



Clover Corporation Limited

31 October & 1 November 2019

Peter Davey- CEO & Managing Director presentation
Select Equities doing business in China



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 and children.

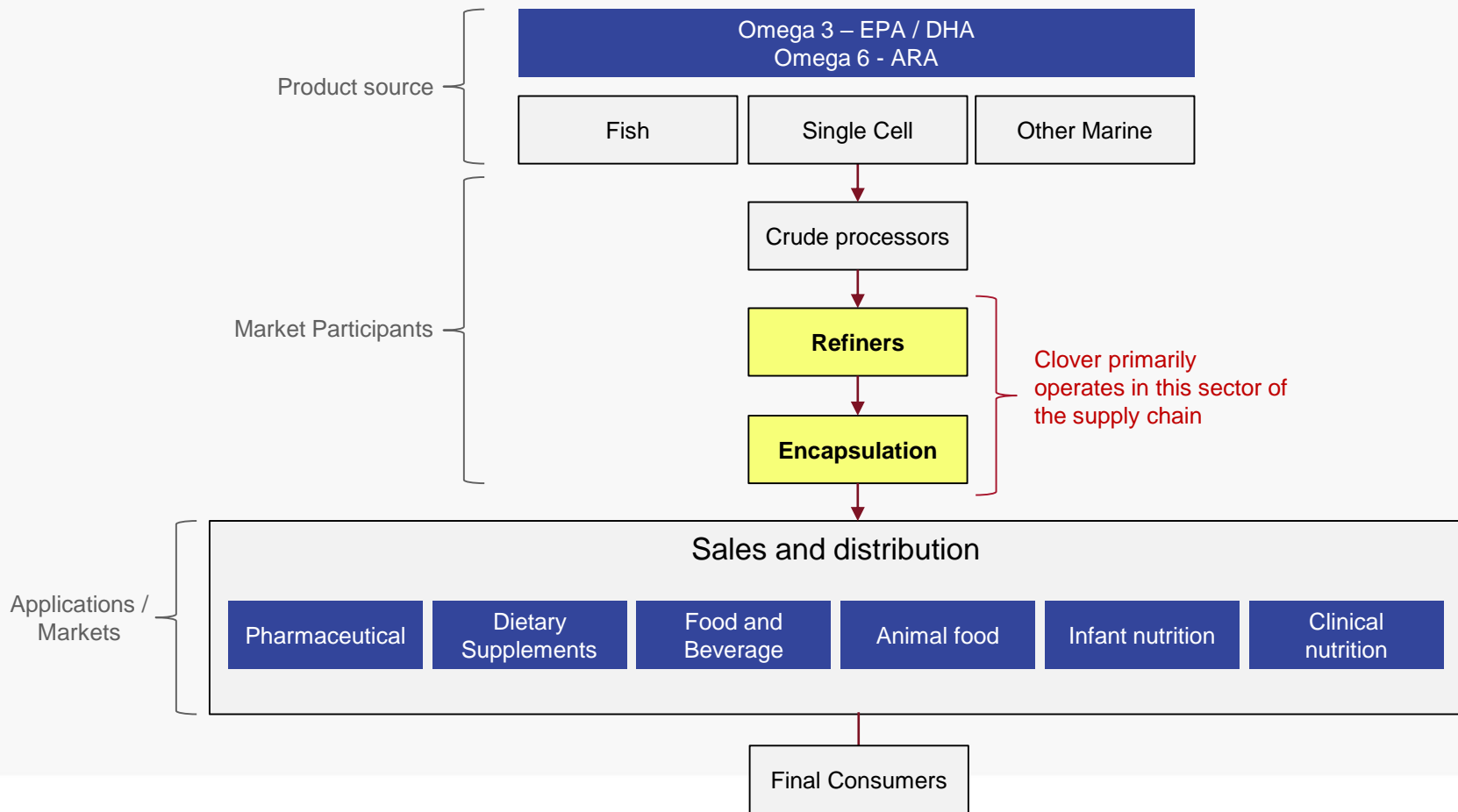
Clover 2017-19

Average daily trading price ASX:CLV



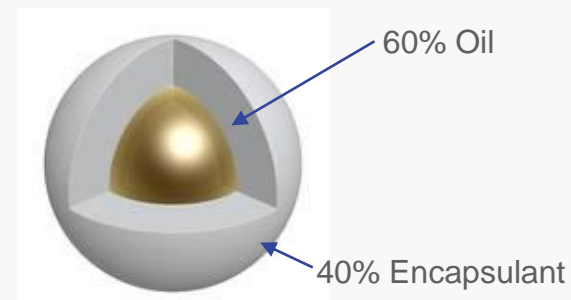
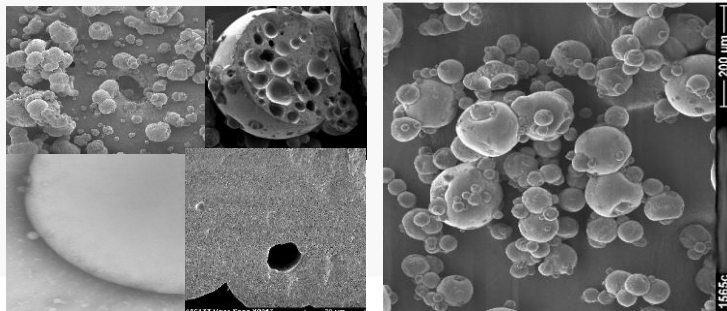
Average Daily Clover Corporation Share price January 2, 2017 to October 21, 2019

Omega Ingredients Value Chain



Encapsulation Technology

- Patented Microencapsulation Technology with best in class application performance:
 - Protection against oxidation and provides superior sensory stability
 - Suitable for a wide range of food applications
 - Benefits of non-refrigerated storage with a shelf life of 24 months, lowering cost of logistics, storage and use
 - 60% oil loaded powder delivering:
 - Tuna oil (14.5% DHA)
 - ARA (24%)
 - Algal DHA (24%)
 - More than 18 years of proven global use within dry-blended infant and children formula products
