

ASX Announcement

29 August 2016

SDI Limited Announces Profit Results

FY16 HIGHLIGHTS

- Sales revenue up 8 per cent to **\$74.1 million**
- Profit after tax up 22 per cent to **\$7.6 million**
- EBITDA up 25 per cent to **\$15.4 million**
- Dividends increase by 43 per cent
- Cash increased by **\$1.0 million**
- Borrowings decreased by **\$1.4 million**

MELBOURNE, Australia – SDI Limited (ASX: SDI) is pleased to announce its results for the 12 months ending 30 June 2016, a period that saw the Company deliver an increase in profit after tax by 22.0 per cent to \$7.6 million, compared to \$6.2 million for the same period last year. Profit before tax increased by 27.6 per cent to \$11.1 million compared to \$8.7 million for the previous year. The current year's profit before tax includes \$0.6 million of once-off restructuring costs and intellectual property write-down.

	FY 2016 (AUD'000)	FY 2015 (AUD'000)	Change %
Sales	74.1	68.7	7.9
EBITDA	15.4	12.3	25.1
NPBT	11.1	8.7	27.6
NPAT	7.6	6.2	22.0
Borrowings	5.7	7.1	(19.7)
Cash	6.0	5.0	19.1
Declared / Paid Dividends	2.4	1.7	42.8

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 25.1 per cent to \$15.4 million, compared to \$12.3 million for the corresponding period last year. Earnings per share for the 12 months ending 30 June 2016 increased by 1.15 cents to 6.37 cents compared to 5.22 cents for the same period last year.

Samantha Cheetham, SDI Limited CEO, said: "Despite some challenging headwinds and modest growth, this is a pleasing result. Although Australian domestic sales, European and Brazilian sales all increased, sales in the USA and smaller export markets decreased, leading to flat sales overall for the period. Despite this we were very happy with the non-amalgam product mix sales growth of 18 per cent. Our focus now is clearly on a strategy for growth in our key performing markets and a number of other key priorities to grow sales."

Sales reported in Australian dollars for the period increased by 7.9 per cent to \$74.1 million compared to \$68.7 million for the corresponding period last year. SDI exports approximately 90 per cent of its products and when adjusted for currency movements, sales increased by 1.3 per cent.

Glass Ionomer sales increased by 28.2 per cent, Composites by 15.6 per cent, Whitening by 22.9 per cent, Equipment by 5.0 per cent, and Amalgam sales decreased by 7.5 per cent. Global demand for non-Amalgam products is increasing and although SDI experienced significant increases in its non-Amalgam sales, these were offset by the decline in Amalgam sales, which represented 34.1 per cent of the company's total sales.

National Australian sales increased by 5.5 per cent. In Australian dollars, Australian direct exports (excluding intercompany sales) decreased by 5.7 per cent. When adjusted for currency movements, sales decreased by 15.4 per cent. These export markets include Latin America, Africa, Asia and the Middle East. Amalgam products represent a large proportion of sales in these price competitive markets.

North American sales in local currency decreased by 7.8 per cent and the major contributor to this result was Amalgam sales. This market presents challenges as it is becoming more price-competitive with the growth of Dental Group Practices and Corporates. SDI is re-aligning its marketing strategy to better reflect the targeted product mix in this market and expects greater growth in non-Amalgam products in the future.

Sales in Europe increased by 19.9 per cent in local currency. The recent restructure of the European operations is showing positive results across all European markets, with strong growth in the Whitening and Glass Ionomer product range. SDI is in the process of consolidating its Irish and German Companies with the view of having one European company located in Germany. SDI expects that this will reduce operating costs and strengthen the Company's presence in Europe.

Brazilian sales increased by 14.1 per cent in local currency, highlighting strong growth in non-Amalgam products. SDI Brazil commenced packing some products in May 2016, and will continue to expand this process with the view of packing all products for the South American market. The devaluation of the Brazilian Real (BRL) has continued to have adverse effects on the subsidiary's results.

Total expenses in Australian dollars increased by 13.7 per cent when compared to the previous year. Approximately 57 per cent of SDI's total operating expenses relate to its offshore subsidiaries and are subject to currency movements when reporting in Australian dollars. When adjusted for currency movements, once-off restructuring costs, and additional amortisation of intellectual property, expenses increased by 8.2 per cent.

The Company's total cash holdings for the 12 months increased by \$1.0 million after further decreasing debt by \$1.4 million and increasing dividend payments by \$1.1 million. Inventories increased by \$1.8 million due to the bulk purchase of materials from overseas suppliers which have long lead times, and the revaluation of inventories held in foreign currencies to the lower Australian dollar.

Ms Cheetham said: "We see 2017 as a year of sound progress as the Company continues to build on its foundations, accelerate its market leadership across regions, invest in innovation and new product development, consolidate European operations, implement LEAN processes across the manufacturing operation and invest further in growing the South American and North American markets. We have earned a strong industry reputation and will continue to work hard to enhance the value of the company and remain competitive."

The Board of Directors has declared a final fully franked dividend of 1.2 cent per share which will be paid on 23rd September 2016. Total dividends for the 2016 financial year have increased by 42.8% to 2.0 cents, compared to 1.4 cents for the previous financial year.

The Directors have decided that the Company's Dividend Reinvestment Plan (DRP) will not be offered to Shareholders for this dividend payment.

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 Chicago, USA; Cologne, Germany; and Sao Paulo, Brazil.

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