



# **FY17 Results Presentation**

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All figures in this Presentation are A\$ unless stated otherwise and all market shares are estimates only. A number of figures, amounts, percentages, estimates, calculations of value and fractions are subject to the effect of rounding. Accordingly, the actual calculations of these figures may differ from figures set out in this Presentation.

# SDI – Your Smile. Our Vision.

- Long successful operating history – founded in 1972 and listed on ASX in 1985 and we are Australia's largest dental manufacturer
- SDI conducts research and development of specialist dentist materials We undertake the development, manufacturing and marketing of dental restorative materials.
- SDI sells to 100+ countries on all continents and has with sales teams and distribution in Australia, Brazil, Europe and North America

# Positioned in key dental markets



## **Australia - Melbourne**

Manufacturing  
R&D  
Corporate, sales and marketing  
Local Distribution and Direct Exports  
FTEE: 183



## **Brazil – Sao Paulo**

Packaging plant  
Sales, warehouse and distribution to Brazil and South America  
FTEE: 25



## **Germany - Cologne**

Sales, warehouse and distribution to Germany, UK and other European countries  
FTEE: 35



## **USA – Chicago**

Sales, warehouse and distribution to US and Canada  
FTEE: 29

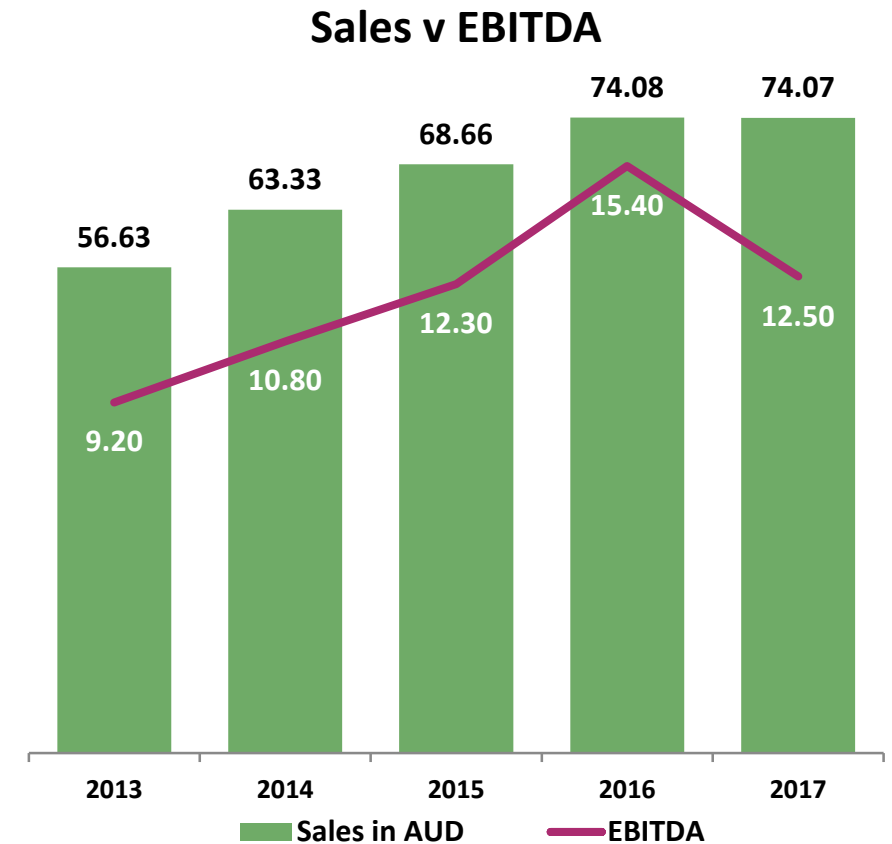
## *Agenda*

- FY17 Key Highlights
- Financial performance
- Strategy and outlook



# FY17 Highlights

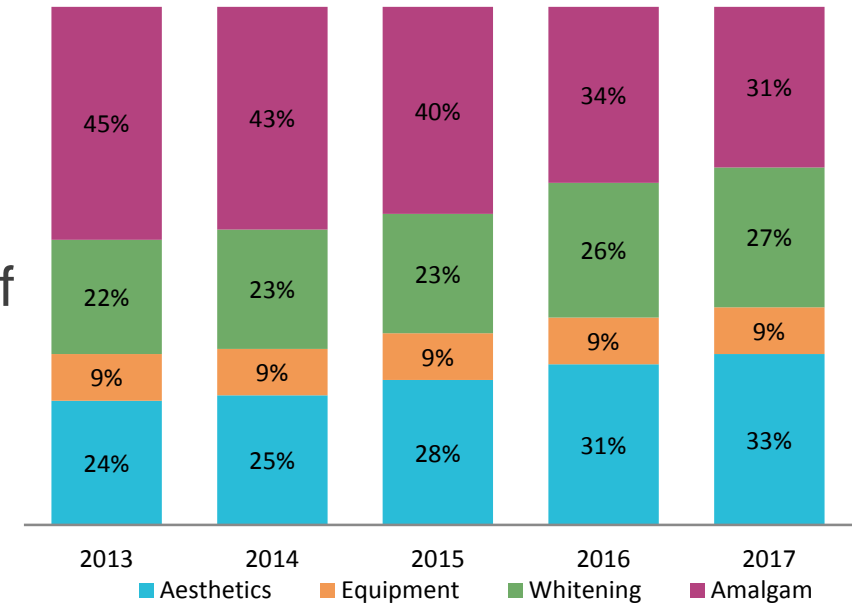
- NPAT of \$5.6m within guidance
- Aesthetic sales up 12% in local currency (9% in AUD)
- Whitening sales up 7% in local currency (4% in AUD)
- Australian direct export sales up 15% in local currency (12% in AUD)
- Operating expenses up by 0.6%
- Full year fully franked dividends of 2.3 cents up by 15%
- Debt reduction of \$1.6m



# Product sales mix

- Aesthetics and whitening categories now account for 60% of sales
  - Growth in glass ionomers continued to outperform
  - Good acceptance of Aura
- Amalgam decline is reflective of industry trend
- Equipment sales will be supported from recent launch of a new curing light which is receiving positive feedback

Product Category Sales	Growth in Local Currency	Growth in AUD	Total AUD Sales
Aesthetics	12%	9%	33%
Equipment	(4%)	(3%)	9%
Whitening	7%	4%	27%
Amalgam	(7%)	(9%)	31%