 - China regulatory compliant ingredients



▶ D301.010 Driphorm HiDHA 60

Overview of Melody Dairies investment

What is it?

- ❖ Melody Dairies is a separate company that is building and operate a nutritional spray dryer in Hamilton, New Zealand (NZ)

The Rationale

- ❖ Clover manufactures its nutritional powders on spray dryers
- ❖ The company has increased volume by more than 20% per annum and requires additional capacity to support future growth
- ❖ Clover has an existing relationship with New Zealand Food Innovation Waikato (NZFIW), who own and operate a dryer at the same location
- ❖ NZFIW will operate the new dryer and be a partner



Overview of Melody Dairies investment cont.

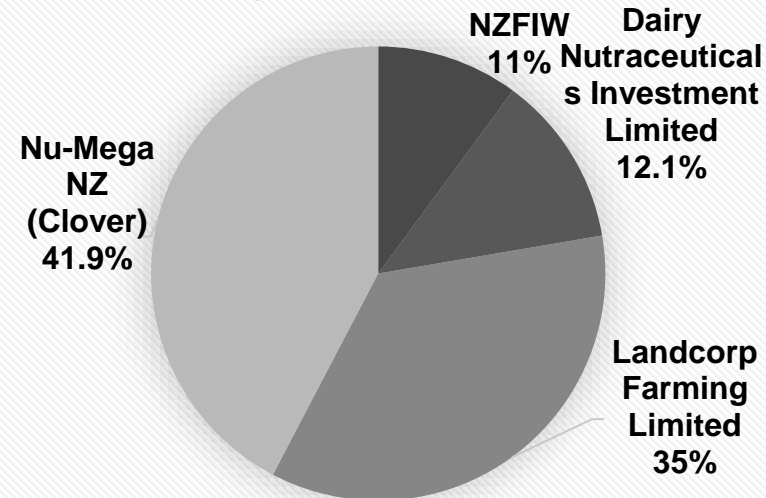
Solution and results

- ♣ Melody Dairies will be owned by four partners who will also have access to the dryer's capacity equivalent to their share of the business
- ♣ The dryer has a capacity of 1.2 metric tonnes per hour providing Clover with additional volume to support the growing NZ market

