

Managing Director's Report 12 Months to 31 July 2022

14 September 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.

Full Year Performance Highlights

♣ Total full year Revenue
\$70.7m up 16.8% on
FY21 \$60.5m driven by
increased demand

♣ Net Profit after tax
\$7.1m up 18.8% on
FY21 \$6.0m

♣ Operating Expenses
\$10.4m up 11.8% (FY21
\$9.3m) impacted by inflation,
legal costs, travel and
marketing costs.

♣ New customers and
products diversify revenue
base

♣ Inventory at **\$36m**
increased \$5.2m on FY21 full
year

♣ Balance Sheet remains strong
with cash of **\$10.1m**

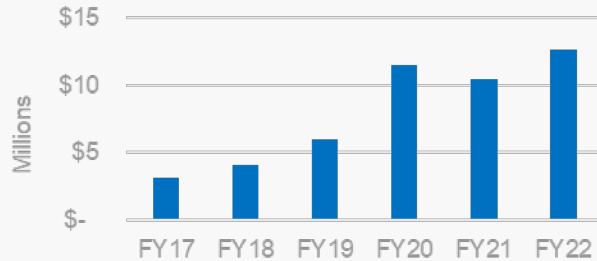
♣ Final dividend declared of **1.0**
cent per share, bringing the full
year dividend to 1.5 cent per share

FY22 Update

- ♣ Clover's employees have worked through COVID conditions, managing to a COVID safe plan operating through the year without incident in operations
- ♣ Revenue in the first half year was stable at \$29.7m with improved orders through the second half year at \$40.9m
- ♣ Clover maintains a relatively high inventory position to act as a buffer to manage supply chain issues
- ♣ Inflationary pressures across raw materials, energy, freight and people impacted gross margins - long term contracts create a lag in price recovery
- ♣ New projects started pre-COVID have been revisited with customer and work commenced
- ♣ International travel has been possible in the second half allowing Business Development to connect with new and existing customers

Sales by Geography

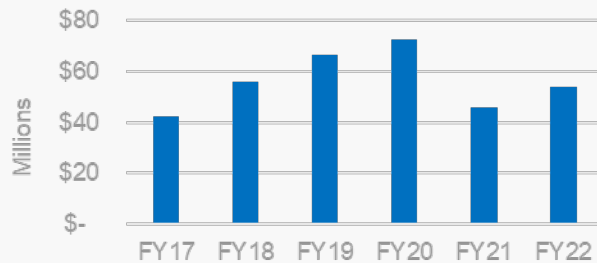
EU Sales A\$M



Europe

- ♣ Easing COVID19 conditions and increased customer engagement resulted in FY22 sales improving against FY21

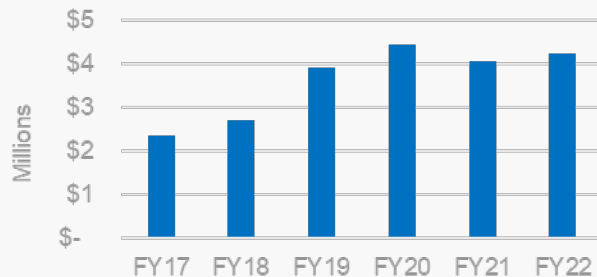
Asia / Aust & NZ Sales A\$M



Asia ANZ

- ♣ Asian sales showed some improvement with markets stabilizing as they come to terms with COVID-19 conditions
- ♣ AU / NZ improved as infant formula manufacturers find alternative markets and access China through different channels

US Sales A\$M



Americas

- ♣ The USA Region improved on FY21 with new product sales into gummy and nutraceutical manufacturers

Full Year 2022 Results

AUD million	4E Reported 31 Jul 2022	4E Reported 31 Jul 2021
Revenue	\$70.7	\$60.5
EBITDA	\$11.0	\$9.5
NPBT	\$9.8	\$8.2
Tax	(\$2.7)	(\$2.2)
NPAT	\$7.1	\$6.0
EPS	4.3 cps	3.6 cps
ROE (annualised)	11.4%	10.3%

