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ASX Announcement

5 January 2018

SDI Limited Trading Update

MELBOURNE, Australia – SDI Limited (ASX: SDI). Preliminary sales in Australian dollars for the 6 months ending 31 December 2017 are expected to be \$33.6m, down 2.2% on the previous corresponding period of \$34.4m. When adjusted for currency movements, sales are expected to be down 1.5%. Despite a strong performance in Aesthetics sales (40% of Australian dollar sales), which recorded growth in Australian dollars of 8.2%, the overall Australian sales were impacted by weaker than expected Amalgam sales, which fell 15.3% in Australian dollars for the half year.

Product Category Sales	Growth in AUD	Total AUD Sales
Aesthetics	8.2%	39.6%
Whitening	(2.2)%	25.7%
Equipment	(2.3)%	8.7%
Amalgam	(15.3)%	26.0%

A highlight in the first half was the excellent feedback from the market and independent analysts on SDI's new generation light curing device. SDI is confident that this will lead to an improvement in equipment sales in the second half of the financial year as the device is fully released to all global markets.

Company	Growth in Local Currency	Growth in AUD	Total AUD Sales
Aust. Sales (incl. Direct Exports)	(4.9)%	(6.3)%	35.0%
North America	0.7%	(3.0)%	24.5%
Europe	(0.6)%	2.9%	32.0%
Brazil	2.8%	(0.5)%	8.5%
TOTAL	(1.5)%	(2.2)%	100%

Regional sales were impacted by lower than expected sales from the South American (excluding Brazil) and UK markets, down 36.5% and 10.0% respectively, primarily driven by weaker amalgam and whitening sales. The South American market, traditionally an amalgam and price competitive market, has been impacted by aggressive pricing from local manufacturers and the lower level of Government tenders driven by challenging political and economic circumstances. The Company considers the drop in UK sales as temporary and is confident that these sales will be back on track in the second six months of the financial year.

Gross product margins are expected to be 58%, compared to 60% for the corresponding period last year, primarily due to product and market sales mix. SDI is aware that it must continue to review its operating cost structure to stay competitive in the global market, while at the same time not undermining its future growth plans. The Company has identified approximately \$1.1m of manufacturing overhead cost reductions, through the implementation of efficiencies in its Australian manufacturing plant. These savings will be fully realised over the next 12 months.

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The Company expects after tax profit to be in the range of \$1.0m to \$1.3m, compared with \$2.0m for the same period last year. Due to the Company's substantial natural hedging, currency movements are not expected to have a material impact on the result.

Ms Samantha Cheetham, SDI Limited CEO, said: "The first six months has seen the continuation of recent market trends with the shift away from amalgam products. The trend is stronger than we expected but it masks the growth of our Aesthetics sales. The Company is confident that with the ongoing release of new and innovative products, overall sales will gain traction. It is pleasing that North America is now gaining some traction with a positive sales result. Despite the challenges faced in the amalgam market the Company is continuing to look at opportunities to optimise its position in this shrinking global market. While disappointed by these results, we are confident that with the continued focus on operating efficiencies and product development, we will continue to deliver shareholder returns over the long term".

It is expected that the half year results (Appendix 4D) will be released on 15 February, 2017.

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