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SDI LIMITED ACN 008 075 581 | ABN 27 008 075 581
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ASX and Media Release

19 February 2021

Half Year Results Announcement for FY21

Record first half result underpinned by strong demand in key regions.

MELBOURNE, Australia – SDI Limited (ASX: SDI) today announced that net profit after tax for the six months ending 31 December 2020 increased 30.9% to a record first half result of \$4.6 million, compared with \$3.5 million for the same period last year.

H1 2020 Highlights

- Sales in the December half FY 2021 of \$36.9 million were down 8.0% (3.9% in local currencies); however, this compares to a record first half in FY 2020 and is despite the continued impact of the pandemic in key markets, with UK sales down 41.7% and Australian direct exports down 29.7% in local currencies.
- Earnings were underpinned by continued strong gross margins, with EBITDA up 21.8% on a strong comparable period in HY20.
- Operating expenses were carefully managed, down 19.0% in local currencies, or after adjusting for government assistance programs expenses were down 12.9%.
- The strategic review was completed on the Brazilian operations, and implementation is in progress. The Brazilian Real devalued by 31% against the Australian Dollar in the last 6 months, resulting in \$0.7 million of realised currency losses.
- Cashflow was strong, underpinned by solid operating conditions and a reduction in working capital.
- No debt for the group.
- Interim fully franked dividend of 1.50 cents per share, up 11.1% on the same period last year was declared.

Commenting on the result Chief Executive Officer Samantha Cheetham said: “This has been a challenging period for the group. The health and safety of our team was always at the forefront of our minds and we continue today with strict infection control policies and the use of remote conferencing tools for all staff team meetings where practical.”

“While conditions began to improve in many regions, there were still several key markets impacted by strict government controls on dental practices. As some of these restrictions began to lift, we saw the pent-up demand we had spoken about at the full year begin to gain traction, with some regions close to normal. We knew this was always going to be a tough half, given the record result in comparable period, but despite this and the fact that we saw constraints on shipping, key markets including the UK and direct exports materially affected, our performance was very good. “

| SUMMARY FINANCIALS (AUD) | HY 2021 | HY 2020 | Change % |
|---|---------|---------|----------|
| Sales (\$m) | 36.8 | 40.0 | (8.0) |
| EBITDA (\$m) | 8.5 | 7.1 | 21.6 |
| NPAT (\$m) | 4.6 | 3.5 | 30.9 |
| Operating Cashflow | 8.6 | 4.7 | 82.6 |
| Earnings Per Share (EPS) | 3.85 | 2.94 | 29.6 |
| Interim ordinary dividend (cents per share) | 1.50 | 1.35 | 11.1 |



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Sales

| Key product category sales | Growth in local currency % | Growth in AUD % | Total AUD Sales % |
|----------------------------|----------------------------|-----------------|-------------------|
| Aesthetics | (7.3) | (10.6) | 44.7 |
| Equipment | 12.6 | 2.6 | 7.7 |
| Whitening | 19.3 | 16.0 | 33.5 |
| Amalgam | (32.1) | (36.7) | 14.1 |

Whitening products have shown a strong increase, up 19.3% in local currency on the prior period, due to the anticipated pent-up demand, supported by the release of the new Pola Light product, and the re-branding of the Pola products. Aesthetics overall were weak, down 7.3% in local currency, impacted by the UK and direct exports. In markets where the restrictions were progressively eased - Australia, North America, and parts of Europe - growth was strong and further evidence of pent-up demand. As has been seen in recent results the trend in the Amalgam product continues, down 32.1% in local currency. This significant decline was due in part to recent trends, but also in this period due to government restrictions in the UK and in many export markets. Further, the pandemic impacted government tender activity in the half. The smallest segment, Equipment, grew strongly in local currency terms, up 12.6% on the prior period, driven primarily by increased traction of the Radii Xpert LED curing light.

| Sales by Business Unit | Growth in local currency % | Growth in AUD % | Total AUD Sales % |
|---|----------------------------|-----------------|-------------------|
| Australian sales (including direct exports) | (10.5) | (12.5) | 36.6 |
| North America | 9.4 | 3.7 | 25.0 |
| Europe | (6.9) | (6.2) | 32.7 |
| Brazil | 3.1 | (27.7) | 5.7 |
| Total | (3.9) | (8.0) | 100.0% |

The sales by business unit reflect the impact of the pandemic, and the varying status of government restrictions in each region. The European Unit was down only 6.9% in local currency, despite its largest market the UK seeing sales down 41.7% on the prior period. The Australian sales unit, with sales down 10.5% in local currency, was impacted by the sharp drop in Australian direct export markets, down 29.7%, with the Australia domestic sales up an impressive 43.2% on the prior period.

