

# company overview

SEPTEMBER 2009



SDI



# **Company Overview**



**September 2009**

## Overview

SDI Limited commenced operations in 1972 as Woddens Nominees Pty Ltd, trading as Southern Dental Industries and owned by the Cheetham family. In 1985 the company was publicly listed (ASX code: SDI) and became Southern Dental Industries Limited. In 2000 the Company changed its name to SDI Limited.

SDI Limited manufactures and distributes dental restorative products, small dental equipment and tooth whitening systems. SDI only sells and distributes its owned manufactured products. The Company also does substantial research and development on developing new products as well as continually improving its existing range of products.

## Shareholding

The Cheetham family owns 46% of the shareholding of SDI Limited. Molvest Pty Ltd (private investor) owns 7% and three other institutional investors collectively own 19% of SDI Limited.

## Company Structure

SDI Limited Australia is the global head office and is located in Bayswater, Victoria. It performs the following functions:

- Global research and development centre;
- Global manufacturing centre;
- Centralised finance and accounting functions for all global operations with the exception of Brazil where there is an in house finance team that reports directly to the finance department in Australia;
- Global strategic planning utilizing SAP as its MIS and ERP system.
- Warehouse and sales centre for the Australian, South East Asian, Middle Eastern and South American (excluding Brazil) markets.

SDI Limited has 4 fully owned subsidiary companies:

- SDI Dental Limited, Dublin, Ireland – European Sales Centre;
- Southern Dental Industries GmbH, Köln, Germany – European Warehouse and sales for the German Domestic Market;
- SDI (North America), Inc. Chicago, USA – Warehouse and Sales Centre for the North American Market;
- SDI Brasil Industria e Comercio Ltda, Sao Paulo, Brazil – Warehouse and Sales Centre for the Brazilian Market;

# Manufacturing

SDI's global manufacturing is centralised at Brunsdon Street, Bayswater, Victoria, Australia, where the company owns approximately four acres of adjoining half acre blocks. Manufacturing is vertically integrated and consists of chemical and material manufacturing, injection moulding, filling and packing departments as well as inwards goods and despatch warehouses. The ongoing challenge for SDI is to fully automate its manufacturing processes.

Manufacturing of SDI's highly technical and sophisticated products involves very complex and technical procedures, which includes 'secret' technical know-how. The majority of the manufacturing employees are required to have high skill levels and a specialised knowledge in their particular product.

There is sufficient manufacturing space and capacity available to increase sales (at current) prices to approximately \$90-100M annually. To achieve this there would need to be additional investment in machinery and fittings. Some manufacturing departments are currently running at 100% capacity; however this capacity can be expanded by investing in minor equipment.

Amalgam capacity is running at approximately 60% and the Riva (Glass Ionomer Cement) manufacturing has been designed so that the current equipment configuration will produce approximately \$10M of sales. This capacity can also be quickly increased by minor investment in more machinery.

# Distribution

SDI's global distribution network encompasses over 100 countries. SDI sells to Distributors, who then sell to Dealers and the Dealers sell to the end user, the Dentist.

Distributors are usually exclusive distributors of SDI products, whereas the Dealers will sell competitors' products as well as SDI's.

In countries where SDI has a subsidiary company, these companies replace the Distributor and sell directly to the Dealer.

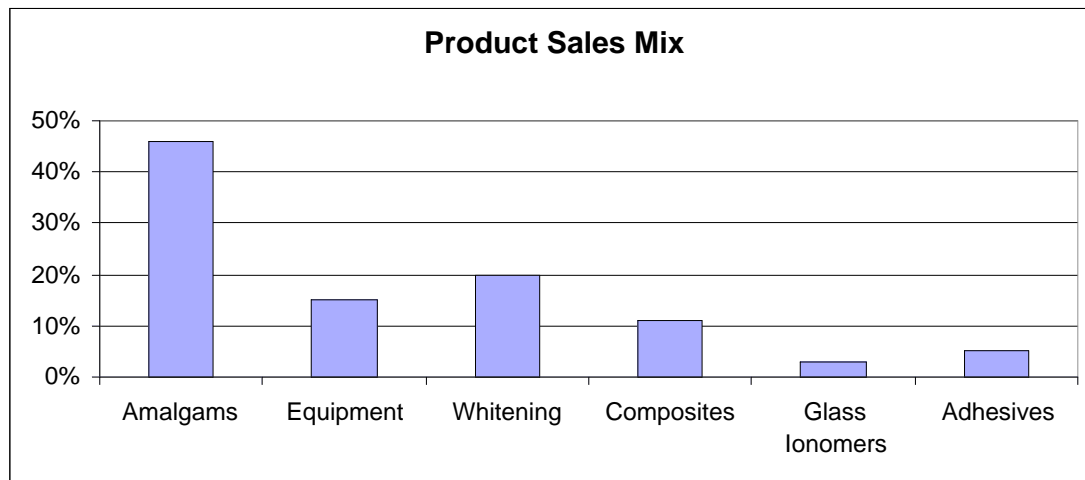
SDI has a global network of sales executives who service Distribution customers as well as Dealers.

