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SDI LIMITED ACN 008 075 581 | ABN 27 008 075 581  
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## Financial Year 2019 Results Announcement

### SDI Limited strong growth continues into FY19

**23 August 2019: SDI Limited (ASX: SDI)** is pleased to announce a substantial uplift in earnings with Net Profit after tax up 29.4% to \$7.3 million from \$5.7million in FY18 on sales growth of 6.8% to \$79.7 million (\$74.5 million FY18).

This result was also supported by favourable currency movements and evidence of operating leverage in the business.

#### FY19 Highlights

- Net Profit after tax up 29% to \$7.3 million
- Aesthetics sales, the largest product segment, up 12% in local currencies (up 16% in AUD)
- Strong cash generation and no debt
- Fully franked ordinary dividend up 8% to 2.7 cents per share following 1.0 cent per share special dividend paid at the interim

#### Financials

	FY 2019	FY 2018	Change %
Sales	79.6m	74.5m	6.8
EBITDA	14.2m	12.1m	16.7
NPAT	7.3m	5.7m	29.4
Borrowings	nil	2.2m	(100.0)
Earnings per share	6.17c	4.76c	29.6
Declared final ordinary dividend	1.5c	1.4c	7.1
Total ordinary dividends	2.7c	2.5c	8.0
Special dividend (1h19)	1.0c	nil	N/A

**Commenting on the FY19 results, CEO Samantha Cheetham said:** "We are pleased to report a strong year of growth with NPAT up 29.5% and EBITDA increasing by 16.7% to \$14.2 million, compared to \$12.1 million on FY18. These results are driven by gross margin improvement, favourable currency movements, and ongoing disciplined expense control."

"Sales in Australian dollars for the 12 months ended 30 June 2019 were \$79.6 million, up 6.8% on the previous corresponding period of \$74.5 million, significantly above what we believe the industry is growing at, estimated to be less than 2% (SDI estimate).



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Encouragingly our sales growth has come from product areas we have been investing in over many years, with continued strong growth in Aesthetics product sales, including Glass Ionomers and Composites.”

### Key product categories sales

Product	Growth % (Local currency)	Growth % (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

Sales growth was driven by strong Australian direct exports of Aesthetics and Amalgam products in the Middle East and increased Aesthetics sales in Asia and Australia. All other Business Unit sales were impacted by the ongoing decline in demand for Amalgam, which now represents 22.8% of total sales, having fallen from 43% 5 years ago. In addition, Brazilian sales over the period were affected by the continued de-stocking by a major Distributor, as referred to at the interim result earlier this year.

### Sales by Business Unit

Business unit	Growth in local currency %	Growth in AUD %	% of AUD Sales
Australia*	12.1	17.1	38.4
North America	(1.5)	6.3	24.1
Europe	(3.5)	(0.1)	31.1
Brazil	(3.4)	(10.0)	6.4
<b>TOTAL</b>	<b>2.5</b>	<b>6.8</b>	<b>100.0</b>

\* includes direct exports

### Business Unit sales by product (AUD)

Business unit	Amalgam		Aesthetics/Whitening/Equipment	
	% Chg	% Sales	% Chg	% Sales
Australia*	3.3	18.2	14.2	81.8
Brazil	(7.5)	29.8	(1.6)	70.2
Europe	(22.1)	17.9	1.9	82.1
North America	(11.2)	34.4	4.4	65.6

\* includes direct exports



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Regional sales highlighted the strong sales from the Middle East and APAC markets, and lower than expected sales from South America. North American sales were impacted by a 11.2% decline in Amalgam sales which represents 34.4% of this region's total sales. This decline was partially offset by an increase of 10.1% in Aesthetics sales. The South American region, traditionally an Amalgam region, has been impacted by aggressive pricing from local manufacturers and the lower level of Government tenders, reflecting the challenging political and economic environment.

Sales by region	FY 2019 (\$m AUD)	FY 2018 (\$m AUD)	Growth %
APAC	14.7	12.9	13.8
Middle East / Africa	8.7	6.4	35.5
North America	19.2	18.1	6.3
South America	9.4	9.2	1.6
Europe	27.6	27.9	(1.3)

### Gross margin reflecting favourable product mix

Gross product margins improved to 62.6% compared to 61.1% for the corresponding period last year. When adjusted for favourable currency movements, gross margin was in line with the previous corresponding period. This result is encouraging and reflective of the improved product mix, given strong Australian direct export sales traditionally attract a lower margin.

### Operating expenses well controlled

Total operating expenses in Australian dollars increased by 7.3% when compared to the previous corresponding period. Approximately 48% of SDI's total operating expenses relate to its offshore subsidiaries and after adjusting for currency movements and an increase in R & D amortisation expense, expenses increased by 5.1%.

An employee long term incentive (LTI) program was implemented in the second half of the financial year at a total cost of \$0.4 million. The program was offered to 38 employees globally and is designed to align employees with share price growth. Further details regarding this program will be included in the Annual Report.

### Rebranding and Promotional Investments

SDI invested an additional \$1.5 million in sales and marketing during the year. The Company underwent a strategic corporate rebranding program to promote the 'non-amalgam' company image. The Company has invested in additional selling and marketing expenditure to increase the Company's support to its Distributors and promote the non-Amalgam product lines. SDI has also invested additional funds globally in Distributor training, Key Opinion Leaders (KOLs) and promotional material and products to further enhance the non-Amalgam strategy.



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SDI participated in the world's largest dental exhibition (IDS) held biennially in Germany at a total cost \$0.3 million. This exhibition is attended by many of SDI's global Distributors and Dentists and gives the opportunity to launch its new products and showcase its current products on an international platform.

### **Strong financial position**

The Company's total cash holdings for the twelve months decreased by \$1.8 million after reducing debt by \$2.2 million, increasing inventories by \$2.7 million, increasing investment in plant and equipment by \$1.3 million and increasing dividend payments by \$1.4 million. Inventories have deliberately been increased to further improve customer service, reduce the cost of air freights and support expected increase in sales of existing and new products. The Company has invested in new machinery for new product lines and continues to upgrade its current equipment in line with its automation strategy.

### **Dividends**

The Board of Directors has declared a final fully franked ordinary dividend of 1.5 cents per share which is 0.1 cent higher than the previous final dividend and will be paid on 20 September 2019.

The Board has decided that the Company's Dividend Reinvestment Plan ('DRP') will not be offered to Shareholders for this dividend payment.

### **Outlook**

Commenting on the outlook, CEO Samantha Cheetham said, "We expect the current sales trend in product mix to continue. SDI will strategically allocate its resources in research and development, sales and marketing, and capital investment to build a sustainable product mix to increase its global market share. The Company is actively exploring Amalgam replacement products and has been awarded a \$3 million Commonwealth Government grant to assist us. "

#### Investor conference call

*There will be an investor presentation call today (23 August 2019) at 11am. To access the call dial +61 7 3107 6321 or Toll Free 1800 058 299 and provide the conference ID 55793 to the operator.*

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## About SDI Limited

Founded in 1972 and publicly listed on the Australian Securities Exchange 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.