



YOUR SMILE. OUR VISION.

FY22 RESULTS PRESENTATION

26 August 2022

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Long successful operating history – founded in 1972 and listed on ASX in 1985 and Australia's largest dental manufacturer



SDI conducts research and development of specialist dentist materials undertaking the development, manufacturing and marketing of dental restorative materials



SDI sells to 100+ countries on all continents and with sales teams and distribution in Australia, Brazil, Europe and North America



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AGENDA

- FY22 highlights
- Product categories and R&D Process
- Key geographies
- Financial performance
- Strategy, ESG Initiatives and Outlook



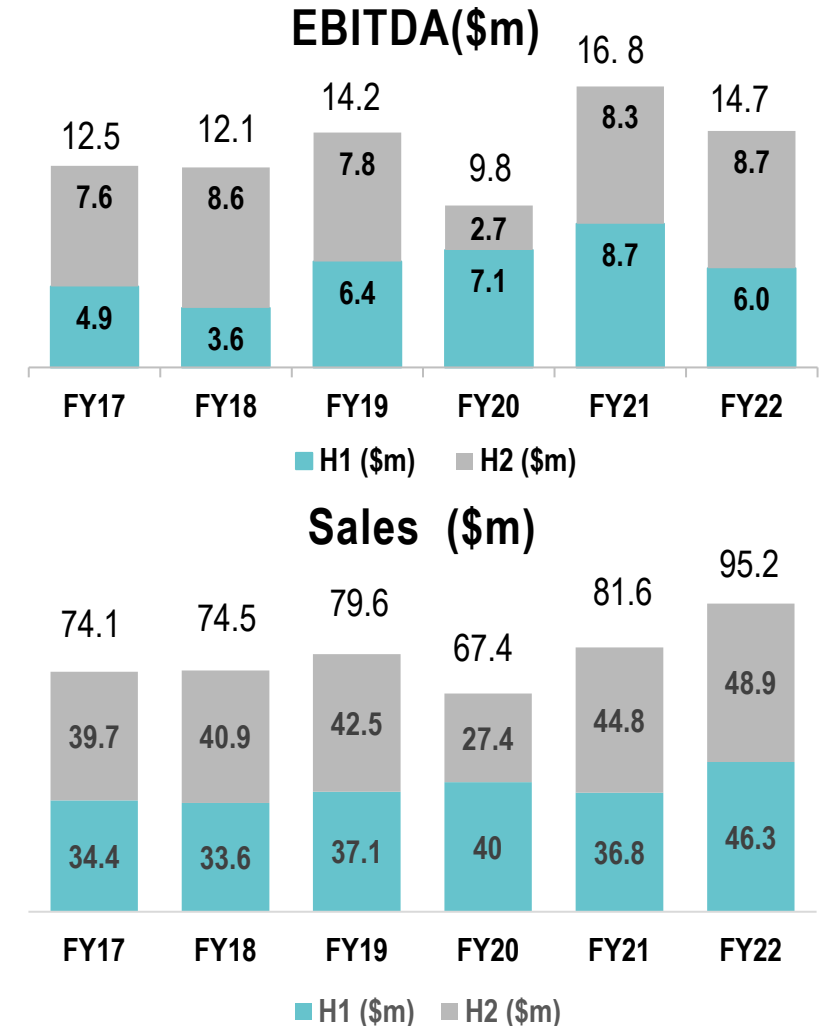
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1H 2022 SUMMARY

RECORD SALES WITH STRONG PERFORMANCE ACROSS KEY PRODUCT CATEGORIES

- Record sales of \$95.2m, up 16.5%, with growth in all key product categories and in most regions
- Freight costs up \$3.3million impacting product margins by 3.8%
- Operating expenses up 16.8%, or up 9.2% adjusting for currency and government assistance in FY21
- Product margin 55.8% (FY21: 61.5%) impacted by elevated freight costs, product mix and regional performance
- EBITDA down 12.4% to \$14.7m (FY21: \$16.8m)
- NPAT down 18.6% to \$7.3m (FY21: \$8.9m)
- EPS 6.13 cents compared to 7.52 cents for pcpc
- Strong cash with a strategic increase in inventory of \$4.5m and the continued investment in R&D
- Final fully franked ordinary dividend up by 6.1% to 1.75 cents per share