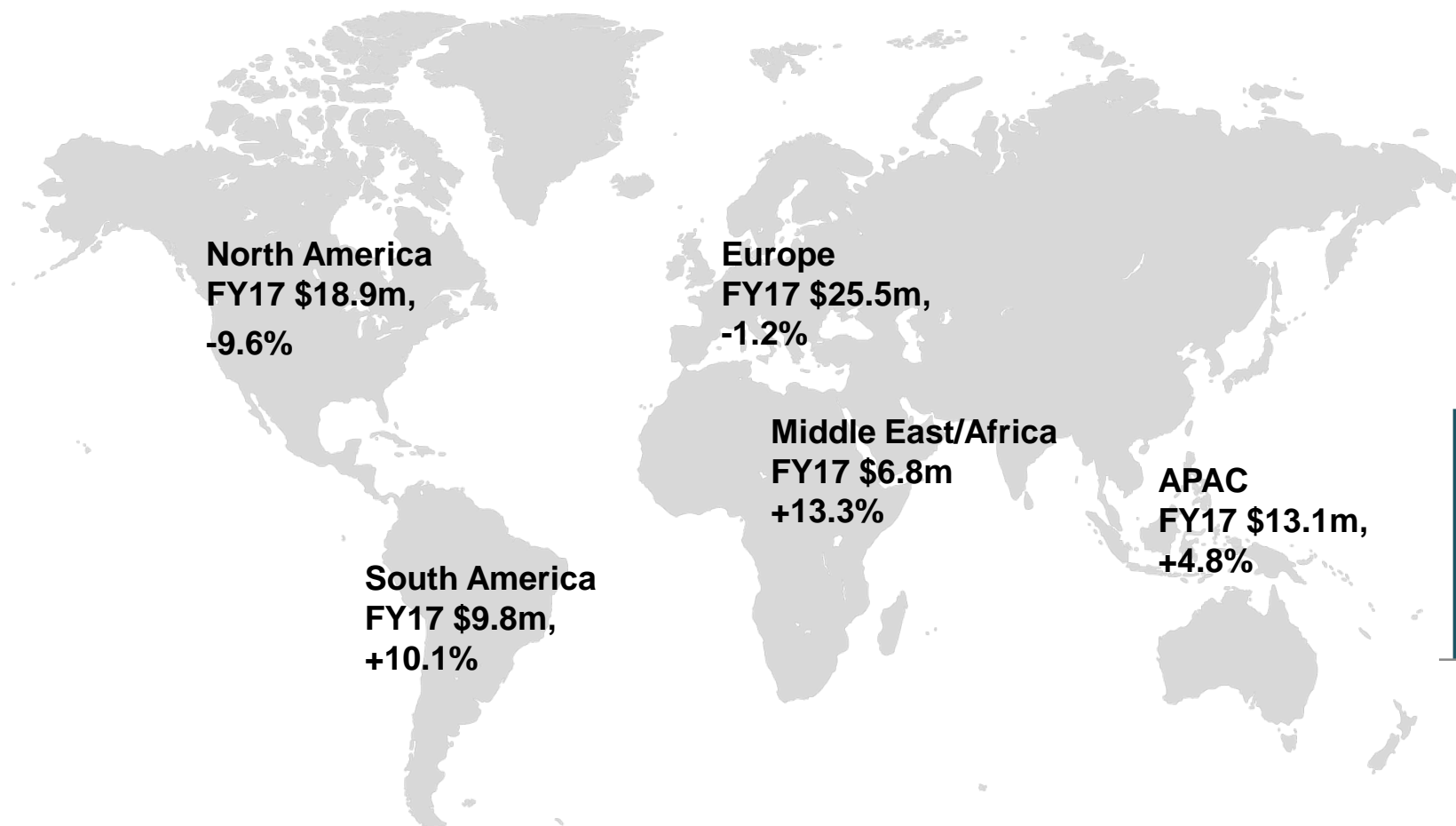
# Geographical business units

- Double digit growth in the Australian office was primarily due to strong direct exports to the emerging markets
- Europe was flat in local currency with the Australia dollar result held back by the unfavourable move in Sterling
- The decline in North American sales was a function of:
