

SDI Limited

ABN 27 008 075 581

Appendix 4E Preliminary Final Report - 30 June 2018

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SDI Limited – Commentary Full Year Results, 30 June 2018

FY18 HIGHLIGHTS

- **Aesthetics sales up by 9% in local currencies (AUD 11%)**
- **Full year fully franked dividends up by 9%**
- **Cash increased by \$2.5 million**
- **Borrowings decreased by \$1.9 million**

MELBOURNE, Australia – SDI Limited (ASX: SDI) is pleased to announce its results for the 12 months ended 30 June 2018. Profit after tax increased by 1.5% to \$5.7 million compared to \$5.6 million for the previous year.

	FY 2018	FY 2017 (AUD)	Change %
Sales	74.5m	74.1m	0.5
EBITDA	12.1m	12.5m	(2.8)
NPBT	8.1m	8.2m	(0.6)
NPAT	5.7m	5.6m	1.5
Borrowings	2.2m	4.1m	(46.5)
Cash	8.2m	5.8m	43.3
Declared / Paid Dividends	2.5c	2.3c	8.7

Profit before tax decreased by 0.6% to \$8.1 million compared to \$8.2 million for the previous year. Net currency movements had no material impact on the profit result. Earnings before interest, tax, depreciation and amortisation ('EBITDA') decreased by 2.8% to \$12.1 million, compared to \$12.5 million for the corresponding period last year. Earnings per share for the 12 months ended 30 June 2018 increased by 0.07 cents to 4.76 cents compared to 4.69 cents for the same period last year.

Sales reported in Australian dollars increased by 0.5% to \$74.5million for the period compared \$74.1 million for the corresponding period last year. SDI exports approximately 90% of its products and when adjusted for currency movements, sales increased by 0.6%.

Sales by Business Unit	Growth in Local Currency %	Growth in AUD %	Total AUD Sales %
Aust. Sales (incl. Direct Exports)	4.9	2.9	35.1
North America	(1.7)	(4.6)	24.1
Europe	0.6	6.9	33.2
Brazil	(9.0)	(15.0)	7.6
TOTAL	0.5	0.6	100.0

In local currencies, Australian sales including direct exports (excluding intercompany sales) increased by 4.9%. After allowing for the redirection of Brazilian export sales to Australia, sales increased by 0.2%. These exports include the price competitive markets of Latin America, Africa, and Asia where Amalgam represents 19.7% of sales.

SDI North America's sales decreased 1.7% in local currency. The ongoing restructuring of a major distributor has negatively impacted sales in this market.

Sales in SDI Europe increased by 0.6% in local currency. This result was impacted by the lower sales from its export markets driven by the Turkish market, and the continual decline of Amalgam sales.

Brazilian sales decreased by 9.0% in local currency. After allowing for the redirection of its export sales to Australia, Brazilian domestic sales increased by 0.8%. SDI Brazil continues to expand its packing operations, with the view of eventually manufacturing some product lines. This will reduce the cost of imports and will lead to more aggressive pricing model to compete with local manufacturers.

Amalgam Sales by Business Unit	% Change	% of Total Business Unit Sales
Australia (incl. Direct Exports (AUD))	(19.8)	19.7
North America (USD)	(3.1)	38.1
Europe (EUR)	(19.3)	22.2
Brazil (BRL)	10.2	30.8

Regional sales were impacted by the continual reduction of Amalgam products where Amalgam represents a significant percentage of sales, and variations in exchange rates. Over the period the USD and BRL weakened, whereas the EUR strengthened.

Sales by Region	FY 2018 (AUD)	FY 2017 (AUD)	Change %
APAC	13.0m	13.0m	0.2
Middle East/ Africa	6.4m	6.8m	-5.9
North America	18.0m	18.9m	-4.6
South America	9.2m	9.8m	-6.1
Europe	27.9m	25.6m	9.0
TOTAL	74.5m	74.1m	0.6

Aesthetics sales performed strongly, up 9.3% in local currency, offset by the continuing trend of declining Amalgam sales, down 12.7% in local currency, which represented 26.1% of the company's total sales

Product Category Sales	Growth in Local Currency %	Growth in AUD %	Total AUD Sales %
Aesthetics	9.3	10.5	38.9
Equipment	(2.5)	(4.2)	8.3
Whitening	1.0	2.0	26.7
Amalgam	(12.7)	(12.9)	26.1

Total product margins increased by 1.1% to 61.1%, compared to 60.0% for the corresponding period last year. This was primarily due to product and market sales mix, and costs savings through the continual implementation of efficiencies in the Australian manufacturing plant.

