

Managing Director's Report 12 Months to 31 July 2016

21 September 2016



Vision and Mission Statement

Vision

To optimise the health and development of adults, infants and children.

Mission

To deliver science based bioactives which provide health benefits to adults, infants, children and to the medical food markets.

Full Year Performance Highlights

- ✓ Total Revenue
\$42.9m up **43%**
driven by improved demand
- ✓ Net Profit **\$2.2m** up
on 2015 \$0.1m
- ✓ Operating expenses
\$5.8m down **5%** on
previous year
- ✓ Strong **growth** in
non-traditional accounts &
pipeline of new
opportunities
- ✓ Inventory managed at
\$13.6m down **4%**
on prior year
- ✓ Balance Sheet remains
strong with no debt and
cash of **\$8.2m**

Full Year 2016 Results

AUD million	4E Reported 31 Jul 2016	4E Reported 31 Jul 2015
Revenue	\$42.9	\$29.9
EBITDA	\$3.3	\$0.6
EBIT	\$2.8	(\$0.1)
NPBT	\$3.1	nil
Tax	(\$0.9)	\$0.1
NPAT	\$2.2	\$0.1
EPS	1.34 cps	0.06 cps
ROE (annualised)	7.4%	0.3%

- ♣ 43% year on year revenue growth
- ♣ Increased sales to EU & ANZ and new customers
- ♣ EBIT \$2.8m (PCP -\$0.1m)
- ♣ Fixed costs managed \$5.8m (PCP \$6.1m)
- ♣ NPAT result \$2.2m (PCP \$0.1m)

Balance Sheet 31 July 2016

AUD million	Reported 31 July 2016	Reported 31 July 2015	Movement
Cash	\$8.2	\$9.6	1.4 ↓
Trade Receivables	\$10.9	\$5.5	5.4 ↑
Inventories	\$13.6	\$14.2	0.6 ↓
Total Current Assets	\$33.1	\$29.5	3.6 ↑
PPE/Intangible Assets	\$6.7	\$7.1	0.4 ↓
Total Assets	\$39.8	\$36.6	3.2 ↑
Trade Payables	(\$8.5)	(\$6.3)	2.2 ↑
Total Current Liabilities	(\$9.5)	(\$7.0)	1.5 ↑
Total Liabilities	(\$9.6)	(\$7.2)	2.4 ↑
Net Assets	\$30.2	\$29.4	0.8 ↑

- ♣ Cash balance strong \$8.2m
- ♣ Trade receivables reflect the increased sales activity
- ♣ Inventory levels managed to expectations
- ♣ Payables managed in line with increased activity
- ♣ FYR16 dividend payment of 0.5c per share

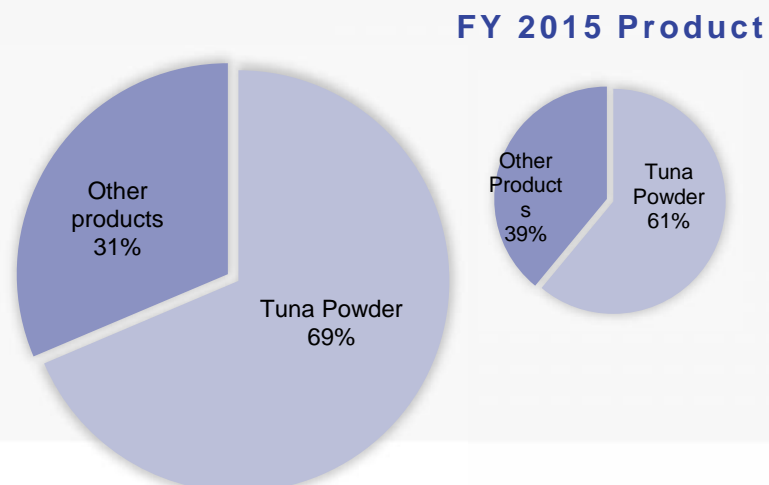
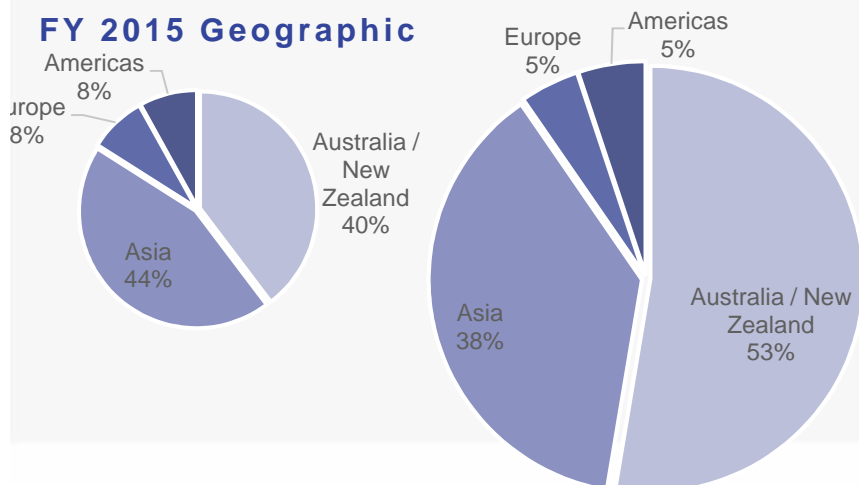
Sales by geography & product

- ♣ Asia, Australia & New Zealand have grown during 2016.
- ♣ European and American markets provide new opportunities

- ♣ Encapsulated Tuna oil leads sales revenue with encapsulated Algal oils and other oils represented in other products

FY 2016 Geographic

FY 2016 Product



An Update on Growth Platforms



Growth Platform

Continued focus on the infant formula market

- ♣ The Chinese infant formula market continues to recover, with strong sales from Europe, Australia and New Zealand
- ♣ Traditional Nu-Mega customers sales are recovering, reflected in revenue
- ♣ Order patterns from new customers are increasing, with a pipeline of potential customers in product trials
- ♣ New European regulations requiring the inclusion of minimum 20mg DHA dosage in all infant formula by 2020 (currently it is optional to include DHA, averaging at 9mg dosage) represents a growth opportunity for Clover

Focus on
infant
formula
customers
and market



Growth Platform

Developing new markets

- ♣ The first production run at Waikato in New Zealand is complete, with sales to new customers resulting
- ♣ Clover has established a distribution channel into the USA targeting the sports nutrition, food and wellbeing markets
- ♣ Trials and product innovation have been initiated with Fast Moving Consumer Goods customers for Omega 3 products

Products and
Market
Development



Growth Platform

Research & Development Strengthened

- ♣ Clover employed two PhD scientists during 2016 to develop the next generation of products, with expertise in nutrition and encapsulation technology
- ♣ Clover has launched two new products; one targeting the Hypoallergenic infant formula market and the other a food grade Tuna oil
- ♣ Clover is developing other product and process technology in conjunction with customers

Research &
Development



FY2017 Outlook & Priorities

- ♣ **Market development into the EU taking advantage of new regulations**
- ♣ **Develop new product applications into sports nutrition and wellness market segments**
- ♣ **Maintaining growth in Oceania, Asia and Europe**
- ♣ **Research & Development in collaboration with customers**
- ♣ **Continue to establish expert distribution partners**
- ♣ **Continue to improve efficiencies and reduce costs**
- ♣ **Add value through strategic acquisition and/or partnership**

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