

# Managing Director's Report 12 Months to 31 July 2021

18 November 2021



# Vision, Values and Purpose Statement

## Vision

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

## Values

Respect, Response, Responsibility

- -

## Purpose

In collaboration with key market participants, Clover develops customised high value nutritional ingredients that enhance the wellbeing and dietary needs of their customers.

# Full Year FY'21 Performance Highlights

♣ Total full year Revenue

**\$60.5m** down 32.0% on  
FY20 \$88.3m driven by  
reduced demand

♣ Net Profit **\$6.0m**

down 51.9% on FY20  
\$12.5m

♣ Operating Expenses

**\$8.7m** down 23.7%  
(FY20 \$11.4m) reduced  
spending across all areas

♣ New products continuing to  
be developed to move  
forward in new segments and  
markets

♣ Inventory at **\$30.8m**  
down \$1.1m on FY20 full year

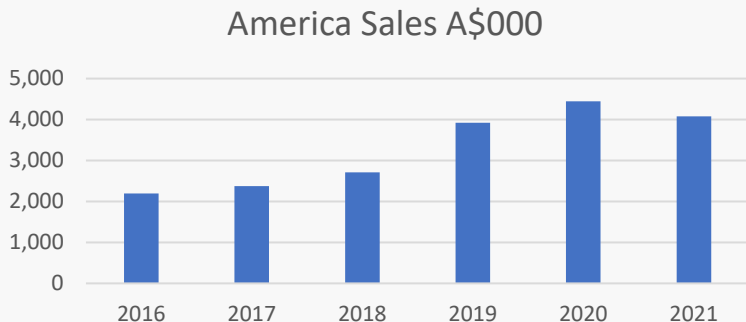
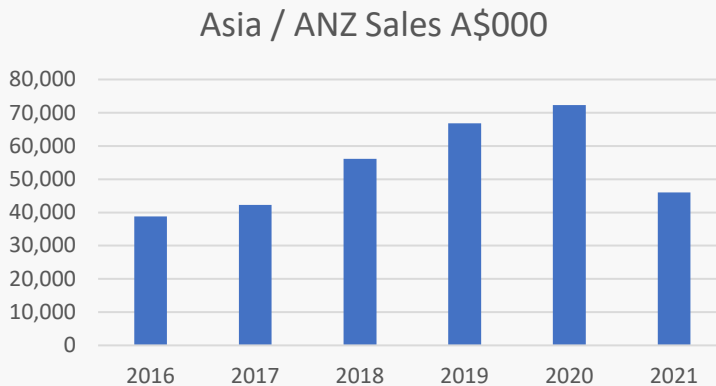
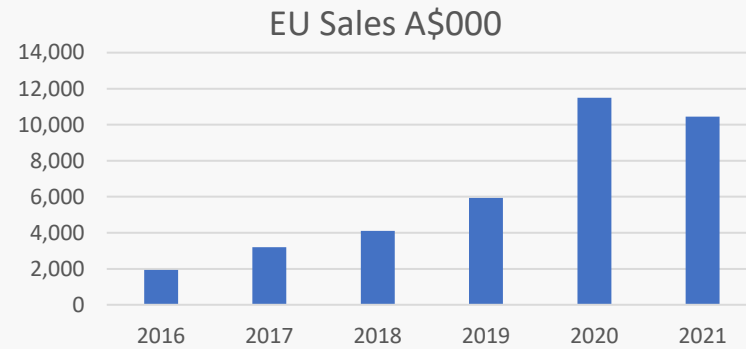
♣ Balance Sheet remains strong  
with cash of **\$9.1m**

♣ Final dividend declared of **0.5**  
**cent** per share, bringing the full  
year dividend to 1.0 cent per share

# COVID-19 Update

- ♣ Clover has managed the business to a COVID-19 safe plan with the focus on the health and safety of our employees, customers and suppliers
- ♣ Customer demand has been curtailed by COVID-19 conditions
- ♣ Clover maintains a relatively high inventory position to act as a buffer to insufficient shipping availability, port congestion globally and increasing freight costs
- ♣ Clover has not received any government assistance through this pandemic
- ♣ Many new projects are on hold as our customers' employees continue to work from home
- ♣ More than 80% of Clover's customer base is located overseas and travel constraints have limited business development opportunities

# Sales by Geography



■ Sales

## Europe

- ♣ European sales have been slowed by COVID-19 restrictions and general activity in the market
- ♣ European infant formula manufacturers have reduced sales into China

