increasing demand and penetration of non-amalgam products
- Increasing sales to special markets
  - large group practices
  - corporates
  - public institutions
- Growth opportunity in developing markets as demand for quality dentistry increases



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# Profit & Loss

## Increased profitability and returns for investors

PROFIT & LOSS (\$'000)	FY16	FY15	Change
<b>Revenue</b>			
Sales revenue	74,077	68,655	8%
Cost of goods sold	(27,988)	(29,182)	
<b>Gross profit</b>	<b>46,089</b>	<b>39,473</b>	<b>17%</b>
Other income	258	226	
<b>Expenses</b>			
Selling and admin	(32,642)	(29,000)	
R&D	(680)	(550)	
Other	(1,604)	(1,027)	
Finance costs	(323)	(422)	
<b>EBITDA</b>	<b>15,400</b>	<b>12,300</b>	<b>25%</b>
Tax	(3,532)	(2,500)	
<b>NPAT</b>	<b>7,566</b>	<b>6,200</b>	<b>22%</b>

- **Sales increased by 8% or \$5.4m**
  - Adjusted for F/X movements sales increased by 1.3%
- **Gross product margin increased to 62% (58% in FY15)**
- **Total Expenses increase by 13.7% or \$4.3m**
  - Expense growth of 13.7 to 35.2m
  - After adjusting for F/X movements and once off costs, expenses increased by 8%
  - Increased tax expense to 31.9%
- **EBITDA up 25% to \$1.5m**
- **NPAT up 22% to \$7.6m**



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# Balance Sheet

## Conservative balance sheet, very little debt

BALANCE SHEET (\$'000)	FY16	FY15	Change
<b>Current assets</b>			
Cash & equivalents	6,001	5,037	19%
Trade and receivables	15,619	14,075	
Inventories	18,365	16,568	
Other	550	668	
<b>Non-current assets</b>			
Property, plant and equipment	18,334	18,555	
Intangibles	21,533	21,030	
<b>Total assets</b>	<b>80,402</b>	<b>75,933</b>	<b>6%</b>
<b>Current liabilities</b>			
Trade and other payables	4,375	5,415	
Borrowings	2,521	3,676	(31%)
Provision for income tax	1,516	322	
Employee benefits	3,322	3,202	
<b>Non-current liabilities</b>			
Borrowings	3,209	3,438	(7%)
Deferred tax liability	1,488	1,661	
Employee benefits	192	128	
Total non-current liabilities	4,889	5,227	
<b>Total liabilities</b>	<b>16,623</b>	<b>17,842</b>	<b>(7%)</b>
<b>Net assets</b>	<b>63,779</b>	<b>58,091</b>	<b>10%</b>

### Assets:

- Cash balance increased by \$1.0m to 6.0m
- Trade Receivable increased on higher June sales
- Inventories increase driven by F/X valuation & raw materials cost increases

### Liabilities:

- Continuing debt reduction of around \$1.0m per year
- Debt / Equity decreased to 4% from 6% in FY15

**FY16 dividend increased 30% to 2 cents**

**ROE increased to 12% from 11% in FY15**



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# Cash Flow

## Resilient cash generative business

CASH FLOW STATEMENT (\$'000)	FY16	FY15	Change
Receipts from customers	72,533	67,686	
Payments to suppliers and employees	(61,272)	(57,093)	
Other revenue	258	161	
Interest and other finance costs paid	(323)	(422)	
Income taxes paid	(2,417)	(2,634)	
<b>Net cash from operating activities</b>	<b>8,779</b>	<b>7,698</b>	<b>14%</b>
Payments for property, plant and equipment	(2,433)	(2,889)	
Payments for intangibles	(2,073)	(1,808)	
Proceeds from disposal of property, plant and equipn	76	121	
<b>Net cash used in investing activities</b>	<b>(4,430)</b>	<b>(4,576)</b>	<b>(3%)</b>
<b>Net cash used in financing activities</b>	<b>(3,524)</b>	<b>(2,531)</b>	<b>39%</b>
<b>Cash at end of financial year</b>	<b>6,001</b>	<b>5,037</b>	<b>19%</b>



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# Strategy

## **Innovative new products being developed**

- Continued focus on investing in regions and partnerships
- R&D teams focus on chemistry innovation and delivery system leadership leading to a strong pipeline of products
- Specific investment in the Pola whitening product with line extensions and coordinated marketing programs
- Launch of a new Riva glass ionomer product in Jan 2017
- Launch of new LED light in April 2017



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# Competitive Advantages

## Technology and innovation with a pipeline of new products

- Vertically integrated global dental manufacturer selling products to over 100 countries
- Agility
  - close to our key distribution partners
  - can react quickly to changes in the market
- SDI are recognised as innovative
  - sales of speciality dental glasses to competitors



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# Key priorities

## **Repositioning SDI as an innovative technology company**

- Relaunch SDI to the dental community as an innovative Australian manufacturer and a leading technology company.
- Work with partners to develop the ultimate amalgam alternative
- Consolidate Irish and German businesses into one European HQ in Cologne, Germany
- Brazil to become the South American HQ and continue to expand the packaging operations
- Australian manufacturing focused on LEAN implementation



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# Outlook

- Non-amalgam sales are forecast to increase by greater than 10%
- Amalgam sales are expected to be flat
- Dividend payout ratio to be a minimum of 30% of NPAT



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