

Managing Director Report 6 Months to 31 Jan 2022

16 March 2022



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.

Half Year FY'22 Performance Highlights

♣ Total half year Revenue
\$29.7m up 1.0% on
1HFY21 \$29.4m

♣ NPAT **\$2.0m** down
20.0% on 1HFY21 \$2.5m

♣ Underlying NPAT
\$2.6m allowing for
legal costs to protect IP
and Melody Dairy costs

♣ Balance Sheet remains strong
with cash of **\$8.0m**

♣ Operating Expenses
\$5.9m up 28.3% (1HFY21
\$4.6m) with continued focus
on R&D development and
ongoing legal engagement

♣ Clover listed in Chinese GB
license applications, with 1st
trial orders received

♣ Inventory at **\$32.3m**
up \$1.5m on 1HFY21

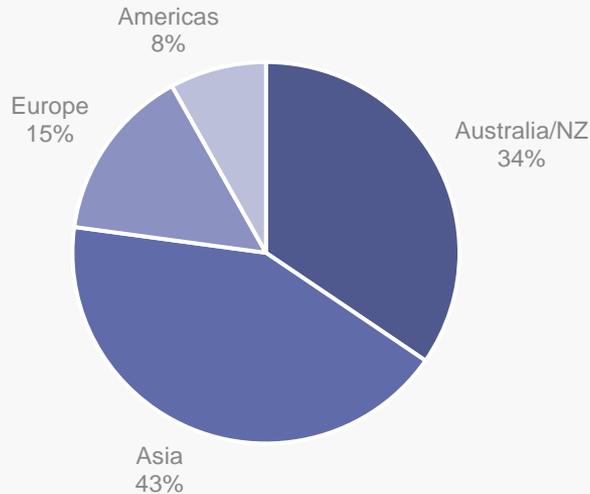
♣ Interim fully franked dividend
0.5c declared

COVID-19 Update

- ♣ Clover has continued managing the business to our COVID-19 safe plan with the focus on the health and safety of our employees, customers and suppliers
- ♣ Freight conditions for import and export have disrupted supply and increased costs
- ♣ Clover maintains a high inventory position to act as a buffer to insufficient raw material availability and maintain customer service
- ♣ Aggregate customer demand has been stable during the half year
- ♣ Customers' new projects have slowed as their 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

1H22 Sales by Market



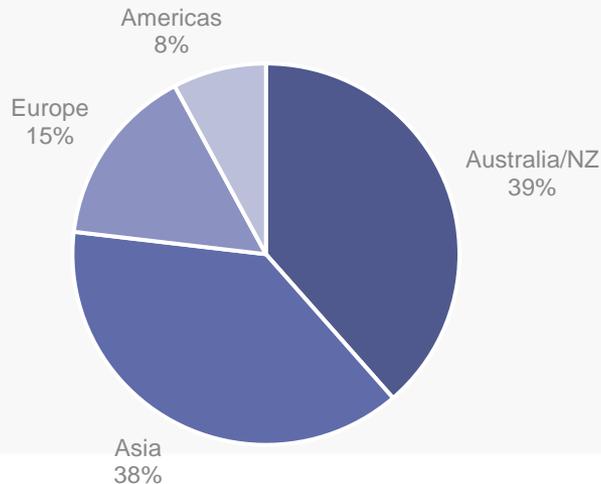
Europe

- ♣ European sales are similar to 1H FY21 with COVID-19 conditions continuing to make new product development difficult

Asia ANZ

- ♣ Sales into Asia have improved compared to the prior year.
- ♣ AU / NZ continue to be impacted by reduced demand from China and difficult manufacturing conditions driven by COVID-19 restrictions

1H21 Sales by Market



Americas

- ♣ Sales into the America's region have improved slightly
- ♣ Most new projects remain on hold across North and South America

Half Year 2022 Results

AUD million	4D Reported 31 Jan 2022	4D Reported 31 Jan 2021
Revenue	\$29.7	\$29.4
EBITDA	\$3.4	\$3.8
NPBT	\$2.8	\$3.3
Tax	(\$0.8)	(\$0.8)
NPAT	\$2.0	\$2.5
EPS	1.2 cps	1.5 cps
ROE (annualised)	7%	9%

- ♣ Revenue stable coming off the pantry stacking of 18 months ago but still impeded by COVID-19 conditions
- ♣ Infant formula customers markets have been affected by COVID-19 restrictions, China market conditions, and global freight conditions
- ♣ Fixed costs controlled, subject to ongoing focus around R&D and strategic growth agenda.
- ♣ NPAT result \$2.0m (FY21 \$2.5m)
- ♣ Excluding the Melody Dairy operating loss and IP legal defence costs, the underlying NPAT for 1H FY22 would be \$2.6m

Balance Sheet 31 January 2022

AUD	Reported 31 Jan 2022 \$M	Reported 31 Jul 2021 \$M	Movement \$M
Cash	8.0	9.1	(1.1)
Trade Receivables	13.4	13.3	0.1
Inventories	32.3	30.8	1.5
Total Current Assets	54.5	54.7	(0.2)
Non Current Assets	24.3	24.0	0.3
Total Assets	78.8	78.7	0.1
Trade Payables	(5.2)	(5.3)	0.1
Current Borrowings	(1.7)	(1.6)	(0.1)
Total Current Liabilities	(7.9)	(7.8)	(0.1)
Non-Current Borrowings	(10.4)	(11.5)	1.1
Total Liabilities	(19.4)	(20.3)	0.9
Net Assets	59.4	58.4	1.0

♣ Cash balance remains strong \$8.0m

♣ Trade receivables consistent on comparative sales volumes

♣ Inventory levels up to service supply chain constraints

♣ Payables in line with timing of oil purchases and stock management

An Update on Growth Platforms



Growth Platforms

Market Development- Diversification & Applications



UHT applications
(Gelphorm[®]
microencapsulated
algal/fish oil
emulsion): 125mg
DHA / 250ml serve

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

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

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

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

Growth Platform

Expanding our market reach

- ♣ New products will be trialled with customers in the 2HFY22 aimed at expanding markets the company serves such as Medical Foods, General Food & Drinks and Nutraceuticals.
- ♣ R&D business moved to an expanded facility capable of supporting additional people and process technology to enhance the research activities
- ♣ Clover is strategically developing oil sources to underwrite its encapsulated powder products
- ♣ Clover's new spray dryer; Melody Dairies NZ has been qualified by all major NZ & Global customers



**New
Market
Development**

Growth Platform

Infant formula provides new opportunities

- ♣ Clover has increased its customer base across Europe and China with Infant Formula manufacturers
- ♣ Clover has achieved initial orders into Chinese Infant formula manufacturers
- ♣ Clover products are qualified with several local China infant formula manufacturers with license submission including Clover's microencapsulated powder as a specified ingredient

Focus on
Infant
Formula



2HFY22 Outlook & Priorities

- ♣ Maintain the Health & Safety focus on our employees, suppliers, customers and stakeholders
- ♣ Deploy new products to establish the segments of Pharmaceuticals/Medical foods, Nutraceuticals and Foods
- ♣ Supply chain challenges remain a focus on obtaining raw materials and ensuring our customers are well serviced
- ♣ As international travel opens, engage with customers and pursue new opportunities
- ♣ Increase vertical integration into supply chain, establishing partners in supply and logistics
- ♣ Clover expects full year revenues for FY22 to be in the range of \$60m - \$70m, due to the uncertainty of COVID-19 conditions, ongoing supply chain & geo-political challenges.

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