



YOUR SMILE. OUR VISION.

# Market Eye Conference

Addressing global health  
challenges through innovation

1 December 2020

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Long successful operating history – founded in 1972 and listed on ASX in 1985 and Australia's largest dental manufacturer



SDI conducts research and development of specialist dentist materials undertaking the development, manufacturing and marketing of dental restorative materials



SDI sells to 100+ countries on all continents and with sales teams and distribution in Australia, Brazil, Europe and North America

SDI

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# GLOBAL HEALTH CHALLENGE IN DENTISTRY

- Dental caries is a major public health problem globally, the most widespread noncommunicable disease
- Dental caries consumed 5-10% of healthcare budgets in industrialised countries. A main reason for hospitalisation of children in some high-income countries
- Almost half of the world's population is affected by dental caries, making it the most prevalent of all health conditions
- Severe dental caries often causes pain and infection, which may result in tooth extraction
- Severe dental caries affects general health and well-being
- During Covid-19 lockdowns, most countries allowed dental practices to treat dental emergency situations – dental offices were classified as “permitted workplaces” during the recent Victorian lockdown.
  - “Going to the dentist for check-ups every six–12 months helps to prevent dental problems or find them early. If you notice any signs of a dental problem, visit your dentist to avoid any problems becoming worse.”

Source: World Health Organisation, WHO Technical Information Note, October 2017; Australian Dental Association Victorian Branch



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# ADDRESSING THE PROBLEM WITH INNOVATION

- Riva Star, a silver diamine fluoride or SDF, assists with stopping decay
- Riva restoratives (“fillings”) and cements release fluoride and calcium to the tooth, making teeth stronger and
- All research and development is focused on developing stronger products for healthier teeth



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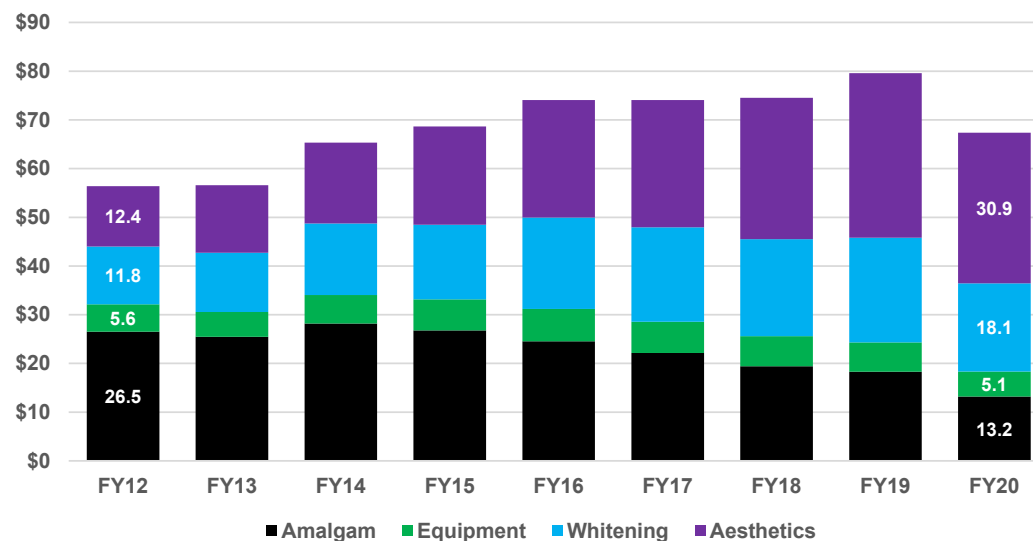
# PRODUCT CATEGORIES



# PRODUCT MIX

- Significant product shift as a result of strategic shift and redirected research and development
- Contemporary products (Aesthetics and Whitening) have moved from 43% of sales to 73% of sales with ~10% CAGR in revenue over the last 8 years
- Amalgam decline reflects shifting consumer preferences and is expected continue to its trend in the coming years

