YOUR SMILE. OUR VISION.
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**ASX and Media Release**
17 February 2022

## Half Year Results Announcement for 1H 2022

# SDI Limited delivers record first half sales with bottom line impacted by significant freight costs

**MELBOURNE, Australia –** SDI Limited (ASX: SDI). Net profit after tax of $2.7 million for the six months ending 31 December 2021, compared with $4.6 million for the same period last year.

| SUMMARY FINANCIALS (AUD) | 1H 2022 | 1H 2021 | Change % |
|---|---|---|---|
| Sales ($m) | 46.3 | 36.8 | 26.0 |
| EBITDA ($m) | 6.0 | 8.7 | (30.3) |
| NPAT ($m) | 2.7 | 4.6 | (41.2) |
| Net Cash ($m) | 6.5 | 11.1 | (41.0) |
| Earnings Per Share (cents) | 2.26 | 3.85 | (41.3) |
| Interim ordinary dividend (cents) | 1.50 | 1.50 | unchanged |

### 1H 2022 Highlights

- Record total sales of $46.3 million up 26.0% on pcp, with strong growth in all product categories and in most regions.
- Freight costs were up $2.7 million impacting product margins by 5.8% and Operating expenses up 12.6% on pcp, or up 2.5% compared to the 1H 2020 half year.
- EBITDA was down 30.3% to $6.0 million, compared to $8.7 million for the corresponding period last year, reflecting the elevated freight costs and incurred in the period
- Earnings per share ('EPS') was down 1.59 cents to 2.26 cents compared to 3.85 cents for the same period last year.
- Strong cash and no debt with Investment on research and development continuing.
- The strategic restructure of the Brazilian operations and fully operational in January 2022.
- Interim fully franked ordinary dividend maintained at 1.50 cents per share.

Commenting on the result Chief Executive Officer Samantha Cheetham said: "We have achieved record first half sales with all product categories growing strongly in most regional markets. Drivers included the momentum from new product releases, clear increases in market share in our core categories, and underpinned by many markets returning to normal operations.

While operating conditions have normalised, the cost of freight was a significant factor, with delays and cost inflation continuing to be a challenge for us and many other companies. Our focus in this period was on ensuring we met customer demands and, while confident the benefits will deliver enduring value for our relationships with these customers, the cost in the short term from these elevated freight costs was material. However, with such a strong start to the year and genuine momentum in the business, I feel increasingly confident on the outlook".

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**Key product category sales**

| Category | Growth in local currency % | Growth in AUD % | Total AUD sales % |
|---|---|---|---|
| Aesthetics | 30.5 | 28.7 | 45.9 |
| Whitening | 20.6 | 18.7 | 31.5 |
| Equipment | 16.5 | 15.6 | 7.1 |
| Amalgam | 41.0 | 40.3 | 15.5 |

Sales growth in the core categories of Aesthetics and Whitening grew strongly, up 30.5% and 20.6% respectively in local currencies. This performance reflects market share gains and the continuing momentum from new product releases in previous financial years. Equipment was also strong, growing 16.5% for the half, a return to normal operating conditions.

Amalgam, which is now 15.5% of total sales, rebounded strongly growing 41.0% in local currencies. This result was driven in part by the withdrawal of two major competitors from the amalgam market, but also further evidence of certain regions returning to normal operating conditions with new government tenders a feature.

**Sales by business unit**

| Business unit | Growth in local currency % | Growth in AUD % | Total AUD sales % |
|---|---|---|---|
| Australia (incl direct exports) | 31.0 | 29.9 | 37.7 |
| North America | 13.0 | 11.7 | 22.1 |
| Europe | 28.7 | 25.5 | 32.6 |
| Brazil | 66.9 | 67.2 | 7.6 |
| **Total** | **27.8** | **26.0** | **100.0%** |

The business unit performance reflects a return to normal operating conditions referred to above. The European business unit sales, up 28.7% in local currencies, was driven by strong demand in its key markets and assisted by the UK, where conditions continued to improve in the half. The Australian business unit sales, which includes Australian domestic and direct export markets, was up 31.0% with Australian direct exports increasing by 67.0%. This was partly offset by domestic sales which were down 16.8% in the half, due mainly to Government lock downs and their impact on Dentists in Victoria and NSW during the period.