  - Market trends in Amalgam with 35% of total amalgam sales in this market
  - Changes to the Sales team, now complete

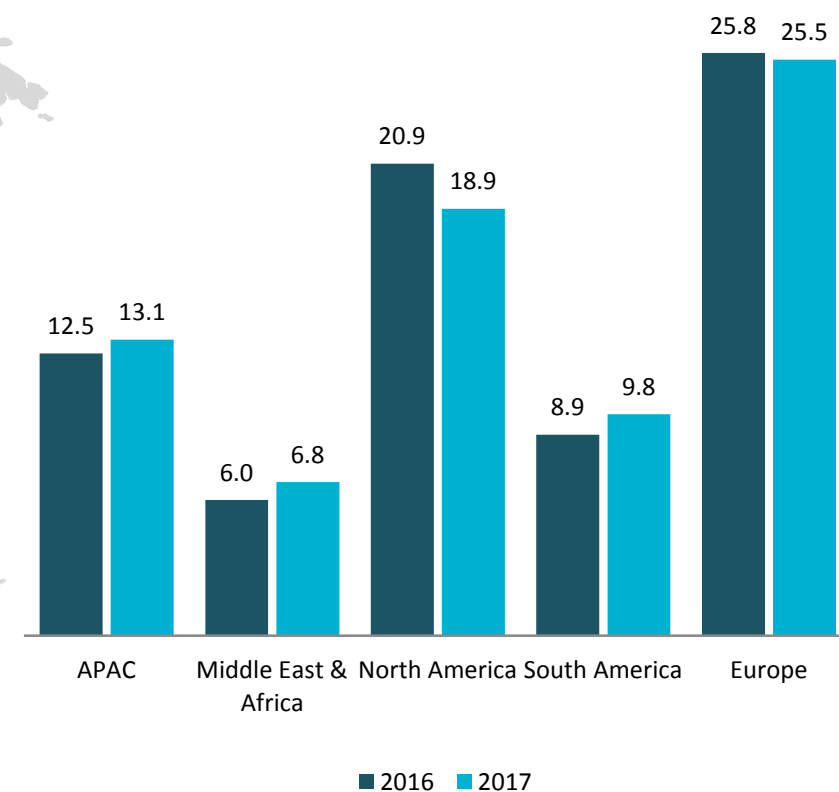
Sales by reporting business unit	Growth in Local Currency	Growth in AUD	Total AUD Sales
Aust. Sales (incl. Direct Exports)	11%	9%	35%
North America	(7%)	(10%)	25%
Europe	-	(5%)	31%
Brazil	8%	20%	9%
TOTAL	2%	0%	100%



