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# 1H23 RESULTS PRESENTATION

28 February 2023

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# AWARDS



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# AGENDA

- 1H23 Highlights
- Category & Geography Overview
- Financial Performance
- Operational Update
- Strategy and Outlook



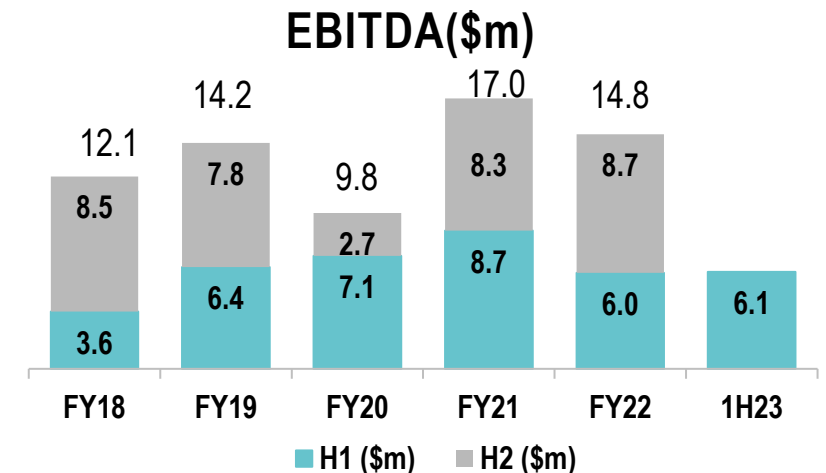
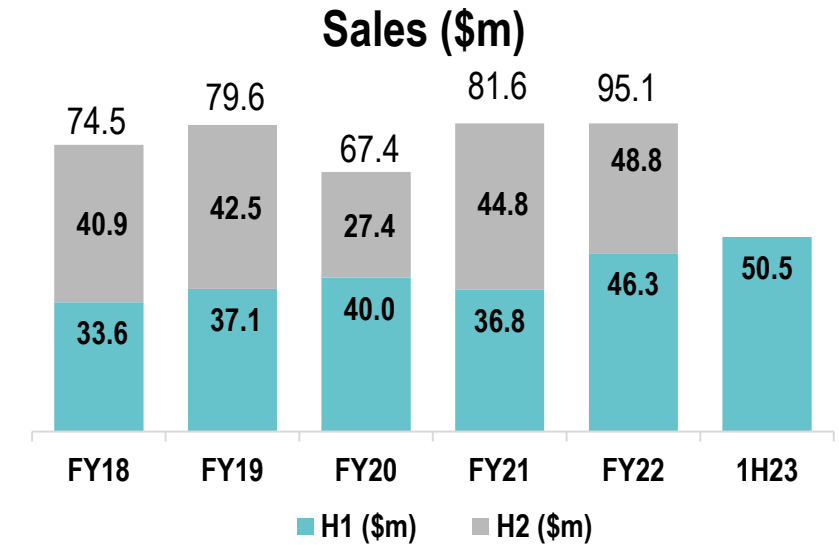
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# 1H 2023 HIGHLIGHTS

## SALES GROWTH MOMENTUM CONTINUES DRIVING MARGINS UP AS EXPENSES (EXCL. LOGISTICS) BEGIN TO NORMALISE TO PRE-COVID LEVELS

- Record sales of \$50.5m, up 9.0% on pcp, with strong growth Amalgam and Aesthetic categories
- Gross margins at 56.2%, reflecting improved logistic costs and the impact of price increases
- Slightly improved logistics costs, however have not returned to pre covid levels
- EBITDA \$6.1million, an increase of 0.1% on the pcp
- EPS up 0.02 cents to 2.28 cents
- Gross debt of \$26.8m used to purchase new site, net debt position of \$20.8m
- Interim fully franked ordinary dividend at 1.5 cents per share.



# CATEGORY OVERVIEW

**BIGGEST CONTRIBUTION FROM AESTHETICS AND AMALGAM PRODUCT CATEGORIES INCREASING 8.4% AND 17.8% RESPECTIVELY**

- Aesthetics up 8.4% from market share gains and momentum in new product releases
- Amalgam up 17.8%. Growth in this category is due in part by the withdrawal of two major competitors from the amalgam market and new government tenders
- Whitening decreased slightly at 1.9% due to slowing demand in Europe (France)
- Equipment down 8.6%, small category of overall sales