## Asia ANZ

- ♣ Direct sales into the Asian marketplace via our Distributor network also slowed in FY21
- ♣ AU / NZ reflects the impact of weaker demand from infant formula manufacturers as their channels of sale into the Chinese market changed

## Americas

- ♣ The USA Region pulled back slightly from the prior year in reported sales.
- ♣ South American sales have been subdued by COVID-19

# Full Year 2021 Results

AUD million	4E Reported 31 Jul 2021	4E Reported 31 Jul 2020
Revenue	\$60.5	\$88.3
EBITDA	\$9.5	\$18.9
NPBT	\$8.2	\$17.7
Tax	(\$2.2)	(\$5.2)
NPAT	\$6.0	\$12.5
EPS	3.6 cps	7.5 cps
ROE (annualised)	10.3%	21.7%

- ♣ 32% year on year revenue decline
- ♣ Pantry stacking of FY20 and ongoing COVID-19 restrictions in FY21 leading to lower volumes and revenue decline.
- ♣ 3% Margin decline impacted by FX and customer/volume mix
- ♣ Fixed costs managed \$8.7m or 14.4% of revenue (FY20 \$11.1m, 12.6% of revenue).
- ♣ FY21 Tax 26.8% v FY20 29.4% reflects the continued focus on R&D development
- ♣ NPAT result \$6.0m (FY20 \$12.5m)
- ♣ Excluding the Melody Dairy operating loss and IP legal defence costs, the underlying NPAT for FY21 would be \$7.3m

# Balance Sheet 31 July 2021

AUD	Reported 31 Jul 2021 \$M	Reported 31 Jul 2020 \$M	Movement \$M
Cash	9.1	9.2	(0.1)
Trade Receivables	13.3	16.8	(3.5)
Inventories	30.8	31.9	(1.1)
<b>Total Current Assets</b>	<b>54.7</b>	<b>59.1</b>	<b>(4.4)</b>
Fixed Assets	24.0	22.4	1.6
<b>Total Assets</b>	<b>78.7</b>	<b>81.5</b>	<b>(2.8)</b>
Trade Payables	(5.3)	(8.0)	2.7
Current Borrowings	(1.6)	(1.6)	-
<b>Total Current Liabilities</b>	<b>(7.8)</b>	<b>(10.9)</b>	<b>3.1</b>
Non-Current Borrowings	(12.5)	(13.0)	0.5
<b>Total Liabilities</b>	<b>(20.3)</b>	<b>(23.9)</b>	<b>3.6</b>
<b>Net Assets</b>	<b>58.4</b>	<b>57.6</b>	<b>1.2</b>