# Geographical sales

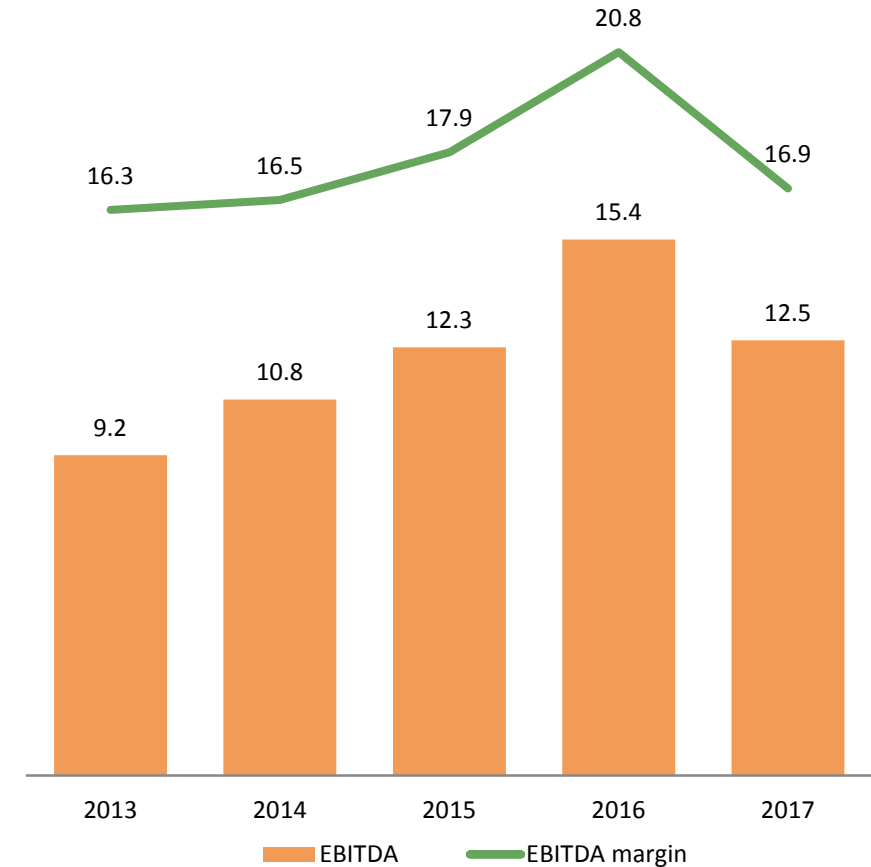


Sales by geographical location A\$(m)