Total operating expenses in Australian dollars increased by 3.0% when compared to the previous year. Approximately 54% 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, expenses increased by 2.1%.

The Company's total cash holdings for the 12 months increased by \$2.5 million after decreasing debt by \$1.9 million and decreasing inventories by \$2.7 million, highlighting continued improvements in inventory management due to improved manufacturing processes and higher than expected sales for May and June. Expenditure on property, plant and equipment decreased by \$0.9 million as 2017 included \$0.7 million relating to the purchase of adjoining land. Capitalised product development expenditure decreased \$0.4 million while product research activities expensed increased by \$0.3 million.

The Board of Directors has declared a final fully franked dividend of 1.4 cents per share which will be paid on 21 September 2018. Total dividends for the 2018 financial year increased by 8.7% to 2.5 cents, compared to 2.3 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 ('ASX') 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.

1. Company details

Name of entity:	SDI Limited
ABN:	27 008 075 581
Reporting period:	For the year ended 30 June 2018
Previous period:	For the year ended 30 June 2017

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	0.6% to	74,535
Profit from ordinary activities after tax attributable to the owners of SDI Limited	up	1.5% to	5,661
Profit for the year attributable to the owners of SDI Limited	up	1.5% to	5,661

Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2018 to be paid on 21 September 2018	1.4	1.4
Interim dividend for the year ended 30 June 2018 paid on 6 April 2018	1.1	1.1

Comments

The profit for the consolidated entity after providing for income tax amounted to \$5,661,000 (30 June 2017: \$5,576,000).

Earnings before interest, tax, depreciation and amortisation ('EBITDA') decreased by 2.8% to \$12,148,000 (30 June 2017: \$12,495,000).

EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit adjusted for specific items.

The following table summarises key reconciling items between statutory profit after tax and EBITDA:

	Consolidated 2018 \$'000	Consolidated 2017 \$'000
Profit after tax	5,661	5,576
Add: taxation	2,484	2,615
Add: interest expense	163	219
Less: interest income	(28)	(9)
Add: depreciation and amortisation	3,868	4,094
EBITDA	<u>12,148</u>	<u>12,495</u>

For further details refer to 'Commentary - Full year results' preceding this Appendix 4E.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>38.61</u>	<u>36.58</u>

4. Dividends

Current period

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2018 to be paid on 21 September 2018	1.4	1.4
Interim dividend for the year ended 30 June 2018 paid on 6 April 2018	1.1	1.1

Previous period

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2017 paid on 22 September 2017	1.3	1.3
Interim dividend for the year ended 30 June 2017 paid on 7 April 2017	1.0	1.0

5. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

The Company has a Dividend Reinvestment Plan ('DRP'). However the Directors have decided that the DRP will not be offered to Shareholders for the dividend payments.

6. Audit qualification or review

The financial statements are currently in the process of being audited and an unqualified opinion is expected to be issued.

7. Attachments

The Appendix 4E Preliminary Final Report of SDI Limited for the year ended 30 June 2018 is attached.

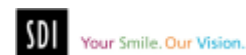
8. Signed

Signed 

Date: 20 August 2018

Samantha Jane Cheetham
Managing Director
Melbourne

SDI Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2018



	Note	Consolidated 2018 \$'000	2017 \$'000
Revenue			
Sales revenue		74,535	74,066
Cost of goods sold		(28,966)	(29,625)
Gross profit		45,569	44,441
Other income	2	36	100
Expenses			
Selling and administration expenses		(34,231)	(32,829)
Research and development costs		(1,253)	(921)
Other expenses		(1,813)	(2,381)
Finance costs		(163)	(219)
Profit before income tax expense		8,145	8,191
Income tax expense		(2,484)	(2,615)
Profit after income tax expense for the year attributable to the owners of SDI Limited		5,661	5,576
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign controlled entities		403	(397)
Other comprehensive income for the year, net of tax		403	(397)
Total comprehensive income for the year attributable to the owners of SDI Limited		6,064	5,179
		Cents	Cents
Basic earnings per share	3	4.76	4.69
Diluted earnings per share	3	4.76	4.69