♣ Cash balance strong \$9.1m

♣ Trade receivables down on FY21 sales against FY20 strong finish

♣ Inventory levels down but held due to supply chain constraints

♣ Payables decreased in line with timing of oil purchases and lower demand



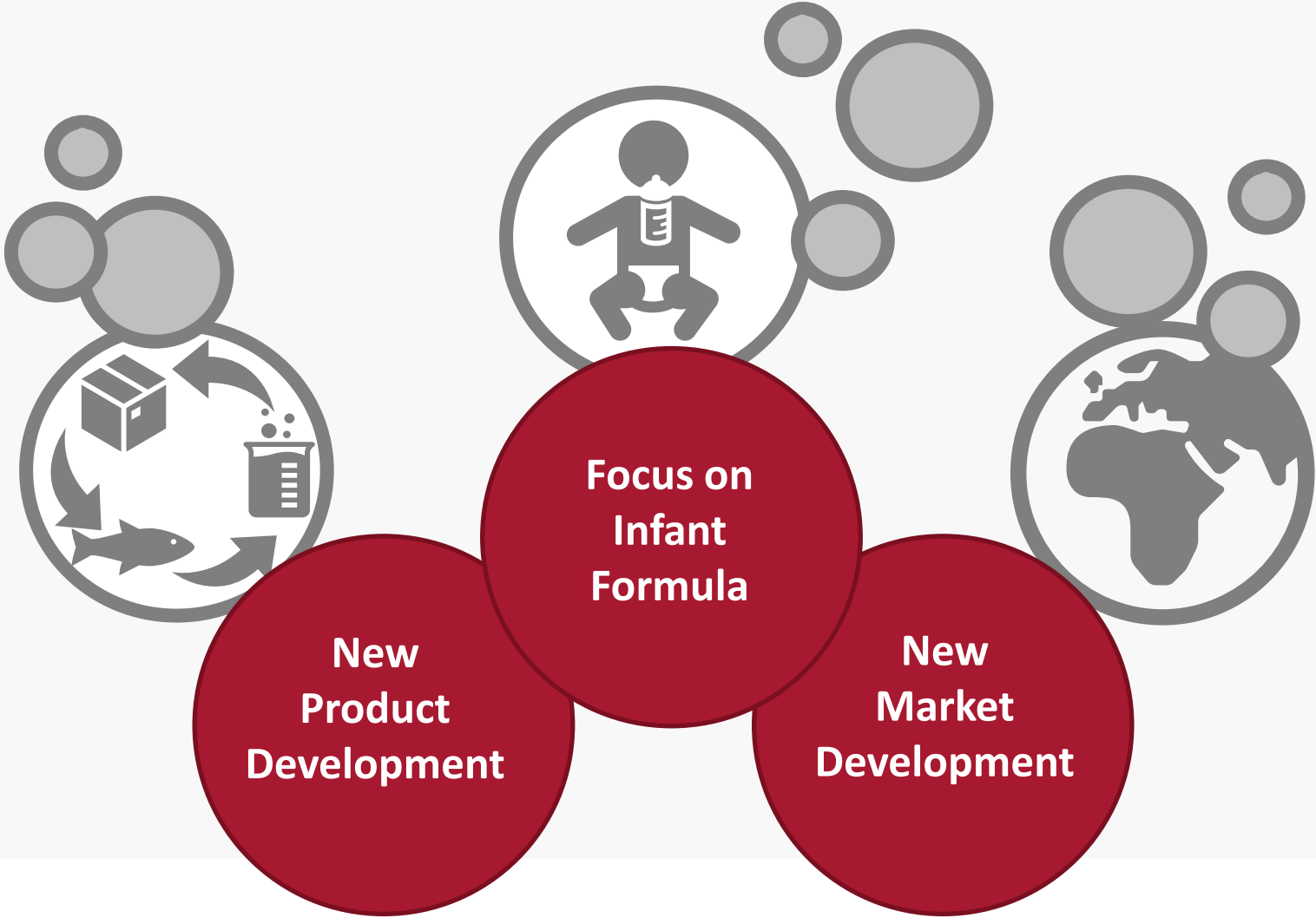
# Melody Dairies- New Zealand

- ♣ Clover has 42% ownership of a spray drying facility in Hamilton, New Zealand
- ♣ The factory had a delayed start up in FY21 due to COVID-19 delays in construction, accreditation and customer acceptance testing
- ♣ Clover has been impacted by its share of the loss associated with the late start up during FY21 to the value of \$0.8m
- ♣ Some customer audits have now been completed with others ongoing
- ♣ The Melody Dairies dryer has been used successfully for several production runs with product sold late in the financial year and a good outlook for FY22





# An Update on Growth Platforms



Growth Platforms

# Market Development- Diversification



Growth Platforms

# Product Development - Applications

**Gummies (Hypoallergenic 50% fish oil concentrate powder):  
200mg DHA / 9 grams serve**



**Sports bars (Driphorm 60% fish oil concentrate powder):  
250mg / 30gram bar**

**Extended shelf-life dairy base drink (Driphorm 50% algal powder):  
125mg / 250ml serve**



**Compressed tablets (Hypoallergenic 50% algal powder):  
180mg DHA / 1 tablet (2.2g)**



**UHT applications (Gelphorm<sup>®</sup> microencapsulated algal/fish oil emulsion):  
125mg DHA / 250ml serve**

# Growth Platform

## Infant formula provides new opportunities

- ♣ China's legislation requiring infant formula to contain a min 15mg/100Kcal of DHA and ARA has been fully approved with manufacturer's currently transitioning formulations for commencement in Feb 2023
- ♣ Clover has established direct customer contact in China and aligned with new distributors capable of winning business
- ♣ Clover products are being qualified with several local China infant formula manufacturers with license submission including Clover's microencapsulated powder as a specified ingredient

Focus on  
Infant  
Formula



# 1HFY22 Outlook & Priorities

- ♣ The health & safety of employees, customers and suppliers remains our focus
- ♣ Supply chain challenges are a focus on obtaining raw materials and ensuring our customers are well serviced
- ♣ Re-engaging with customers to progress the new product and application pipeline in China, Europe and the USA
- ♣ Launching newly developed products
- ♣ Increase vertical integration into supply chain, establishing partners in supply and logistics
- ♣ Add value through strategic acquisition and/or partnership
- ♣ COVID conditions and associated government responses globally can be expected to continue to impact on Clover's customer base. As the year advances, the current order pipeline still reflects little growth over the prior year.