Product category sales	Change in local currency %	Change in AUD %	Total AUD sales %
Aesthetics	8.4	12.4	47.4
Equipment	-8.6	-3.0	6.3
Whitening	-1.9	0.0	28.9
Amalgam	17.8	22.5	17.4

# SALES BY BUSINESS UNIT

## RETURN TO NORMAL OPERATING CONDITIONS

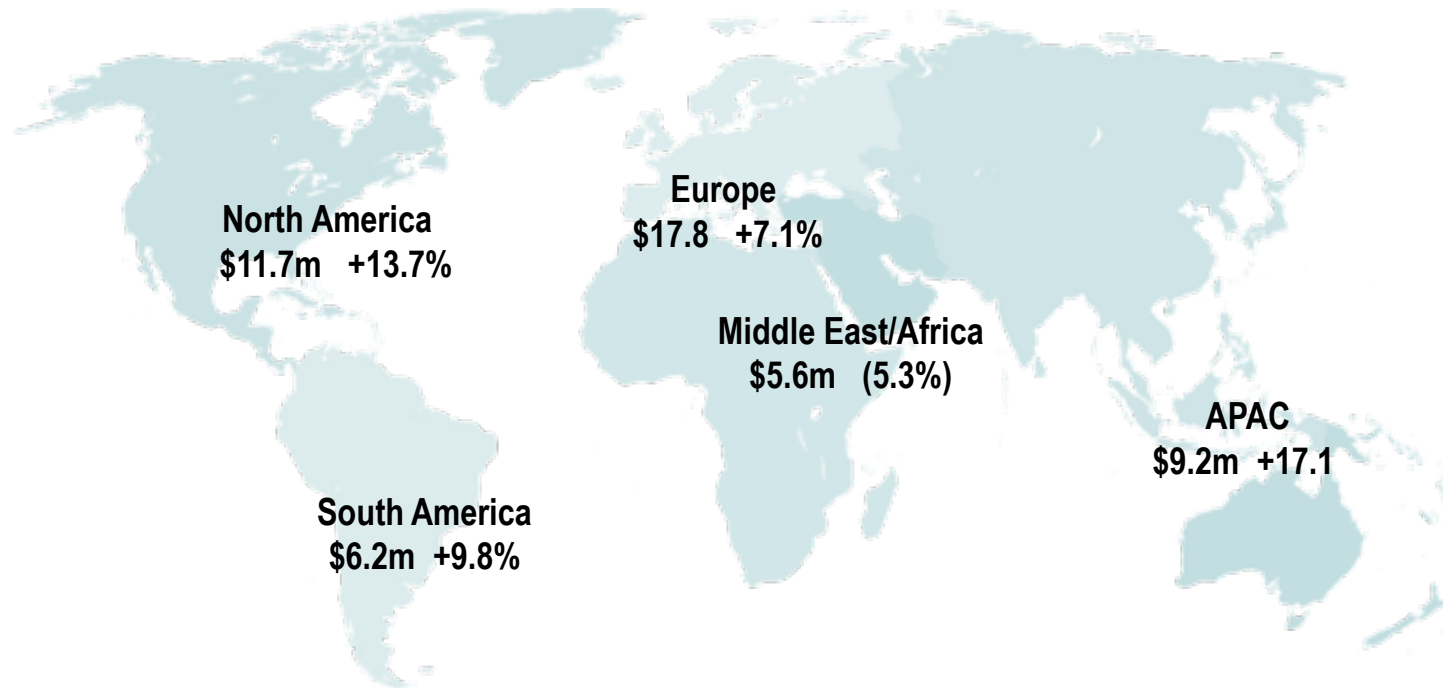
- Australian sales (incl Domestic and direct export markets), down 0.6%, with domestic sales up 4.1% offset by direct exports marginally down by 2.4%
- North America sales up 4.4%
- European sales up 11.9%, due to strong demand in UK as conditions normalise
- Brazil sales up 10.5% from overall market growth

Sales by Business Unit	Growth in local currency %	Growth in AUD %	Total AUD Sales %
Australian sales (including direct exports)	(0.6)	5.3	36.5
North America	4.4	13.7	23.1
Europe	11.9	6.8	31.9
Brazil	10.5	22.9	8.5
TOTAL	5.4	9.0	100.0%