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

	Note	Consolidated 2018 \$'000	2017 \$'000
Assets			
Current assets			
Cash and cash equivalents		8,246	5,754
Trade and other receivables	4	16,225	15,451
Inventories	5	14,558	17,135
Prepayments		750	818
Total current assets		39,779	39,158
Non-current assets			
Other receivables		885	1,124
Property, plant and equipment	6	17,569	18,121
Intangibles	7	23,657	22,859
Total non-current assets		42,111	42,104
Total assets		81,890	81,262
Liabilities			
Current liabilities			
Trade and other payables	8	3,957	4,551
Borrowings	9	214	1,137
Derivative financial instruments		-	62
Provision for income tax		182	248
Employee benefits		3,363	3,506
Total current liabilities		7,716	9,504
Non-current liabilities			
Borrowings	10	2,000	3,000
Deferred tax liability		2,437	2,206
Employee benefits		183	209
Total non-current liabilities		4,620	5,415
Total liabilities		12,336	14,919
Net assets		69,554	66,343
Equity			
Issued capital		12,890	12,890
Reserves		1,166	763
Retained profits		55,498	52,690
Total equity		69,554	66,343

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2016	12,890	1,160	49,729	63,779
Profit after income tax expense for the year	-	-	5,576	5,576
Other comprehensive income for the year, net of tax	-	(397)	-	(397)
Total comprehensive income for the year	-	(397)	5,576	5,179
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 11)	-	-	(2,615)	(2,615)
Balance at 30 June 2017	<u>12,890</u>	<u>763</u>	<u>52,690</u>	<u>66,343</u>
Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2017	12,890	763	52,690	66,343
Profit after income tax expense for the year	-	-	5,661	5,661
Other comprehensive income for the year, net of tax	-	403	-	403
Total comprehensive income for the year	-	403	5,661	6,064
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 11)	-	-	(2,853)	(2,853)
Balance at 30 June 2018	<u>12,890</u>	<u>1,166</u>	<u>55,498</u>	<u>69,554</u>

	Note	Consolidated 2018 \$'000	2017 \$'000
Cash flows from operating activities			
Receipts from customers		74,000	73,110
Payments to suppliers and employees		(60,264)	(60,454)
		13,736	12,656
Other revenue		36	100
Interest and other finance costs paid		(163)	(219)
Income taxes paid		(2,319)	(3,165)
Net cash from operating activities	12	11,290	9,372
Cash flows from investing activities			
Payments for property, plant and equipment	6	(1,824)	(2,678)
Payments for intangibles	7	(2,346)	(2,920)
Proceeds from disposal of property, plant and equipment		43	275
Net cash used in investing activities		(4,127)	(5,323)
Cash flows from financing activities			
Proceeds from borrowings		78	346
Dividends paid	11	(2,853)	(2,615)
Repayment of borrowings		(2,001)	(1,939)
Net cash used in financing activities		(4,776)	(4,208)
Net (decrease)/increase in cash and cash equivalents		2,387	(159)
Cash and cash equivalents at the beginning of the financial year		5,754	6,001
Effects of exchange rate changes on cash and cash equivalents		105	(88)
Cash and cash equivalents at the end of the financial year		<u>8,246</u>	<u>5,754</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Operating segments

Identification of reportable operating segments

The consolidated entity's operations consist of the manufacture of dental restorative products, tooth whitening systems and small dental equipment for sale to dental distributors, dental dealers and dentists worldwide.

Operating segments are determined using the 'management approach', where the information presented is on the same basis as the internal reports reviewed by the Board of Directors (identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. The consolidated entity comprises four separate reportable operating segments which are primarily identified on the basis of subsidiary companies in different geographical markets.

Reportable segments

The consolidated entity's reportable segments are as follows:

Australia:	SDI Limited
Europe:	30 June 2017: SDI Dental Limited (Ireland), SDI Germany GmbH (Germany) and SDI Italy S.r.l (Italy) 30 June 2018: SDI Germany GmbH (Germany) (which incorporates the operations of Ireland and Italy)
USA:	SDI (North America), Inc.
Brazil:	SDI Brasil Industria e Comercio Ltda

SDI New Zealand Limited's segment result has been included under other segments as the results were judged as being immaterial for separate inclusion in the segment report.

Information detailing revenue by individual country has not been included as this information is not available and the cost to develop such information would be excessive.