- ♣ 16.8% year on year revenue increase. All regions showing improvement
- ♣ Recovery from pantry stacking and COVID-19 restrictions in FY21 lead to increased volumes and revenue
- ♣ Price increases / cost reduction and mix of the customer base sales has offset the global inflationary pressures with GM% down 0.5%
- ♣ Recovery from Pharmamark settlement was offset by legal costs and Melody Dairies operating loss
- ♣ NPAT result \$7.1m (FY21 \$6.0m)

Balance Sheet 31 July 2022

AUD	Reported 31 Jul 2022 \$M	Reported 31 Jul 2021 \$M	Movement \$M
Cash	10.1	9.1	1.0
Trade Receivables	19.6	13.3	6.3
Inventories	36.0	30.8	5.2
Total Current Assets	66.9	54.7	12.2
Fixed Assets	23.7	24.0	(0.3)
Total Assets	90.6	78.7	11.9
Trade Payables	(13.6)	(5.3)	(8.3)
Current Borrowings	(1.6)	(1.6)	-
Total Current Liabilities	(17.2)	(7.8)	(9.4)
Non-Current Borrowings	(10.3)	(12.5)	2.2
Total Liabilities	(27.6)	(20.3)	(7.3)
Net Assets	63.0	58.4	4.6

- ♣ Cash balance strong \$10.1m
- ♣ Trade receivables up with strong finish to FY22.
- ♣ Inventory levels to buffer current supply chain constraints
- ♣ Payables increased in line with timing of raw material purchases and demand

Melody Dairies- New Zealand

- ♣ Clover has 42% ownership of a spray drying facility in Hamilton, New Zealand
- ♣ Following a delayed start up in FY21 due to COVID-19 the facility is now fully operational
- ♣ COVID-19 continued to impact utilisation of the dryer with Clover allowed entry into NZ only since May
- ♣ Clover has been impacted by its share of the loss associated with the low utilisation during FY22 to the value of \$0.7m
- ♣ Customer audits are complete allowing our full range of products to be made
- ♣ With customer approvals in place and the current demand profile the business is projected to return to profit.



An Update on Growth Platforms



Growth Platforms

Market Development- Diversification



Growth Platform

New products driving future growth

- ♣ Clover announced the successful clinical trial results improving the IQ for pre-term infants utilising a unique DHA emulsion product. The Medical Food product is branded Premneo with a commercialisation path in development
- ♣ Clover has developed an emulsion product capable of allowing UHT drinks to be fortified with Omega 3 called Gelpform. The product is now on trial with customers
- ♣ The Company has invested in its R&D activities moving to facilities that incorporate R&D pilot production equipment to fast-track the development of new products



 Premneo®

Gelpform®

**New
Product
Development**

Growth Platform

Infant formula provides new opportunities

- ♣ China's legislation requiring infant formula to contain a min 15mg/100Kcal of DHA and ARA has a commencement in Feb 2023, the license process has been hampered by COVID-19 delays
- ♣ Clover has worked with customers across China and the Western world to incorporate our product into their SAMAR Chinese infant formula license applications
- ♣ Clover has added new infant formula customers in China and Europe
- ♣ The infant formula industry appeared to recover in the second half of FY22

Focus on
Infant
Formula



Growth Platform

New market development

- ♣ Clover has achieved 125mg of DHA in a 3-gram gummy the highest in the world and is now supplying manufactures in the USA and Europe
- ♣ The company has added an employee and a new warehouse in Europe to better service opportunities
- ♣ The Company has grown its customer base across a range of food and nutraceutical applications to provide a platform for future growth
- ♣ Clover has recently launched a high vegan EPA product targeting the medical food and nutraceutical markets



**New
Market
Development**

1HFY23 Outlook & Priorities

- ♣ Managing the risk to employees, customers and suppliers continues to be the priority with COVID-19 still prevalent in our markets
- ♣ Supply chain challenges are a focus on obtaining raw materials and ensuring our customers are well serviced
- ♣ Re-engaging with customers and new opportunities through in-market visits and trade shows
- ♣ Commercialising the Premneo and Gelphorm products
- ♣ Increase vertical integration into supply chain, establishing partners in supply and logistics
- ♣ Add value through strategic acquisition and/or partnership
- ♣ Despite inflationary and logistics pressures, Clover has experienced a welcome return to stronger revenue

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