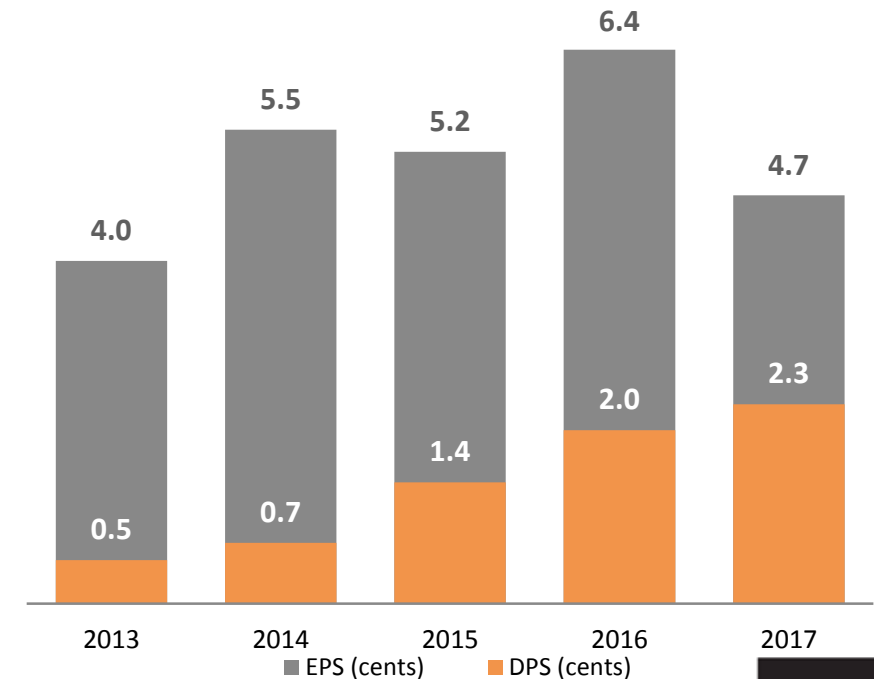
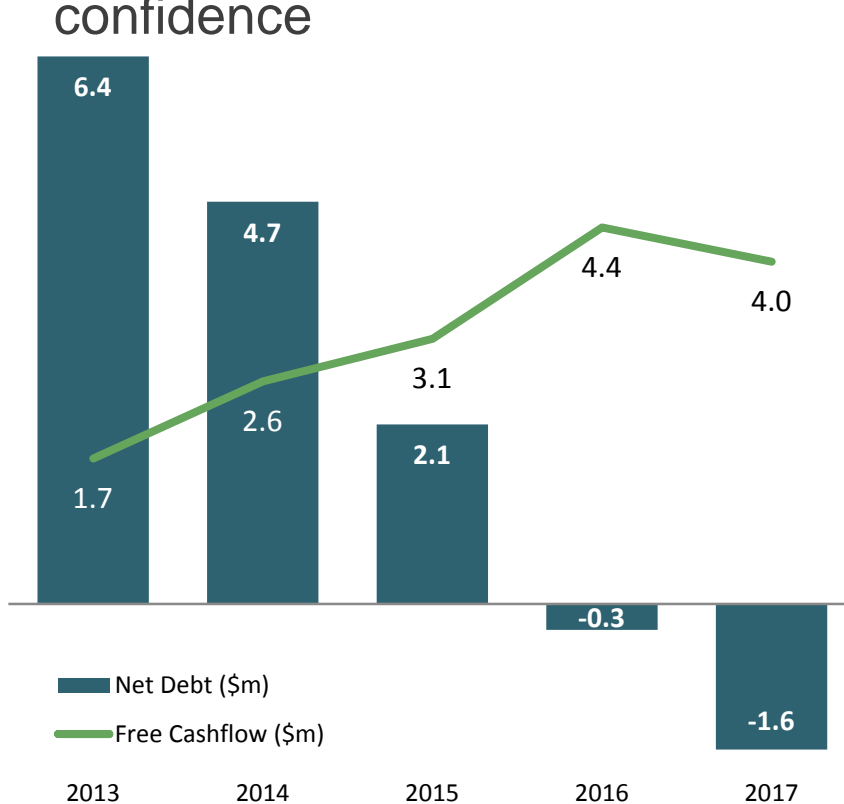
# Financial overview