SDI employs over 250 people in the following countries:

Australia	176	Denmark	1
USA	12	Ireland	6
Canada	3	UK	6
Germany	9	France	4
Austria	1	Spain	3
India	1	Italy	3
Brazil	20	Czech Republic	1
Latin America	6		

# Products

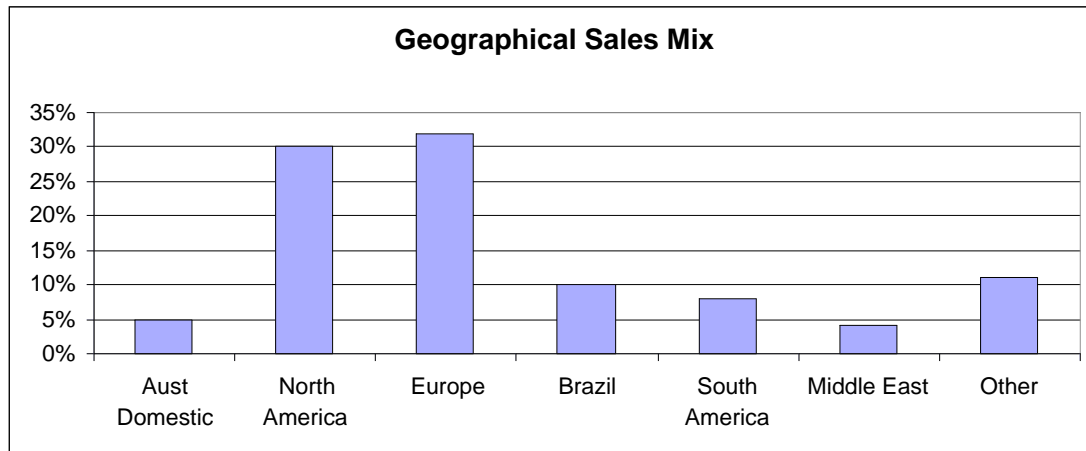
The sales mix of SDI products is as follows:



- **Amalgam Restorative:** SDI has established itself worldwide with this dental amalgam alloy which is a silver mercury restorative and has been used universally for over 100 years - commonly known as silver fillings. Although amalgams have a flat market growth in higher socio-economic markets, SDI continues to have growth opportunities in the lower socio-economic markets.
- **Equipment – LED Lights & accessories:** Significant replacement market of old technology by this new generation light curing and diagnostic device.
- **Tooth Whitening:** Growing demand in all markets for whiter, brighter teeth.
- **Composite Restorative:** These are typically tooth coloured restoratives which are becoming increasingly popular worldwide.
- **Glass Ionomer Restorative:** This is a new range of products. There is a growing demand in all markets for this high fluoride releasing, aesthetic filling material. SDI expects that in the next few years this product range will represent around 20% of its total sales.
- **Adhesives:** Associated with the composite range of materials are new technology adhesive systems and delivery systems, all of which are quite innovative and have been proven to be very acceptable throughout the company's considerable international distributor market.

# Markets

SDI exports approximately 95% of its products. The geographical sales mix is as follows:



- Australian & New Zealand: High quality, sophisticated market. Educated dentists with a willingness to embrace innovation and technology. Increasingly cosmetically focused population.
- North America: High quality, sophisticated and well developed market with demand for new and innovative products. A large, high dentate population demanding advanced dental care.
- European Union: Market consists of different geographic dynamics. Continually expanding as Eastern European markets open up creating stronger demand for dental care.
- Central & South America: Generally a low socio-economic market and demand is for economically priced products. Amalgam usage is high. Large and increasing dental population.
- Asia & Middle East: A wide discrepancy exists between the socio-economic groupings in a vast range of countries. There is a growing demand for high quality dental care and products compared to poorer quality locally manufactured products.