Brazilian sales rose 3.1% in local currency, but were down 27.7% when adjusting for currency, reflecting the significant devaluation of the REAL. In addition to this, there were significant supply issues due to backlogs at shipping ports to Brazil. The review of the Brazilian operations was completed, and the implementation of the restructure is in progress. The restructure will simplify the business model resulting in a 50% reduction in employees, a lower rental cost from the relocation to Southern Brazil, and the use of a third-party company to assist with warehousing, packing and distribution.

| Sales by region | HY 2021 (AUD) | HY 2020 (AUD) | Growth |
|----------------------|---------------|---------------|--------|
| APAC | 8.7m | 7.8m | 11.1 |
| Middle East / Africa | 2.0m | 4.4m | (53.9) |
| South America | 3.3m | 4.5m | (28.3) |
| North America | 9.2m | 8.9m | 3.7 |
| Europe | 13.6m | 14.3m | (5.1) |



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Turning to the regions to get a sense of where the sales originate from, most regions reflected the pandemic status. APAC, North America, and parts of Europe enjoyed a gradual easing of restrictions and the UK, Latin America, and the Middle East markets continued to experience restrictions. Added to this, the overall logistics of supplying product to many markets, due to shipping constraints, delayed shipments in the months of November and December with these orders fulfilled in the new year.

Gross Profit Margins

Gross product margins in Australian Dollars, reflecting regional and product sales mix, declined by 1.3% to 64.9%, compared to the record 66.2% result for the corresponding period last year. However, when adjusted for currency, gross margin was in-line with last year.

Operating Expenses

Total operating expenses in Australian dollars decreased by 21.6% when compared to the previous corresponding period. Approximately 53% of the consolidated entity's total operating expenses relate to its offshore subsidiaries and after adjusting for currency movements and government assistance programs, operating expenses decreased by an impressive 12.9%.

Balance Sheet

The Company's net cash position increased \$4.9 million for the six months to \$11.1 million, Working capital was well managed with a decrease inventories by \$2.6 million, planned investment in plant and equipment of \$0.9 million, product development expenditure of \$1.0 million, and debt was eliminated with unused facilities of \$10 million. The consolidated entity is undertaking a comprehensive review at its manufacturing footprint, including relocation, investment in automation, and review of its manufacturing processes to ensure it continues to operate efficiently and manage future growth.

Strategy and outlook

The Company continues to drive its strategic priorities. Firstly, the key product categories of Aesthetics and Whitening products are the focus for new product development, for achieving further manufacturing efficiencies and driving sales and marketing teams; secondly, on-going investment in research and development to release one to two products per year is on target; and finally, the consolidated entity's Amalgam replacement product is on schedule to be released in 2023.

It is expected that the second half of the 2021 financial year will show growth in Aesthetics products, continued strong growth in the Whitening products, and the on-going decline in Amalgam products. The consolidated entity will continue to invest in research and development with the aim of launching at least one new product in the next financial year.

Commenting on the outlook Samantha Cheetham said: "Although the future is uncertain, we are seeing a recovery in sales assisted by pent-up demand in many of the global markets we operate in. The logistics to supply our overseas markets continues to be challenging, but we are fortunate that we operate in over 100 countries therefore not relying on only a few markets. With these remaining markets getting closer to resuming activity, we are looking forward to the trends we are seeing to continue into the second half of the financial year".

Dividends

The Board of Directors has declared an interim fully franked ordinary dividend of 1.50 cents per share which is 11.1% higher than the previous interim dividend.

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



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This announcement has been authorised by the Board of Directors of SDI Limited.

Investor conference call

A group investor conference call will be held on 19 February 2021 at 11:00am AESDT. Details of the call are:

- Phone number: + 1800 954 501 (Australia) or 1800 870 653 (alt. Australia toll free)
- Conference ID: 10012454

To bypass the operator and gain immediate access to the call, participants can preregister via:

[SDI 1H21 Result call registration](#)

Please contact Adrian Mulcahy if you have any queries.

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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 Australia, USA, Germany, and Brazil.