PRODUCT CATEGORIES



CATEGORY OVERVIEW

CONTINUED STRONG INCREASE IN WHITENING & AESTHETHICS PRODUCTS

- Aesthetics and Whitening sales up 17.2% and 12.9%, respectively, from market share gains and momentum in new product releases
- Equipment sales up 11.5%, benefiting from return to normal operating conditions
- Amalgam (16.1% of sales) up 21.0%. Due in part by the withdrawal of two major competitors from the amalgam market, but also returns to normal operating conditions and aided by government tenders

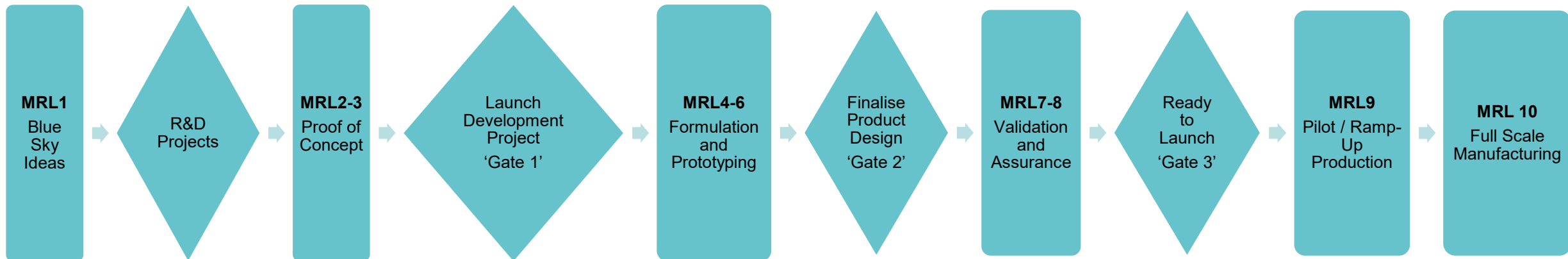
Product category sales	Change in local currency %	Change in AUD %	Total AUD sales %
Aesthetics	17.2	17.6	45.3
Equipment	11.5	14.0	7.2
Whitening	12.9	12.5	31.4
Amalgam	21.0	23.2	16.1



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R&D PROCESS

- SDI undertakes continual research and development to not only improve on current products, but create new and patented products to introduce to the market
- 1-10 'Manufacturing Readiness' Levels (MRLs) that products need to get to full scale manufacturing



- SDI's entire team is involved in an extensive R&D process in a highly regulated industry

CASE STUDY – AMALGAM REPLACEMENT PRODUCT

- The amalgam replacement product will be available to market in the next 6 months
- Has undertaken a rigorous and scientifically proved process (approx. 5 years)
- Backed by government and university support
- The new product is tooth coloured but strong like amalgam