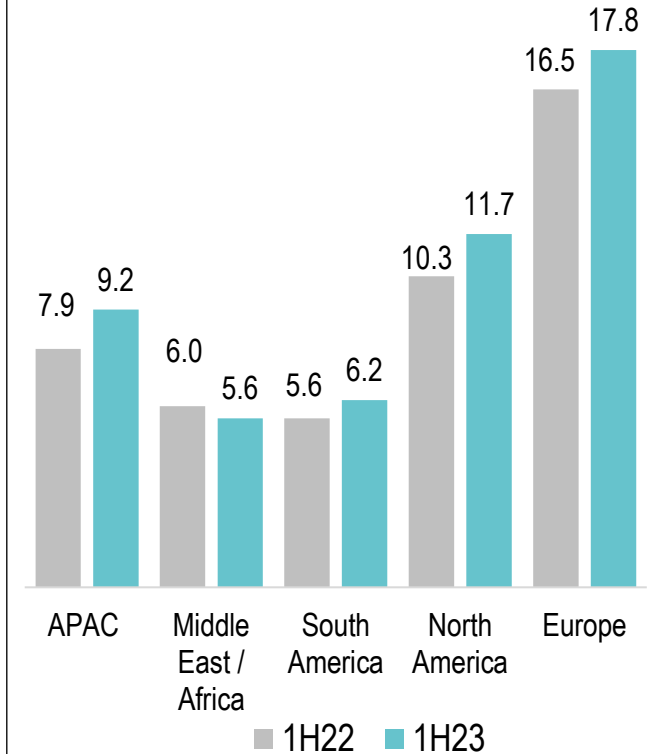


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# DISTRIBUTION



Sales by geography (A\$m)



# FINANCIAL PERFORMANCE





# PROFIT & LOSS

Profit & Loss (\$'000)	1H23	1H22	% Change
<b>Revenue</b>			
Sales Revenue	50,491	46,328	9.0%
Cost of goods sold	-22,091	-22,051	0.2%
<b>Gross Profit</b>	<b>28,400</b>	<b>24,277</b>	<b>17.0%</b>
Gross margin	<b>56.2%</b>	<b>52.4%</b>	<b>7.3%</b>
Other income	433	-223	-294.2%
<b>Expenses</b>			
Selling & Administration	-23,388	-18,899	23.8%
Research & Development	-753	-566	33.0%
Other Expenses	-988	-992	-0.4%
<b>Profit before tax</b>	<b>3,704</b>	<b>3,597</b>	<b>3.0%</b>
Tax expense	-991	-907	9.3%
<b>Net profit after tax</b>	<b>2,713</b>	<b>2,690</b>	<b>0.9%</b>
Tax expense	991	907	9.3%
Amortisation & depreciation	2,121	2,433	-12.8%
Net interest expense	225	12	lge
<b>EBITDA</b>	<b>6,050</b>	<b>6,042</b>	<b>0.1%</b>

- Total sales of \$50.5m, up 9.0% on pcp, with strong growth Aesthetics and Amalgam categories
- Product margins in Australian dollars increased by 7.3% to 56.2%, driven by a combination of product and regional mix and implemented prices increases
- EBITDA \$6.1m vs \$6.0m in pcp
- NPAT flat at \$2.7m

# BALANCE SHEET

Balance Sheet (\$'000)	1H23	1H22
<b>Assets</b>		
Cash & cash equivalents	6,003	6,523
Trade & other receivables	20,202	17,803
Inventories	26,529	22,907
Property, plant & equipment	37,649	18,636
Right of use assets	1,178	1,414
Intangibles	26,134	24,730
Other Assets	8,885	3,399
<b>Total Assets</b>	<b>126,580</b>	<b>95,412</b>
<b>Liabilities</b>		
Trade & other payables	7,794	7,486
Lease liabilities	1,173	1,409
Borrowings	26,800	0
Employee benefits	3,961	3,468
Deferred tax liability	2,604	2,499
Other Liabilities	-395	0
<b>Total Liabilities</b>	<b>41,937</b>	<b>14,862</b>
<b>Net Assets</b>	<b>84,643</b>	<b>80,550</b>

- Cash position slightly down from \$6.5m to \$6.0m for the 12 months.
- Continued active management of inventory, ensuring customer needs are met, including inventory build for new product launches
- Bank facilities of \$26.8 million, funding the purchase of 2 new sites
- Bank borrowings to be reduced by \$5.8m pending sale of 2 existing properties