Alternatives

- ♣ Clover is also contracted to manufacture products at spray drying facilities in Australia and New Zealand and will continue to do so, meaning the new dryer adds capacity and reduces risk

Melody Dairies Ownership



China IF Market Update

Market changes

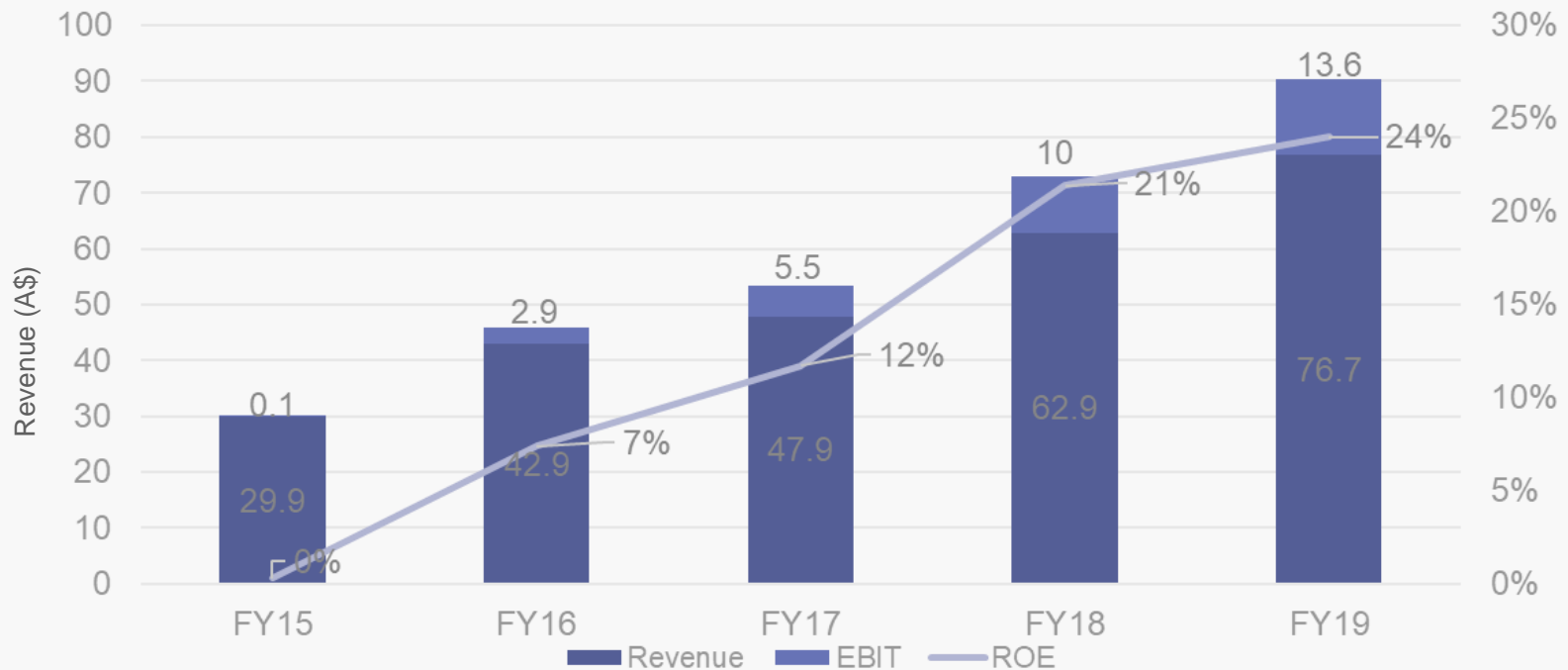
- Slowing of SAMR registrations for International brands to sell in China
- Consumers preference for non-China manufactured infant formula
- China adds 22 Bonded warehouses to facilitate the CBEC (Cross Boarder Electronic Commerce) market
- New Chinese DRAFT GB standard for Infant Formula requiring a min. 15mg /100Kcal DHA and ARA
- New EU regulation requiring the mandatory inclusion of 20mg/100Kcal DHA in infant formula by Feb. 2020

