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

14<sup>th</sup> February 2020

# Half Year Results Announcement for H1 FY20

## SDI delivers a record half year net profit after tax

### H1 2020 Highlights

- After tax profit up 11.9% to \$3.5 million
- Total sales up 4.1% in local currencies (AUD 7.7%)
- Aesthetics sales up 11.6% in local currencies (AUD 15.3%)
- Whitening sales up 12.9% in local currencies (AUD 16.3%)
- Interim fully franked ordinary dividends up by 12.5% to 1.35 cents

MELBOURNE, Australia – SDI Limited (ASX: SDI). After-tax profit increased by 11.9% to \$3.5 million, compared with \$3.1m for the same period last year. This result was driven by strong sales increase and gross margin improvement driven by continuing favourable product mix.

Commenting on the result Samantha Cheetham, CEO of SDI said: “This is a very pleasing result with many of our milestones achieved in the half. With increased investment in sales and marketing activities we are beginning to see strong growth in the product categories and regions we are targeting. Gross margins have been particularly pleasing, reflective of a continuing shift towards our higher margin products. We are continuing to make improvements in our manufacturing processes, we are investing in research and development and we are growing faster than our peers in the global dental industry”

Earnings before interest, tax, depreciation and amortisation (‘EBITDA’) increased by 11.4 per cent to \$7.1 million, compared to \$6.4 million for the corresponding period last year. Earnings per share for the 6 months ended 31 December 2019 increased by 11.8% to 2.94 cents compared to 2.63 cents for the same period last year.

### Financials

	HY 2020 (AUD)	HY 2019 (AUD)	Change %
Sales	40.0m	37.1m	7.7
EBITDA	7.1m	6.4m	11.4
NPBT	5.0m	4.4m	11.4
NPAT	3.5m	3.1m	11.9
Interim ordinary dividend	1.35c	1.20c	12.5

Sales in Australian dollars for the 6 months ended 31 December 2019 were \$40.0 million, up 7.7% on the previous corresponding period of \$37.1 million. Approximately 90% of sales are exported, and when adjusted for currency movements, sales grew 4.1%. This growth was driven by strong growth in Whitening sales and continued strong growth in Aesthetics sales, including Glass Ionomers and Composites, offset by the ongoing decline in Amalgam sales.

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## Key Product Category Sales

Product	Growth in local currency	Growth in AUD	% of AUD Sales
Aesthetics	11.5%	15.3%	45.7%
Whitening	12.9%	16.3%	26.6%
Equipment	(7.2%)	(4.1%)	7.1%
Amalgam	(13.6%)	(10.6%)	20.6%

Sales growth in Europe and Brazil were back on track after coming off a previous low base, with sales in non-Amalgam products increasing significantly faster than the decline in Amalgam sales, highlighting a lower reliance on Amalgam products in these markets. North American sales are still challenging due to Amalgam products representing a significant portion of its sales, at 35.4%, and the disappointing sales in Whitening products. It is expected that North American Whitening sales will improve in the second half of this financial year with the release of new premium packaging, and the start of a new marketing campaign for the 2020 calendar year.

## Sales by Business Unit

Business Unit	Growth in local currency	Growth in AUD	% of Total AUD Sales
Australia (incl direct exports)	3.2%	7.2%	38.5%
North America	(5.0%)	0.2%	22.2%
Europe	9.0%	10.9%	32.1%
Brazil	21.0%	23.3%	7.2%
<b>TOTAL</b>	<b>4.1%</b>	<b>7.7%</b>	<b>100.0%</b>

## Business unit Sales (AUD)

Business Unit	Amalgam		Aesthetics/Whitening/Equipment	
	% Change	% of Sales	% Change	% of Sales
Australia (incl direct exports)	(28.9)	14.7	11.9	85.3
Brazil	(19.9)	22.0	41.3	78.0
Europe	(4.3)	17.1	11.9	82.9
North America	(4.3)	35.4	(5.4)	64.6

Regional sales highlighted strong sales growth from the APAC, European and South American markets, and the lower than expected sales from the Middle East due to economic and logistic factors adversely affecting some markets in this region. Orders received post 31 December suggests that the Middle East region will show a stronger second half. North American sales were impacted by declines in both the Amalgam and Whitening products which were partly offset by a 5.9% increase in Aesthetics.

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Sales by region	HY 2020 (AUD)	HY 2019 (AUD)	Growth
APAC	7.8m	7.1m	10.9%
Middle East / Africa	4.4m	4.6m	(3.9%)
North America	8.8m	8.8m	0.1%
South America	4.5m	3.8m	19.9%
Europe	14.5m	12.8m	11.7%

### Gross Margin improvement

Gross product margins in Australian Dollars increased by 5.3% to 66.2% compared to 60.9% for the corresponding period last year. When adjusted for favourable currency movements, gross margin increased by 4.1% to 65% compared to the previous corresponding period. This result is encouraging and reflective of the improved product mix and the increase in sales in the higher margin markets.

### Investment in sales and marketing

Total operating expenses in Australian dollars increased by 12.0% when compared to the previous corresponding period. Approximately 50% of SDI's total operating expenses relate to its offshore subsidiaries and after adjusting for currency movements, total operating expenses increased by 9.7%. Sales, marketing and distribution expenses increased by AUD \$1.3 million during the six months due to increased sales, continued promotion of SDI's Aesthetic products strategy and additional sales staff. In addition to this the Company has expensed an additional \$0.3m in research activities to explore new product ideas. Excluding these onetime investments underlying operating expense grew 3.4% in the half.

### Strong financials

The Company's total cash holdings for the six months decreased by \$0.4 million after increasing inventories by \$3.4 million, investment in plant and equipment of \$1.8 million and product development expenditure of \$1.1 million. Inventories increased due to the initial stocking of packaging for the rebranding of Whitening products and stocking of the new light curing light in preparation for release into all markets. It is expected that inventories will be back to normal levels in the second half of the financial year. 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 an interim franked ordinary dividend of 1.35 cents per share which is 0.15 cents 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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## Outlook

It is expected the 2020 financial year will follow similar trends to previous years, highlighting strong growth in both the Aesthetic and Whitening products and the continued decline in Amalgam products. Equipment sales are expected to grow with the roll out to all markets of the new curing light. The Company will continue to invest in research and development with the aim of launching at least one new product in the next financial year.

## **Authorised by the Board**

### **Investor conference call**

A group investor conference call will be held on 14 February at 11:00am AEDT. Details of the call are:

- Phone number: + 61 2 9007 3187 (international) or 1800 558 698 (Australia toll free)
- Conference ID: 10004256

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

- <https://s1.c-conf.com/diamondpass/10004256-invite.html>

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.

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