KEY GEOGRAPHIES



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SALES BY BUSINESS UNIT

RETURNING TO NORMAL OPERATING CONDITIONS

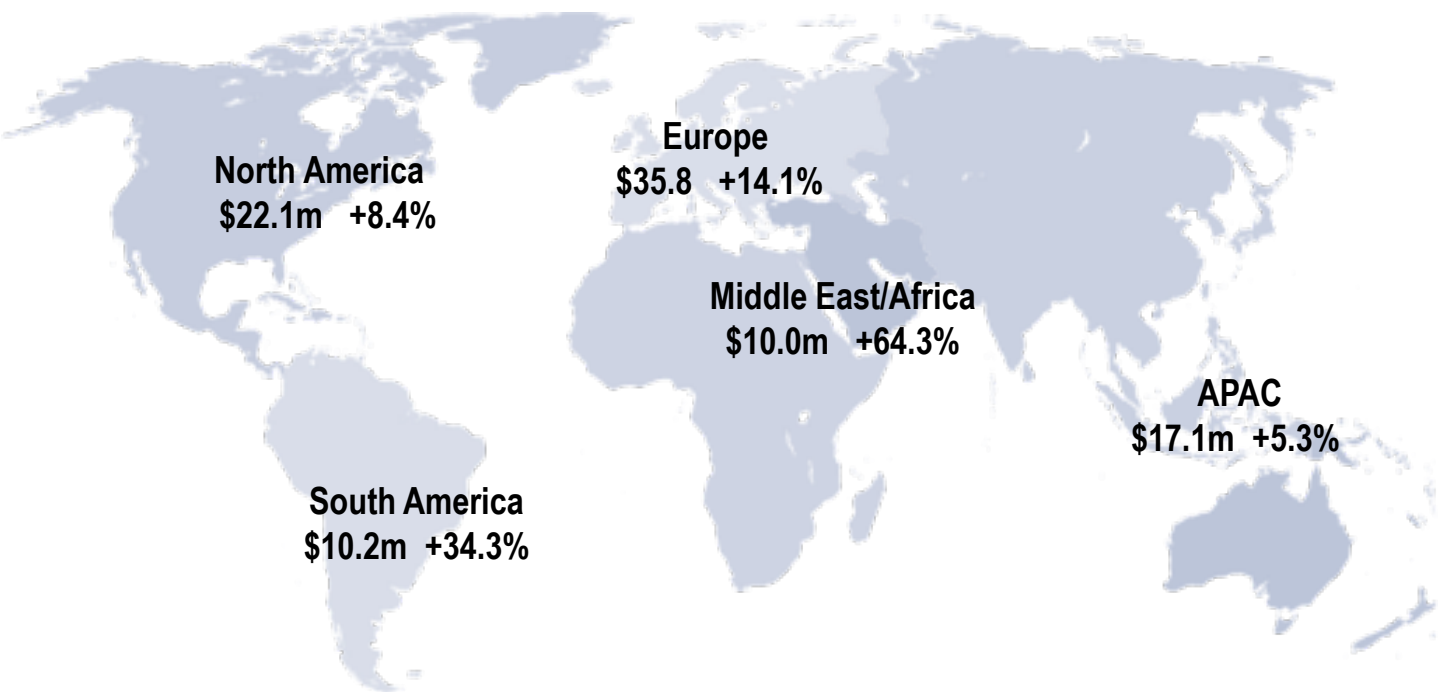
- European sales up 21.7%, in local currency, from strong demand in key markets and improved conditions in the UK
- Australian sales (incl. direct exports), up 15.8%, with direct exports increasing by 29.3% and partly offset by domestic sales, down 3.5%, impacted by Government lock downs
- Brazilian sales up 26.1% from market share gains and overall market growth
- North American sales up 5.8% in local currency, reflecting the slower uptake of aesthetics in comparison to other markets

Sales by Business Unit	Growth in local currency %	Growth in AUD %	Total AUD Sales %
Australian sales (including direct exports)	15.8	17.1	34.1
North America	5.8	8.4	23.2
Europe	21.7	18.2	35.0
Brazil	26.1	35.9	7.7
TOTAL	16.0	16.5	100.0%

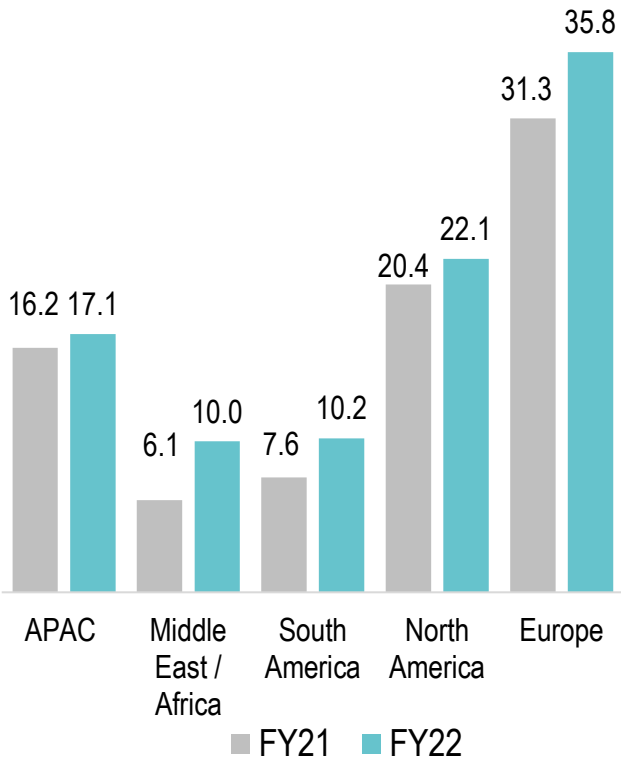


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DISTRIBUTION



Sales by geography (A\$m)



