



YOUR
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FY19 AGM

November 15, 2019
Sage Hotel, Ringwood



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CHAIRMAN'S ADDRESS



CEO's ADDRESS



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Thank you very much Jeff.

I would also like to thank all attendees for joining us here at our Annual General Meeting for 2019.

As part of my presentation I will run through SDI's financial performance for the year, update you on the momentum we have generated as we navigate through the new financial year, and finish with a recap on our strategy and outlook for the coming year.

Before I launch into my presentation, I want to say that I am proud to stand here before you as CEO of SDI; an Australian manufacturer and employer in the dental industry. As a company, we export to over 100 countries and, since 1972, have been competing on the world stage, standing shoulder to shoulder with the worlds' largest dental companies.

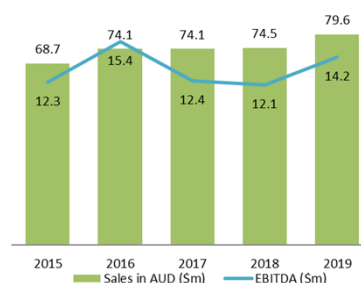


Let's start with a look at the year just completed.

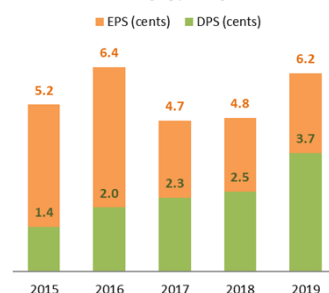
FY19 HIGHLIGHTS

- Total sales up 6.8% to \$79.6m
- Gross margins up 2.3% to 62.6%, due to the favourable product mix and currency
- EBITDA growth of 16.7%
- NPAT up 29.5% to \$7.3m
- Aesthetic sales (42.7% of sales) up 11.6% in local currency
- Strong cash generation and no net debt
- Total fully franked dividends for FY19, including a special dividend in 1H19, increased by 48% to 3.7 cents
- EPS increasing to 6.2 cents (up by 1.4c)

Sales v EBITDA



EPS & DPS



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This was a very pleasing result with many of our growth ambitions met over the year and encouragingly we are starting to see genuine operating leverage emerge in our business.

As I will discuss later, we continue to grow faster than the market in many of our leading product categories, following the successful execution of our strategy in new product development and distribution.

Looking at the numbers

Sales grew 6.8% in Australian Dollars to a record \$79.6m, EBITDA was up 16.7% to \$12.1m and NPAT up 29.5% to \$7.3m.

Sales were driven by a strong performance with our Aesthetics products, which represent 42.7% of total sales, up 11.6% for the year in local currency.

Cashflow was once again a feature in this result and there is no net debt

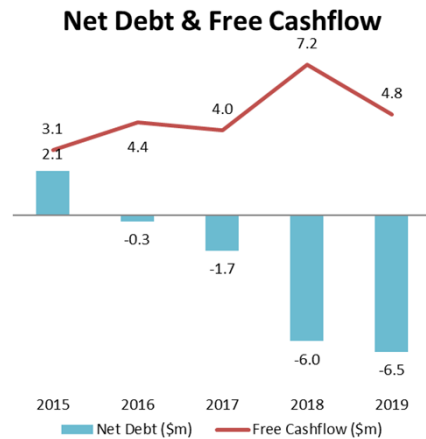
Gross margins were boosted in the period to 62.6%, in part due to the effects of favorable currency, but also due to an improving product mix towards higher margin products.

Finally, dividends for the year were up 48% or 3.7 cents per share, including a special dividend of 1 cent per share in the first half of the financial year

STRONG FREE CASHFLOW AND NO DEBT

- Strong financial position enables continued to grow in the business

- Free cash to invest in the business, new machinery and product development.



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The company continues to be in a strong financial position, giving us the flexibility to explore a range of opportunities to continue to grow our business.

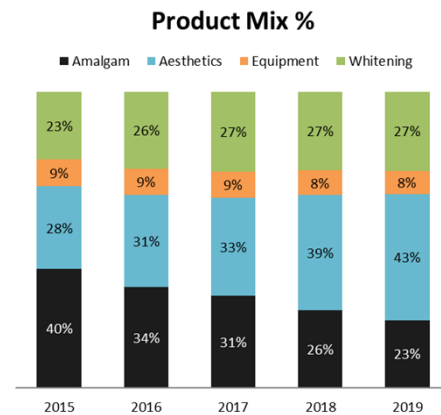
We generate a significant amount of free cash enabling us to maintain our focus on investing in the business, including new machinery and product development.