Outcomes for Clover

- Clover's customers are waiting for audits, the SAMR License allows sale through the retail channel
- Clover's customers brands are in demand, increasing demand for Clover's ingredients
- Clover supplies to manufacturers who benefit from the extended CBEC trade
- If the DRAFT becomes legislation Clover expects to benefit from the increased DHA & ARA usage
- EU infant formula manufacturers will use encapsulated DHA like Clover's product to meet new regulations, this product will find its way into the China market

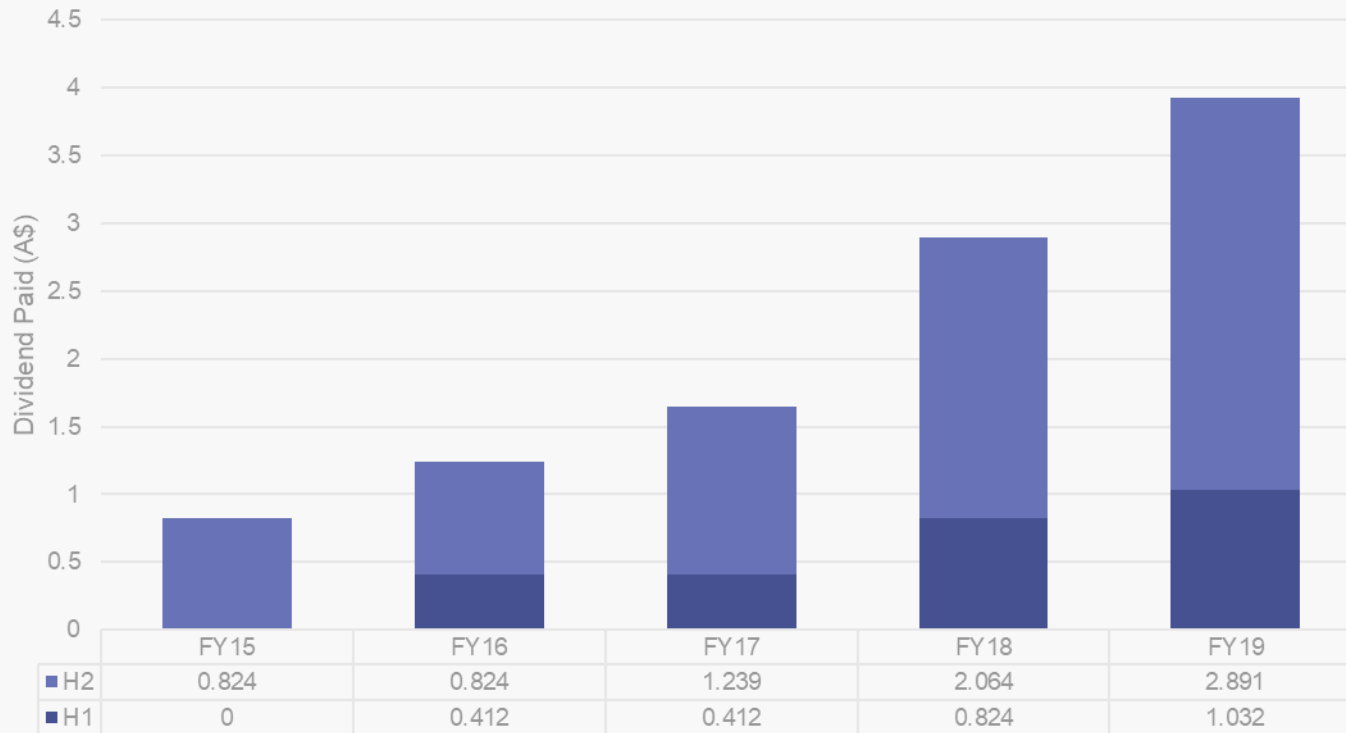


Financial Review- 2015-2019



- Clover has experienced significant revenue growth since 2015, complemented by improved profitability providing an increased Return On Equity
- The infant formula sector has continued to rally with little change in Chinese regulations across 2019 and improved confidence in product quality