## Competitors

Several countries have small “backyard” manufacturing operations of certain competitive low quality products such as amalgam and composites. These usually have a small share of the market but the majority of our competitors come from 6 companies:

- Dentsply Inc. (USA) No glass ionomer
- Sybron Dental Systems – a division of Danaher Inc., (USA Kerr) No glass ionomer
- 3M Espe (USA) Do not manufacture amalgam
- GC Dental (Japan) Do not manufacture amalgam
- Vivadent (Liechtenstein) No glass ionomer cements
- Coltene (Switzerland) No glass ionomer cements

These companies demand high prices for their products in all markets. SDI’s strategy is to price its products just below these competitors. It should be noted that SDI’s glass ionomer cement market (Riva) has only 3M Espe and GC as its competitors.

## Research & Development

SDI employs over 10 Chemists who have specific expertise in various product groups. The R & D facility is equipped with state of the art equipment which assists the team to develop future new high technology product as well as continue to improve the existing product range.

Currently, the R & D team is actively working on projects to further develop superior glass ionomer restorative materials, an improved version of an adhesive cement, a new generation composite restorative material, and improving tooth whitening systems.

Projects typically take around one to three years to commercialise and involve stability, efficacy and extensive clinical testing. All products are classified as Class 2 devices and are subject to strict medical device control by the TGA, FDA, CE etc. SDI has an in house regulatory affairs department which is responsible for ensuring that world wide registrations are approved.

## Financial Data

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Sales (\$m)</b>	45.9	45.2	48.6	49.0	56.4
<b>EPS (cents)</b>	2.6	4.3	3.4	1.0	2.6
<b>EBIT (\$m)</b>	3.7	7.4	6.5	2.6	5.6
<b>DPS (cents)</b>	0.9	0.6	0.7	0.0	0.3
<b>Depr &amp; Amort (\$m)</b>	1.5	1.5	1.8	2.0	2.2
<b>Interest (\$m)</b>	0.8	1.0	0.9	1.1	1.0
<b>Tax (\$m)</b>	-0.1	1.3	1.6	0.4	1.5
<b>NPBT (\$m)</b>	2.9	6.4	5.6	1.5	4.6
<b>NPAT (\$m)</b>	3.0	5.1	4.1	1.1	3.1
<b>EBITDA (\$m)</b>	5.2	8.9	8.3	4.6	7.8
<b>EBITDA %</b>	11.3	19.7	17.1	9.4	13.8
<b>Equity (\$m)</b>	25.7	30.4	34.1	34.8	38.3
<b>ROE %</b>	11.7	16.8	12.0	3.2	8.1

# Corporate Directory

SDI Limited  
ABN 27 008 075 581

## **Auditors**

Deloitte Touche Tohmatsu  
180 Lonsdale Street, Melbourne  
Victoria 3000, Australia

## **Bankers**

St George Bank Limited  
11 Corporate Drive, Moorabbin East  
Victoria 3002, Australia

## **Solicitors**

McPherson & Kelley Lawyers Pty Ltd  
40-42 Scott Street, Dandenong  
Victoria, 3175, Australia

## **Share Registry**

Link Market Services Limited  
Level 4, 333 Collins Street, Melbourne  
Victoria, 3000, Australia  
Ph: 03 9615 9800, Fax 03 9615 9900

## **Patent Attorneys**

Lord & Company  
2nd Floor, 4 Duro Place, West Perth  
Western Australia, 6005, Australia

## **Shares**

Shares in SDI Limited are listed on the Australian Stock Exchange Limited under the listing code SDI

## **Senior Management**

Jeffery Cheetham, Managing Director  
Samantha Cheetham, Director of Sales & Marketing  
Joshua Cheetham, R&D Director  
Nicholas Cheetham, Operations & IT Director  
Ray Cahill, Technical Director  
John Slaviero, Chief Financial Officer

**Board of Directors**

A. J. Bardsley, (Chairman) B.Sc., F.A.I.F.S.T., F.A.I.M.  
J. J. Cheetham (Managing Director) O.A.M.  
G. M. McCorkell, LL.B.  
J. A. Roseman, C.P.A.  
S. J. Cheetham, B.Bus. (Banking and Finance), M.B.A.  
J. N. Isaac, LL.B., F.A.I.C.D.

**Alternate Directors**

P. J. Cheetham  
N. A. Cheetham

**Company Secretary**

J. J. Slaviero, B.Bus. (Acct.), C.P.A., F.T.M.A.

**Principal and Registered Office**

5-7 Brunsdon Street, Bayswater  
Victoria, 3153, Australia

Telephone +61 3 8727 7111  
Facsimile +61 3 8727 7222  
Email: [info@sdi.com.au](mailto:info@sdi.com.au)  
Website: [www.sdi.com.au](http://www.sdi.com.au)



[www.sdi.com.au](http://www.sdi.com.au)  
[www.polawhite.com](http://www.polawhite.com)