Product Sales \$m



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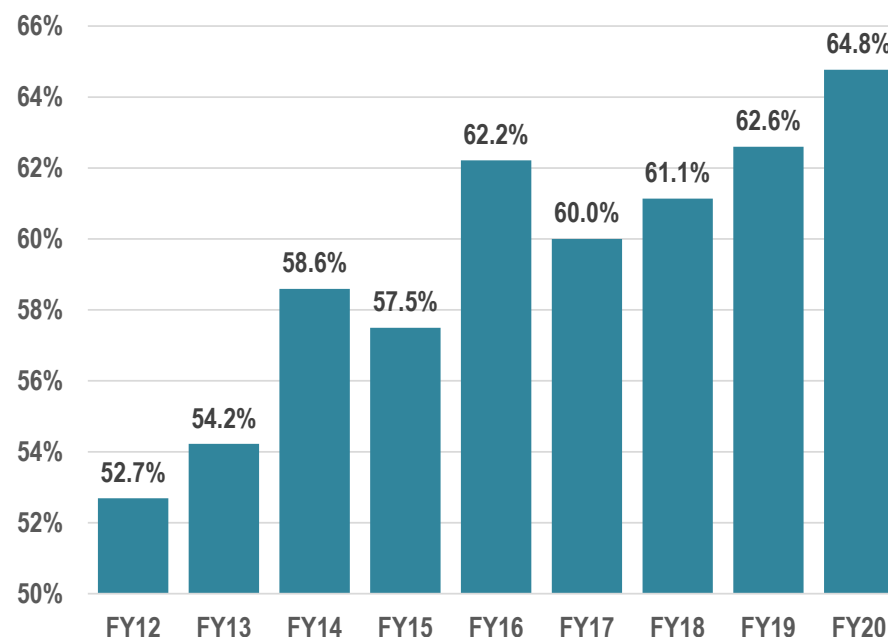


# CATEGORY OVERVIEW

## MOMENTUM IMPACTED BY COVID-19 WITH PRODUCT MIX CONTINUING TO DRIVE GROSS MARGIN

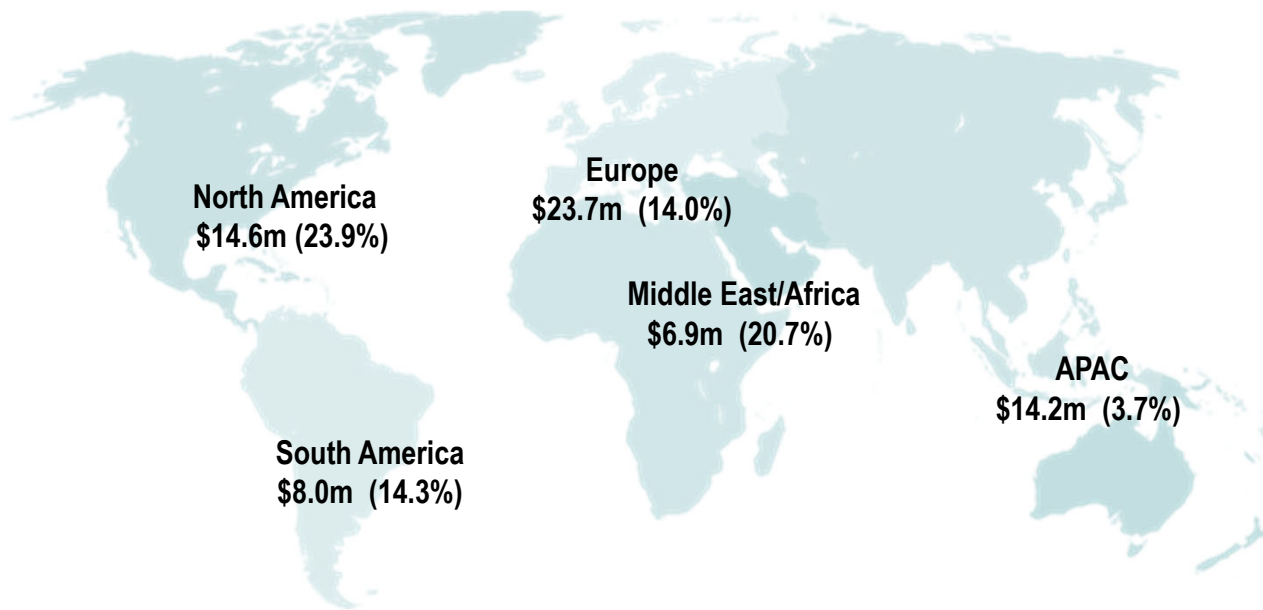
- Government restrictions impacted demand in all product groups, with dentists limited to emergency procedures
- Record Sales momentum in 1H20 impacted by global pandemic in 2H20, a traditionally the stronger half for the business
- Gross Margin improvement due to favourable product mix shift
  - Aesthetics (45.9% of sales) showed the smallest decline, down 9.1% (down 12.2% in local currency)
  - Whitening (26.9% of sales) and Equipment (7.6% of sales) down 15.4% and 14.9% (18.1% and 16.1% in local currency)
  - Amalgam (19.6% of sales) down 27.2% (down 29.7% in local currency)