Total Dividend Paid FY'15-19



- Clover has consistently increased its total dividend payout to shareholders in line with growth in profitability

Full Year Performance Highlights

- ✓ Total full year Revenue **\$76.7m** up **22%** on FY18 \$62.9m driven by improved demand
- ✓ Net Profit **\$10.1m** up **33.1%** on FY18 \$7.6m.
- ✓ Operating Expenses **\$10.6m** (FY18 \$8.3m); investment in people to deliver growth
- ✓ New products delivering growth in new segments and countries
- ✓ Inventory at **\$27.7m** up \$7.9m on FY18 full year
- ✓ EBITDA covers net debt by **2.7** times
- ✓ Final dividend declared of **1.75 cent** per share, a 40% increase on prior year final

Full Year 2018 Results

AUD million	4E Reported 31 Jul 2019	4E Reported 31 Jul 2018
Revenue	\$76.7	\$62.9
EBITDA	\$14.0	\$10.9
NPBT	\$14.0	\$10.6
Tax	(\$3.9)	(\$3.0)
NPAT	\$10.1	\$7.6
EPS	6.12 cps	4.59 cps
ROE (annualised)	24.3%	21.4%

- ♣ 22% year on year revenue growth
- ♣ High growth rates in Asia, EU & USA, whilst Australia/NZ still key sales region
- ♣ EBITDA \$14.0m (PY \$10.9m)
- ♣ Fixed costs managed \$10.7m (PY \$8.3m), resourcing for future growth
- ♣ NPAT result \$10.1m (PY \$7.6m)

Balance Sheet 31 July 2019

AUD million	Reported 31 Jul 2019	Reported 31 Jul 2018	Movement
Cash	\$8.3	\$7.9	+\$0.4m
Trade Receivables	\$18.4	\$15.3	+\$3.1m
Inventories	\$27.7	\$19.8	+\$7.9m
Total Current Assets	\$55.4	\$43.6	+\$11.8m
Fixed Assets	\$19.4	\$8.5	+\$10.9m
Total Assets	\$74.8	\$52.0	+\$22.8m
Trade Payables	(\$12.5)	(\$7.8)	-\$4.7m
Current borrowings	(\$1.5)	(\$0.5)	-\$1.0m
Total Current Liabilities	(\$17.6)	(\$10.1)	-\$7.5m
Non current borrowings	(\$12.0)	(\$3.7)	-\$8.3m
Total Liabilities	(\$29.6)	(\$13.9)	-\$15.7m
Net Assets	\$45.1	\$38.1	+\$7.0m

♣ Net debt of \$5.2m as compares to EBITDA of \$14.0m

♣ Trade receivables up on FY18 reflects sales increase

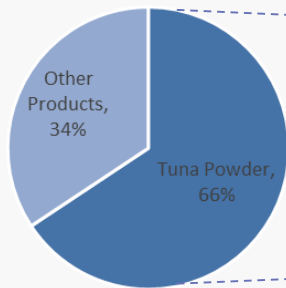
♣ Inventory levels increased to meet demand

♣ Payables increased in line with inventory activity

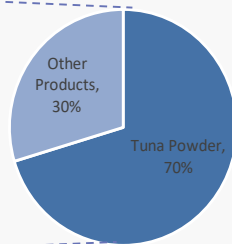
Sales by Geography & Product

- ♣ Sales across all key regions have grown during FY19 compared to FY18
- ♣ Asia key growth area for IF for the Chinese market, whilst USA growth in non IF sector