We have also stepped up our investment on brand development and new marketing initiatives and I will outline some of these later in the presentation

Let's now turn to the product categories.

RESEARCH, INNOVATION, RESULTS

- Continue to invest in Research and Development with \$2.6m spent in FY19
- 80% of Intangibles are Aesthetics products, including Glass Ionomers and Composites
- Aesthetics and whitening products now represent 70% of all sales



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Research and Development is a key strategic focus for our company and a significant driver of the business; and, here is an update on our product mix as it stands today.

As you can see from this slide, the aesthetic and whitening products now make up 70% of sales, compared to 51% 5 years ago. This is reflective of the success in the research, development and commercialisation of new contemporary dental products which we are now known for today

Over the last year we invested a further \$2.6m in Research and Development on new products and expect this level of investment to continue in FY20.

With respect to Research and Development accounted for on the balance sheet shown as intangibles, 80% of this amount relates to aesthetic products. This leading product category in our business, which accounted for 43% of total sales in FY19, includes composites and glass ionomers.

Encouragingly, we continue to see strong growth in these core products, well ahead of market growth rates.

AESTHETICS GROWTH AHEAD OF MARKET

- Aesthetics sales performed strongly, up 11.6% in local currency
- Whitening sales, now 26.9% of total sales, were up 3.2% in local currency
- Equipment sales, which are used to drive other product sales, were down 4.1% in local currency
- Amalgam sales, declined 10.1% in local currency, continuing the trend we have seen in recent years

Product Category Sales	Growth in Local Currency	Growth in AUD	% of Total AUD Sales
Aesthetics	11.6%	16.3%	42.7%
Whitening	3.2%	7.6%	26.9%
Equipment	(4.1)%	(1.8)%	7.6%
Amalgam	(10.1)%	(5.8)%	22.8%



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So what is driving our growth?

This slide breaks down the product categories highlighting the two largest categories, aesthetics and whitening. These categories make up 70% of group sales and in the last year they grew at 11.6% and 3.2% in local currency terms respectively.

The aesthetics category includes composites and glass ionomers, the preferred solution for dentists and their patients today in many countries.

Pola is our successful whitening brand and, in addition to holding a dominant market share in Australia, is growing share in other markets we operate in.

This chart also draws attention to the continued weakness in amalgam, which now makes up 22.8% of group sales

STRATEGY & OUTLOOK

Strategic priorities/progress:

- ❖ Rationalise product portfolio
 - Plans to reduce the number of SKUs by 30% on track
- ❖ Focus on key product categories – whitening, glass ionomers and composites
 - Launched new products at the IDS
- ❖ Drive amalgam replacement
 - Commonwealth Govt grant \$3m awarded in August 2019
- ❖ Increase innovation and speed to market
 - Investment in new product machinery
 - Riva Star research findings compelling

FY20 Plans:

- Complete rationalisation of product portfolio
- Brazil manufacturing started September 2019
- \$3m planned investment on further machine automation and product development
- In FY20, we expect continued sales growth in Aesthetics and Whitening products in line with previous years (70% of sales)



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Turning to my final slide on strategy and outlook.

I want to reiterate our strategic priorities, but also want share with you some progress we have made and then discuss plans for the coming financial year.

We are making progress on all 4 of our strategic priorities.

On the product portfolio, we have almost completed the rationalisation of SKUs by 30%. This will enable optimal use of the manufacturing facility, lead to further automation and ultimately drive margin improvement.

Secondly on key products, we launched new products at the IDS trade show early this year and expect these to contribute to sales over the coming years.

Thirdly, as you would have seen recently, we announced that we have been awarded a \$3m grant from the Commonwealth Government to undertake research on an amalgam replacement, partnering with several academic institutions over the next three years

Finally we have made investments in new machinery and, on product innovation, the research findings on Riva Star are compelling.

On the outlook, we expect to complete most of the rationalisation of the product portfolio during this financial year; Brazil manufacturing has commenced; we plan on investing a further \$3m on new equipment to drive further automation and to aid new product development; and on sales growth we have started the new financial year seeing similar trends we have experienced in previous financial years.

That concludes my presentation and I am now happy to take your questions.



QUESTIONS

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