Gross Margins %

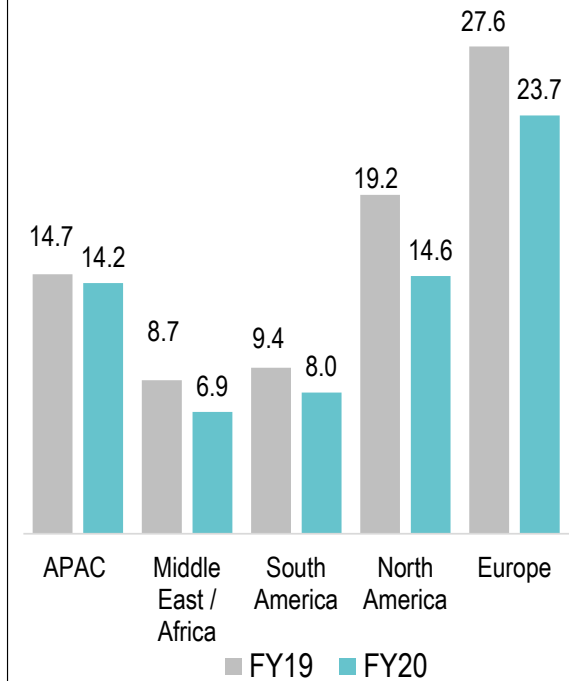


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# GEOGRAPHIES



Sales by geography (A\$m)



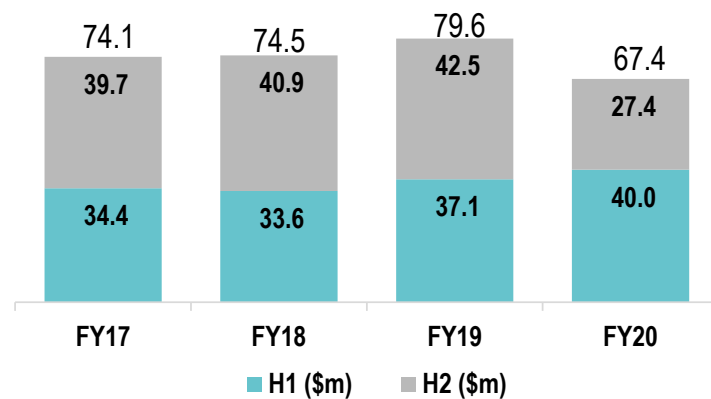
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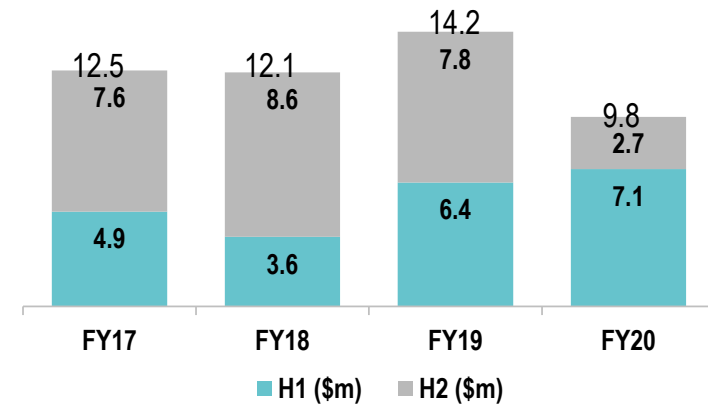
# FY20 SUMMARY

## GROWTH MOMENTUM IMPACTED BY COVID-19 IN 2H20

Sales (\$m)



EBITDA (\$M)



- Sales down 15.4% to \$67.4m with 2H20 sales down by 35.6%; traditionally strong half for business
- Momentum slowed in 2H20, with dentists limited to emergency procedures
- Gross margin up to 64.8%, with favourable product mix

- Management reacted promptly to changing conditions, Directors and management salaries reduced by 40%
- Costs carefully managed with YoY OPEX down 8.2%
- Devaluation of Brazilian Real (down 33% in 2H20) resulted in \$1.4m currency loss; Brazilian strategic review completed
- Despite challenging operating conditions, profitable in 2H



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# TRADING UPDATE

## STRONG START TO THE FINANCIAL YEAR

- Strong first quarter in most regions (local currency)
  - Australia Domestic up 28%
  - North America up 15%
  - Brazil up 37%
  - Europe (ex-UK) up 25%
  - UK down 80%
  - Australian Direct Exports down 22%
  - Total sales down 1%
- Operating Expenses down 20% - (down 12% excluding Government assistance)
- Gross Product Margins down 1%



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# STRATEGY & OUTLOOK

## CLEAR STRATEGY AND POSITIVE OUTLOOK

### STRATEGY

- 45% SKUs reduction expected to drive further efficiencies
- On-going investment in R&D with the release 1-2 products per year
- Pola Light USA and Australian launches performing very well
- Amalgam replacement product on schedule for release in 2023

### OUTLOOK

- Strong start to the financial year, despite little contribution from the UK
- Operating expenses continue to be managed and gross margins to be maintained
- Continued product mix shift with growth tracking as expected in Aesthetic and Whitening, and continued decline in Amalgam products
- Inventory levels expected to be at normal levels by December 2020
- No debt by December 2020



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