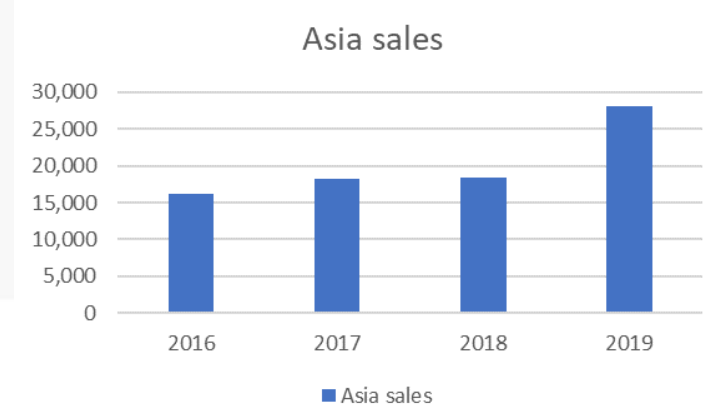
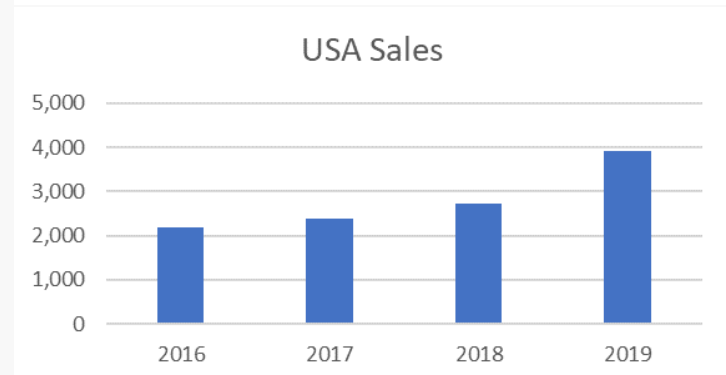
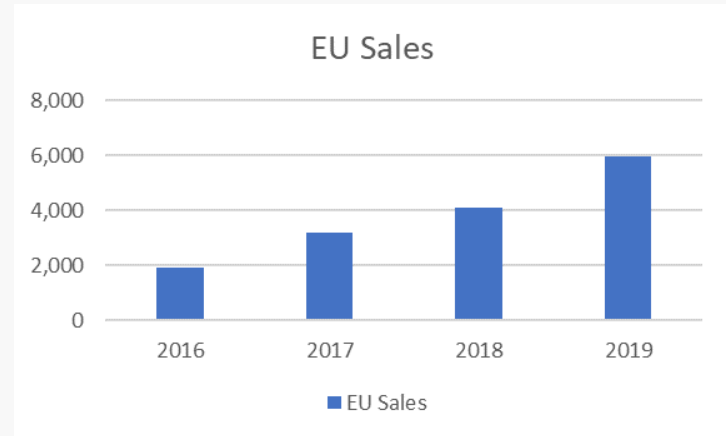
FY 2019 Product