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FINANCIAL PERFORMANCE



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PROFIT & LOSS

Profit & Loss (\$'000)	FY22	FY21	% Change
Revenue			
Sales Revenue	95,151	81,647	16.5%
Cost of goods sold	-42,041	-31,396	33.9%
Gross Profit	53,110	50,251	5.7%
Gross margin	55.8%	61.5%	-5.7%
Other income	628	-701	-189.6%
Expenses			
Selling & Administration	-40,806	-33,550	21.6%
Research & Development	-1,315	-2,142	-38.6%
Other Expenses	-1,444	-1,861	-22.4%
Reversal of impairment of receivables	0	266	-100.0%
Finance Cost	-34	-55	-38.2%
Profit before tax	10,139	12,208	-16.9%
Tax expense	-2,858	-3,267	-12.5%
Net profit after tax	7,281	8,941	-18.6%
Tax expense	-2,858	-3,267	-12.5%
Amortisation & depreciation	-4,584	-4,575	0.2%
Net interest expense	-20	-51	-60.8%
EBITDA	14,743	16,834	-12.4%

- Total sales of \$95.2m, up 16.5% on pcp, with strong growth in all product categories and in most regions
- Product margins in Australian dollars decreased by 5.7% to 55.8%, with freight costs accounting for 3.3% of this decline
- Total operating expenses after adjusting for currency movements and government assistance programs, increased by 9.2%
- EBITDA down 12.4% to \$14.7m
- NPAT down 18.6% to 7.3m

BALANCE SHEET

Balance Sheet (\$'000)	FY22	FY21
Assets		
Cash & cash equivalents	7,013	10,559
Trade & other receivables	20,445	19,291
Inventories	26,005	21,509
Property, plant & equipment	18,634	19,288
Right of use assets	1,377	1,571
Intangibles	25,208	24,396
Other Assets	3,388	1,790
Total Assets	102,070	98,404
Liabilities		
Trade & other payables	9,017	9,286
Lease liabilities	1,355	1,573
Borrowings	669	0
Employee benefits	3,795	3,417
Deferred tax liability	2,582	2,186
Other Liabilities	918	2,162
Total Liabilities	18,336	18,624
Net Assets	83,734	79,780

- Net cash position down \$4.2m to \$6.3m with investment in:
 - Inventories of \$4.5m
 - Plant and equipment of \$1.7m
 - Product development of \$2.2m
- Active management of inventory, ensuring customer needs were met and in part to mitigate the continued global freighting delays.
- The Company has unused bank facilities of \$10 million.

CASH FLOW

Cash Flow (\$'000)	FY22	FY21
Receipts from customers	94,634	68,456
Payments to suppliers & employees	-87,683	-59,533
Interest received	14	4
Government grants received	873	4,464
Interest & other finance costs paid	-34	-55
Income tax paid	-3538	-644
Net cash from operating activities	4,266	12,692
Payments for property, plant & equip.	-1,673	-2,267
Payments for intangibles	-2,654	-1,788
Proceeds from disposal of PP&E	80	108
Net cash used for investing activities	-4,247	-3,947
Net cash used in financing activities	-3,489	4,185
Cash & cash equivalents at end of period	7,013	10,559

- Operating cashflow down due to:
 - Operational costs returning to normalised levels
 - Increased freight costs
 - Higher sales in markets with longer dated trading terms
 - Absence of revenue from government assistance programs
 - Increased payment of dividends

STRATEGY, ESG & OUTLOOK



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STRATEGY

- 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.
- SDI's Amalgam replacement product, Stela, and several other new products will be released in 2023 at the International Dental Show.
- Purchase of adjoining property of 1.4 acre for new warehouse



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ESG INITIATIVES

- ESG is becoming a key priority within the business
- Appointed a qualified engineer to position of Environmental Officer to ensure an ongoing commitment to management on further improvements
- Continuing reduction of plastics within manufacturing facilities
- On going compliance with local EPA requirements in relation to waste and hazardous materials management
- Required to reach KPIs around reduction in waste, packaging and ongoing waste management under our APCO membership.



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OUTLOOK

- SDI will continue the same momentum with the strategic goal of achieving our targets.
- While the challenges of elevated costs is still a reality, in time these conditions will normalise, and deliver ongoing benefits from the strong base built in SDI's target markets.



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SDI | Q&A



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