Brazilian sales increased by 66.9% in local currencies, reflecting further market share gains and overall market growth. The restructure of the Brazilian operations has now been implemented and fully operational from January 2022.

**Sales by region**

| Region | 1H 2022 (AUD) | 1H 2021 (AUD) | % Change |
|---|---|---|---|
| APAC | 7.9m | 8.7m | (9.2) |
| Middle East / Africa | 5.6m | 2.0m | 180.0 |
| South America | 6.0m | 3.3m | 81.1 |
| North America | 10.3m | 9.2m | 11.7 |
| Europe | 16.5m | 13.6m | 21.3 |

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The regional performances reflect the normal operating conditions referred to above with strong growth in most regions. The APAC regions, as mentioned above, was impacted by Government lock downs in Victoria and NSW. Finally, the strong performance in the Middle East/Africa region, up 180% on pcp, benefited from the delivery of some large tenders during the half, in part reflecting the return of these markets to normal operation conditions.

**Gross profit margins**

Product margins in Australian dollars decreased by 12.5% to 52.4%, with added freight costs and adjusting for currency movements accounted for 6.4% of this decline. A further 6.1% decrease in the margin was due to regional and product sales mix. SDI exports to over 100 countries and the margins enjoyed in these regions is not uniform, with product margins also impacting the outcome. Growth in Australian direct exports and Brazilian sales, which may also be impacted at times by the product mix and generally attracting a lower margin, contributed to the overall margin mix. Finally, with the Amalgam market changes described above, the strong sales growth of this lower margin product impacted overall gross margins.

**Operating expenses**

Total operating expenses in Australian dollars increased by 23.1% when compared to the previous corresponding period. After adjusting for currency movements and government assistance programs, underlying operating expenses increased by 12.6% on pcp. However, encouragingly when compared to the pre-pandemic levels in the half year 2020, operating expenses increased by 2.5% after adjusting for currency movements.

**Balance sheet**

SDI's net cash position decreased by $4.0 million to $6.5 million for the six months after increasing inventories by $1.4 million, planned investment in plant and equipment of $0.6 million, product development expenditure of $1.2 million, and increase in freight costs of $2.7 million. The Company has actively increased its inventory in this period to ensure customer needs were met and in part to mitigate the continued global freighting delays. The Company has unused bank facilities of $10 million.

SDI did not receive Government assistance payments in the six months ending 31 December 2021, compared to receiving $3.4 million for the corresponding period last year. Of the $3.4 million received last year, $1.7 million was allocated to operating expenses and $1.7 million to the manufacturing departments to support the Company's commitment to keep its global employees employed during that period.

**Strategy and outlook**

The Company remain focused on its strategic priorities. Firstly, Aesthetics and Whitening products continue to be the focus for new product development; achieving 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 Company's Amalgam replacement product is on schedule to be released in 2023.

The Company has continued the comprehensive review of its manufacturing footprint, including relocation, further investment in automation, and on its manufacturing processes to ensure it continues to operate efficiently and manage future growth.

Commenting on the outlook, Samantha Cheetham said: "I am encouraged by the strong sales growth in our markets and see genuine momentum in our business underpinned by new product releases and continued increases in market share. While the challenges of elevated costs and the uncertainty of further lockdowns is still a reality, in time these conditions will normalise, and we will see ongoing benefits from the strong base we have built in our markets.

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**Dividends**

Showing the Board's confidence in the future of the business, the Directors has declared an interim fully franked ordinary dividend of 1.50 cents per share, maintaining last year's interim dividend of 1.5 cents. The interim ordinary dividends of 1.5 cents equates to payout ratio of 66.3%.

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

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

***Investor Webinar***

An investor webinar will be held on 17 February 2022 at 11:00am AESDT. To register for this webinar please us the following link below:

SDI 1H22 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.