Intersegment transactions

The segment revenues, expenses and results include transfers between segments. The pricing of the intersegment transactions is based on cost plus an appropriate mark-up, which reflects market conditions of the segment into which the sales are made. These transfers are eliminated on consolidation of the consolidated entity's financial statements.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Major customers

The consolidated entity has a number of customers to whom it sells products. No single customer represents 10% or more of the consolidated entity's revenue.

Note 1. Operating segments (continued)

Operating segment information

Consolidated - 2018	Australia \$'000	Europe \$'000	USA \$'000	Brazil \$'000	Other segments \$'000	Total \$'000
Revenue						
Sales to external customers	26,067	24,750	17,980	5,637	101	74,535
Intersegment sales	21,386	-	-	47	-	21,433
Total sales revenue	47,453	24,750	17,980	5,684	101	95,968
Total segment revenue	47,453	24,750	17,980	5,684	101	95,968
Intersegment eliminations						(21,433)
Total revenue						74,535
Segment results before tax	10,510	806	598	(289)	33	11,658
Intersegment eliminations	490	-	-	-	-	490
Depreciation and amortisation	(3,636)	(64)	(59)	(101)	(8)	(3,868)
Interest revenue	1	-	-	27	-	28
Finance costs	(160)	-	-	(3)	-	(163)
Profit/(loss) before income tax expense	7,205	742	539	(366)	25	8,145
Income tax expense						(2,484)
Profit after income tax expense						5,661
Assets						
Segment assets	78,160	7,657	7,608	6,469	84	99,978
Intersegment eliminations						(18,088)
Total assets						81,890
Liabilities						
Segment liabilities	11,214	5,403	1,539	6,800	580	25,536
Intersegment eliminations						(13,200)
Total liabilities						12,336

Note 1. Operating segments (continued)

Consolidated - 2017	Australia \$'000	Europe \$'000	USA \$'000	Brazil \$'000	Other segments \$'000	Total \$'000
Revenue						
Sales to external customers	25,330	23,156	18,851	6,632	97	74,066
Intersegment sales	23,744	-	-	-	-	23,744
Total sales revenue	49,074	23,156	18,851	6,632	97	97,810
Total segment revenue	49,074	23,156	18,851	6,632	97	97,810
Intersegment eliminations						(23,744)
Total revenue						74,066
Segment results before tax	13,469	863	618	(57)	(100)	14,793
Intersegment eliminations	(2,298)	-	-	-	-	(2,298)
Depreciation and amortisation	(3,723)	(211)	(52)	(103)	(5)	(4,094)
Interest revenue	1	-	-	8	-	9
Finance costs	(214)	-	-	(5)	-	(219)
Profit/(loss) before income tax expense	7,235	652	566	(157)	(105)	8,191
Income tax expense						(2,615)
Profit after income tax expense						5,576
Assets						
Segment assets	78,088	8,493	7,542	8,087	112	102,322
Intersegment eliminations						(21,060)
Total assets						81,262
Liabilities						
Segment liabilities	13,123	6,853	2,035	8,088	652	30,751
Intersegment eliminations						(15,832)
Total liabilities						14,919

Note 2. Other income

	Consolidated	
	2018 \$'000	2017 \$'000
Interest revenue	28	9
Other income	8	91
Other income	36	100

Note 3. Earnings per share

	Consolidated 2018 \$'000	2017 \$'000
Profit after income tax attributable to the owners of SDI Limited	5,661	5,576
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	118,865,530	118,865,530
Weighted average number of ordinary shares used in calculating diluted earnings per share	118,865,530	118,865,530
	Cents	Cents
Basic earnings per share	4.76	4.69
Diluted earnings per share	4.76	4.69

Note 4. Current assets - trade and other receivables

	Consolidated 2018 \$'000	2017 \$'000
Trade receivables	15,322	13,682
Less: Provision for impairment of receivables	(274)	(85)
	15,048	13,597
Other receivables	1,177	1,854
	16,225	15,451

Note 5. Current assets - inventories

	Consolidated 2018 \$'000	2017 \$'000
Raw materials - at cost	7,462	8,843
Finished goods - at cost	7,310	8,442
Less: Provision for inventory obsolescence	(214)	(150)
	14,558	17,135