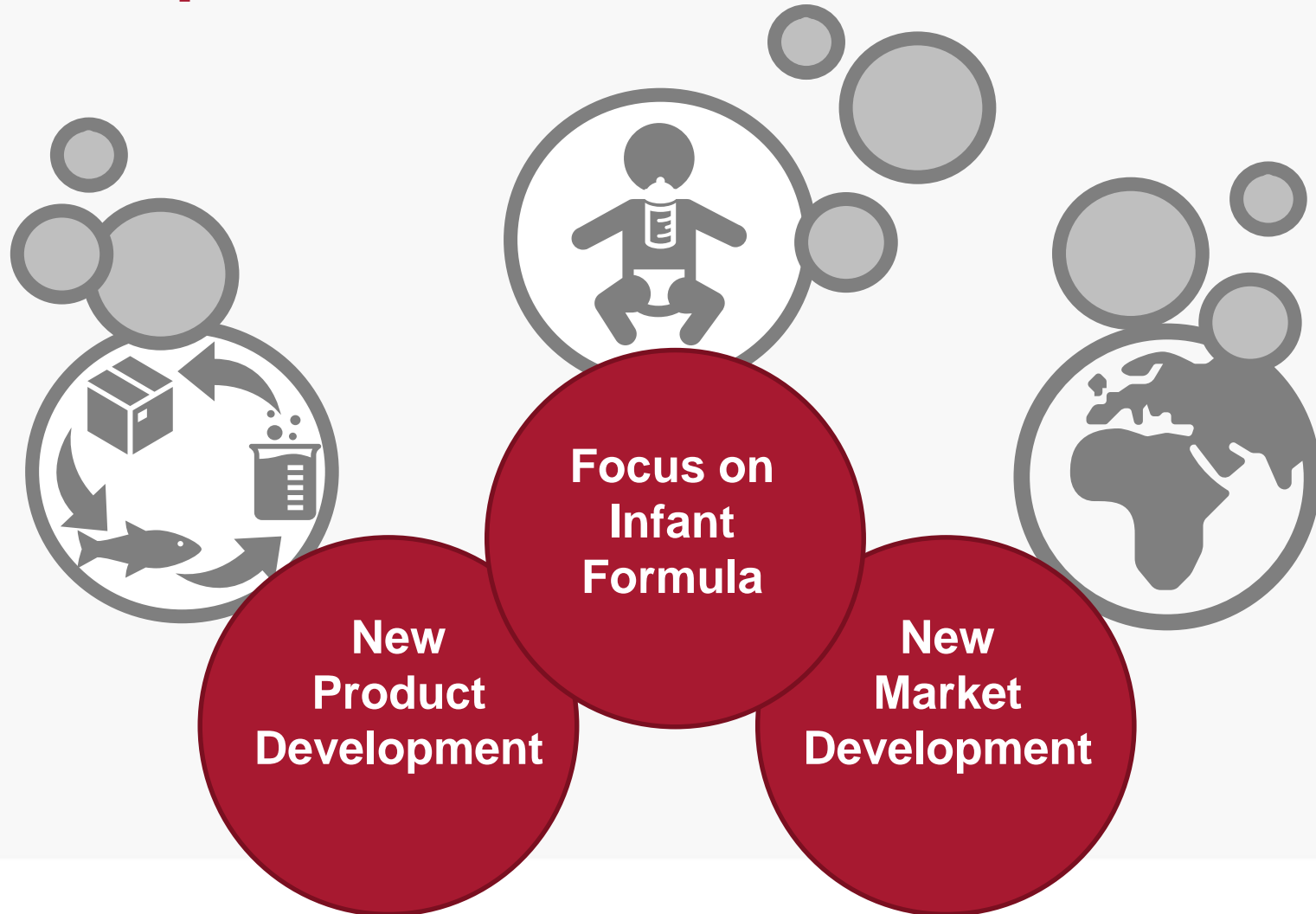
FY 2018 Product



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



An Update on Growth Platforms



Growth Platform

New products driving future growth

- ♣ Clover's new products have won new business in food fortification across different segments
- ♣ The highly concentrated DHA powder delivering a 60% oil loading is used across health bars, powders and gummies
- ♣ Clover has released 4 new products for the year delivering solutions to customer requirements



Growth Platform

New markets development

- ♣ Clover has grown sales in USA, Europe, Asia and ANZ
- ♣ The USA has delivered sales growth across food, drink and nutraceutical applications
- ♣ Clover has sales staff across Europe, China, New Zealand and dedicated staff for SE Asia and Australia providing a face to face solution
- ♣ The company has entered a JV with Melody Dairies to build a spray drying facility in NZ



**New
Market
Development**

1 HFY20 Outlook & Priorities

- ♣ Growth in European markets driven by the requirement to increase DHA levels in infant formula
- ♣ Build completion of spray drying facility in Hamilton, New Zealand
- ♣ Development of new products targeting sports nutrition, children's and seniors' health
- ♣ Growth expected in Asia, USA and South America
- ♣ Establish customers for new products in nutraceuticals, pharmaceuticals, and sports nutrition
- ♣ Improve efficiencies and reduce operating costs
- ♣ Add value through strategic acquisition and/or partnership

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