# CASH FLOW

Cash Flow (\$'000)	1H23	1H22
Receipts from customers	51,426	47,335
Payments to suppliers & employees	-46,680	-44,171
Other revenue	407	-235
Interest & other finance costs paid	-243	-13
Income tax paid	-2,278	-2902
<b>Net cash from operating activities</b>	<b>2,632</b>	<b>14</b>
Payments for property, plant & equip.	-25,831	-647
Payments for intangibles	-1,778	-1,298
Proceeds from disposal of PP&E	27	12
<b>Net cash used for investing activities</b>	<b>-27,582</b>	<b>-1,933</b>
Proceeds from borrowings	26,800	0
Repayments of lease liabilities	-197	-177
Dividends paid	-2,080	-1,961
Repayment of borrowings	-669	0
<b>Net cash used in financing activities</b>	<b>23,854</b>	<b>-2,138</b>
<b>Cash &amp; cash equivalents at end of period</b>	<b>6,003</b>	<b>6,523</b>

- Operating cashflow up on pcip to \$2.6m driven by strong half of cash receipts
- Investing cashflow reflect strategic purchase of 6 acre site
- Financing cashflow up on pcip due to:
  - Payment of FY22 final dividend
  - Bank debt to purchase strategic investment in new site (land + building +\$19.1m)

# OPERATIONAL UPDATE

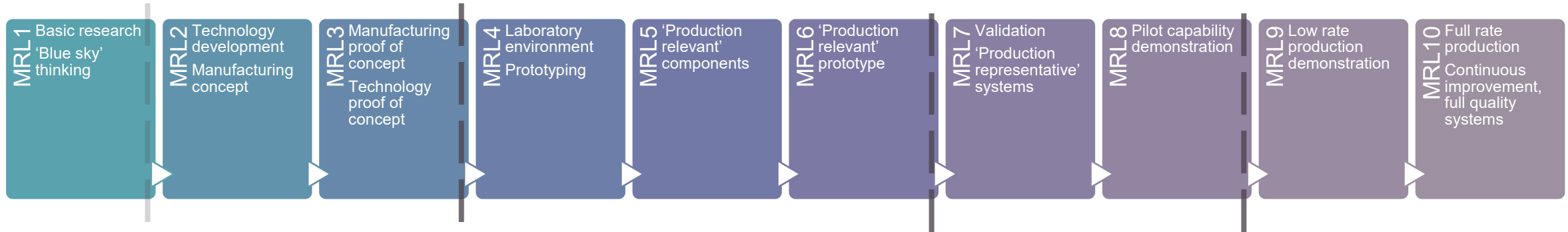
## MILESTONE ACHIEVEMENTS UNDERPIN LONG TERM STRATEGIC PLAN

- SDI confirmed the purchase of a 6-acre site, which short-term, will be utilised to provide important warehousing capacity
  - Renovation work on the warehouse close to complete, total spend circa \$1.1m
  - Currently seeking permits for storage racking, may slightly delay relocation (currently scheduled July 2023)
  - Sold small car park site (\$1.05 million), settled in January; 1.4 acre adjoining property on market to be sold
- Received FDA (USA), TGA (Aust) and ANVISA (Brazil) approval for Stela
  - Received first orders for Stela in non EUR / US regions
  - Orders in US to start in July 2023
- Continued investment in equipment to achieve operational efficiencies via automation



# R&D – MRLS AT SDI

## MRLS - MANUFACTURING READINESS LEVELS



- SDI's focus is on realisation/commercialisation – making solutions available to the clinician
- Our framework is connected with our New Product Development pathway, through our implementation of MRLs and Stage Gates
  - Minor stage gate after MRL1 – R&D projects
  - Gate 1 after MRL3 – official New Product Development project
  - Gate 2 after MRL6 – design is fixed, proceeding to Validation, scale up, and process finalisation
  - Gate 3 after MRL8 – product launch initiation
  - MRLs 9 and 10 are Production



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# ESG INITIATIVES

- Recently appointed a qualified engineer to position of Environmental Officer to ensure an ongoing commitment to management on further improvements
- Internal ESG group begins making suggestions towards positive initiatives that can start to be implemented
- SDI are proud of their work within disadvantaged communities. Our charity work with Rotary in East Timor is just one example of the positive contribution we are making



# STRATEGY & OUTLOOK

- Aesthetics and Whitening products continue to be the focus for new product development; for achieving manufacturing efficiencies and driving sales and marketing teams.
- On-going investment in R&D to release 1-2 products per year is on target.
- Continued focus on improving operating manufacturing efficiencies via automation and new site relocation
- Riva Cem Automix and Stela on schedule to be released from March 2023 (Aesthetic category)
- While we continue to be challenged by elevated logistics costs, operating conditions in nearly all regions are back to pre pandemic levels and we are focused on capturing the ongoing benefits from the strong base built in SDI's target markets



**SDI | Q&A**



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