Note 6. Non-current assets - property, plant and equipment

	Consolidated	
	2018	2017
	\$'000	\$'000
Land and buildings - at cost	10,410	10,157
Less: Accumulated depreciation	(1,558)	(1,441)
	<u>8,852</u>	<u>8,716</u>
Plant and equipment - at cost	32,303	30,822
Less: Accumulated depreciation	(23,586)	(21,417)
	<u>8,717</u>	<u>9,405</u>
	<u><u>17,569</u></u>	<u><u>18,121</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Land and buildings	Plant and equipment	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2016	8,157	10,177	18,334
Additions	677	2,001	2,678
Disposals	-	(391)	(391)
Depreciation expense	(118)	(2,382)	(2,500)
	<u>8,716</u>	<u>9,405</u>	<u>18,121</u>
Balance at 30 June 2017	8,716	9,405	18,121
Additions	253	1,515	1,768
Depreciation expense	(117)	(2,203)	(2,320)
	<u>8,852</u>	<u>8,717</u>	<u>17,569</u>

Note 7. Non-current assets - intangibles

	Consolidated	
	2018	2017
	\$'000	\$'000
Product development costs - at cost	24,957	23,753
Less: Accumulated amortisation	(9,461)	(8,488)
	<u>15,496</u>	<u>15,265</u>
Intellectual property - at cost	7,363	6,930
Less: Accumulated amortisation	(4,040)	(3,500)
	<u>3,323</u>	<u>3,430</u>
Development work in progress - at cost	4,838	4,164
	<u><u>23,657</u></u>	<u><u>22,859</u></u>

Note 7. Non-current assets - intangibles (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Product development costs \$'000	Intellectual property \$'000	Development work in progress \$'000	Total \$'000
Balance at 1 July 2016	12,960	3,401	5,172	21,533
Additions	283	600	2,037	2,920
Transfers in/(out)	3,045	-	(3,045)	-
Amortisation expense	(1,023)	(571)	-	(1,594)
Balance at 30 June 2017	15,265	3,430	4,164	22,859
Additions	1,204	468	674	2,346
Amortisation expense	(973)	(575)	-	(1,548)
Balance at 30 June 2018	<u>15,496</u>	<u>3,323</u>	<u>4,838</u>	<u>23,657</u>

Note 8. Current liabilities - trade and other payables

	Consolidated 2018 \$'000	2017 \$'000
Trade payables	2,939	2,457
Other payables and accrued expenses	<u>1,018</u>	<u>2,094</u>
	<u>3,957</u>	<u>4,551</u>

Note 9. Current liabilities - borrowings

	Consolidated 2018 \$'000	2017 \$'000
Bank loans	<u>214</u>	<u>1,137</u>

Note 10. Non-current liabilities - borrowings

	Consolidated 2018 \$'000	2017 \$'000
Bank loans	<u>2,000</u>	<u>3,000</u>

Note 11. Equity - dividends

Dividends paid during the financial year were as follows:

	Consolidated 2018 \$'000	2017 \$'000
Final dividend for the year ended 30 June 2017 of 1.3 cents (2016: 1.2 cents) per ordinary share	1,545	1,426
Interim dividend for the year ended 30 June 2018 of 1.1 cents (2017: 1.0 cents) per ordinary share	1,308	1,189
	<u>2,853</u>	<u>2,615</u>

On 20 August 2018, the Directors declared a final franked dividend of 1.4 cents per share to be paid on 21 September 2018. This equates to a total estimated distribution of \$1,664,000, based on the number of ordinary shares on issue as at 30 June 2018. The financial effect of dividends declared after the reporting date are not reflected in the 30 June 2018 financial statements and will be recognised in subsequent financial reports.

Total dividends for the 2018 financial year increased by 8.7% to 2.5 cents compared to 2.3 cents in the previous year. The Directors decided that the Company's Dividend Reinvestment Plan ('DRP') not be offered to Shareholders for this dividend payment.

Note 12. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated 2018 \$'000	2017 \$'000
Profit after income tax expense for the year	5,661	5,576
Adjustments for:		
Depreciation and amortisation	3,868	4,094
Net loss on disposal of non-current assets	13	116
Foreign currency differences	298	(309)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(535)	(956)
Decrease in inventories	2,577	1,230
Decrease/(increase) in prepayments	68	(268)
Increase/(decrease) in trade and other payables	(594)	176
Increase/(decrease) in derivative liabilities	(62)	62
Decrease in provision for income tax	(66)	(1,268)
Increase in deferred tax liabilities	231	718
Increase/(decrease) in employee benefits	(169)	201
Net cash from operating activities	<u>11,290</u>	<u>9,372</u>