- Long term earnings trend is positive
  - FY2016 profit and margin unfavorably impacted by currency
- FY2017 saw stronger sales growth in emerging markets, which are generally lower margin regions, partially offset by supportive mix change
- The relative strength of the AUD detracted from an otherwise stronger underlying result



# Dividends growth and no net debt

- Net cash position with strong free cashflow
- Increased dividend and payout ratio reflective of balance sheet strength and the board's confidence



- Financial performance



# Profit & Loss

PROFIT & LOSS (\$'000)	FY17	%	FY16	%	Change
Revenue					
Sales revenue	74,066	100.0%	74,077	100.0%	(0.0%)
Cost of goods sold	(29,625)	(40.0%)	(27,988)	(37.8%)	5.8%
Gross profit	44,441	60.0%	46,089	62.2%	(3.6%)
Other income	217	0.3%	248	0.3%	(12.5%)
Expenses					
Selling and admin	(28,735)	(38.8%)	(28,613)	(38.6%)	0.4%
R&D	(921)	(1.2%)	(680)	(0.9%)	35.4%
Other	(2,507)	(3.4%)	(1,604)	(2.2%)	56.3%
EBITDA	12,495	16.9%	15,440	20.8%	(19.1%)
Depreciation & Amortisation	(4,094)	(5.5%)	(4,029)	(5.4%)	1.6%
Tax	(2,615)	(3.5%)	(3,532)	(4.8%)	(26.0%)
Net finance costs	(210)	(0.3%)	(313)	(0.4%)	(32.9%)
NPAT	5,576	7.5%	7,566	10.2%	(26.3%)

- 2.3% sales increase in local currency
- Strong sales in Aesthetics and Whitening products were offset by Amalgam sales (down 9% in AUD)
- Higher proportion of sales in lower margin markets
- Flat operating expenses for FY17
- Foreign currency loss of \$0.9m of which : \$0.5m is unrealised
- R&D expensed was \$921k

# Balance Sheet

BALANCE SHEET (\$'000)	FY17	FY16	Change
Current assets			
Cash & equivalents	5,754	6,001	(4.1%)
Trade and receivables	15,451	15,619	(1.1%)
Inventories	17,135	18,365	(6.7%)
Prepayments	818	550	48.7%
Non-current assets			
Receivables	1,124	1,165	(3.5%)
Property, plant and equipment	18,121	18,334	(1.2%)
Intangibles	22,859	21,533	6.2%
<b>Total assets</b>	<b>81,262</b>	<b>80,402</b>	<b>1.1%</b>
Current liabilities			
Trade and other payables	4,551	4,375	4.0%
Borrowings	1,137	2,521	(54.9%)
Provision for income tax	248	1,516	(83.6%)
Employee benefits	3,506	3,322	5.5%
Non-current liabilities			
Borrowings	3,000	3,209	(6.5%)
Deferred tax liability	2,206	1,488	48.3%
Employee benefits	209	192	8.9%
<b>Total liabilities</b>	<b>14,919</b>	<b>16,623</b>	<b>(10.3%)</b>
<b>Net assets</b>	<b>66,343</b>	<b>63,779</b>	<b>4.0%</b>

- Focus on inventory management lead to improved stock turns
- Receivable days have increased due to proportionally higher direct exports, with extended payment terms
- Increased R & D expenditure, continuing the investment in new product development
- Continued debt reduction program

# Cash Flow

CASH FLOW STATEMENT (\$'000)	FY17	FY16	Change
Receipts from customers	73,110	72,533	0.8%
Payments to suppliers and employees	(60,580)	(61,272)	(1.1%)
Other revenue	226	258	(12.4%)
Interest and other finance costs paid	(219)	(323)	(32.2%)
Income taxes paid	(3,165)	(2,417)	30.9%
Net cash from operating activities	9,372	8,779	6.8%
Payments for property, plant and equipment	(2,678)	(2,433)	10.1%
Payments for intangibles	(2,920)	(2,073)	40.9%
Proceeds from disposal of property, plant and equipment	275	76	261.8%
Net cash used in investing activities	(5,323)	(4,430)	20.2%
Net cash used in financing activities	(4,208)	(3,524)	19.4%

- Strong free cash flow
- Purchase of Land for \$0.5m
- Increased R & D expenditure
- Continued debt reduction

- **Strategy and outlook**





# SDI is transforming

- Our culture is be focused strategically and our values are embedded in the way we work. SDI is changing from within
- 5 strategic priorities:
  1. Operational excellence
  2. Innovation and product quality
  3. Dynamic brand and culture
  4. High performing teams
  5. Safety always
- Innovation is key - innovation in chemistry and delivery systems resulting in leading product development
- Fully integrated dental manufacturer with driving manufacturing efficiencies
- Building brand awareness

# Research, innovation, results

- **FY17 product releases**
  - Aura Easy - composite
  - Pola Luminate - tooth whitening - December 2016
  - Riva Cem - a paste/paste cement - March 2017
  - Industry trade show product launches (Germany) – March 2017
  - Radii Xpert – small equipment - April 2017
- **1 – 2 new products per year to drive growth**
  - Concentrating on categories that deliver high sales margins
  - Building on SDI's world-leading technical expertise, particularly in glass ionomers and tooth whitening.
  - Very focused R+D teams collaborating closely with researchers and innovation centres globally
- **Riva star** – focus on public health programs to minimise adverse restorative procedures

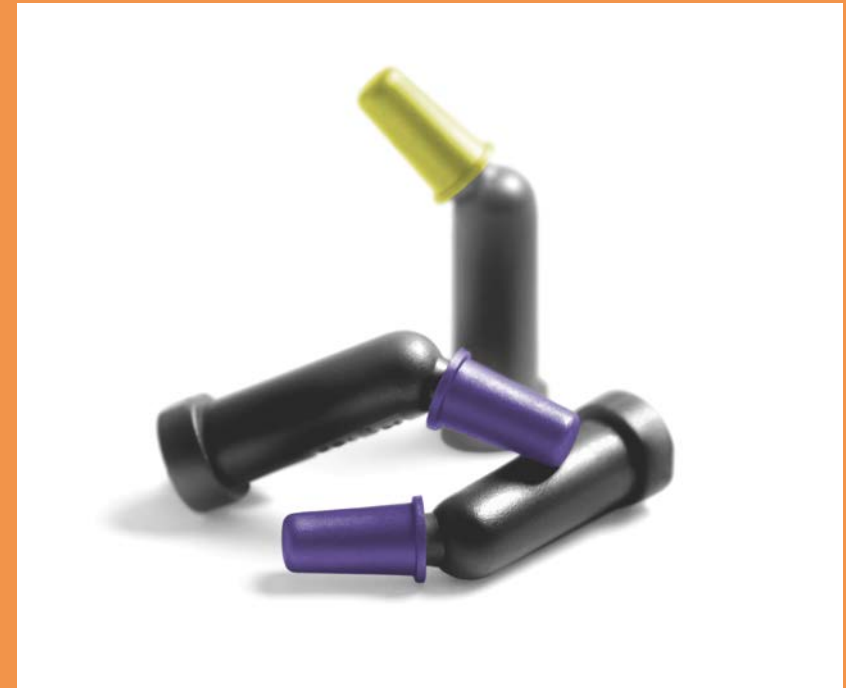


# Outlook

- The most significant product release for FY18 will be Radii Xpert (curing light) with sales expected to contribute from Sept.
- Increasing sales to special markets including large group practices, corporates and public institutions
- Growth opportunity in developing markets as demand for quality dentistry increases
- In FY18 we expect continued sales growth in non-amalgam products (70% of sales), partially offset by ongoing weakness in the market for amalgam.



- Questions and appendices



# Average currency movements

	2015 / 16	2016 / 17	Favourable / (unfavourable)
USD / AUD	0.73	0.75	(3%)
EUR / AUD	0.66	0.69	(5%)
GBP / EUR	0.75	0.86	(15%)
CAD / USD	0.76	0.75	1%
BRL / AUD	2.70	2.43	10%