

Managing Director's Report 12 Months to 31 July 2020

18 September 2020



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.

Full Year Performance Highlights

- ✓ Total full year Revenue **\$88.3m** up **15%** on FY19 \$76.7m driven by improved demand
- ✓ Net Profit **\$12.5m** up **23.6%** on FY19 \$10.1m.
- ✓ Operating Expenses **\$11.4m** (FY19 \$10.3m); investment in R&D programs to deliver growth
- ✓ New products delivering growth in new segments and countries
- ✓ Inventory at **\$31.9m** up \$4.2m on FY19 full year
- ✓ Balance Sheet remains strong with cash of **\$9.2m**
- ✓ Final dividend declared of **2.5 cent** per share, a 5% increase on prior full year dividend

COVID-19 Implications

- ♣ Our key focus has been and continues to be on the health and safety of our staff; COVID-19 plans were executed in March and remain in place
- ♣ All customer demand has been met with additional care to maintain safety and higher inventory added to provide a buffer
- ♣ Clover's FY20 result has been positively impacted by global COVID-19 pantry stacking demand through Q3 & Q4
- ♣ Clover has not sought or received any government assistance
- ♣ New customer development has been curtailed due to the inability to travel, perform audits or attend trade shows
- ♣ Demand in the USA from new business development has been constrained
- ♣ Clover has resourced its business development team overseas to service new and existing customers

Full Year 2020 Results

AUD million	4E Reported 31 Jul 2020	4E Reported 31 Jul 2019
Revenue	\$88.3	\$76.7
EBITDA	\$18.9	\$14.0
NPBT	\$17.7	\$14.0
Tax	(\$5.2)	(\$3.9)
NPAT	\$12.5	\$10.1
EPS	7.51 cps	6.12 cps
ROE (annualised)	24.2%	24.4%

- ♣ 15% year on year revenue growth
- ♣ High growth rates EU, whilst Australia/NZ key sales region
- ♣ EBITDA \$18.9m (PY \$14.0m)
- ♣ Fixed costs managed \$11.4m or 12.9% of revenue (PY \$10.3m, 13.5% of revenue), resourcing for future growth
- ♣ NPAT result \$12.5m (PY \$10.1m)

Balance Sheet 31 July 2020

AUD million	Reported 31 Jul 2020	Reported 31 Jul 2019	Movement
Cash	\$9.2	\$8.3	+\$0.9m
Trade Receivables	\$16.8	\$18.4	-\$1.6m
Inventories	\$31.9	\$27.7	+\$4.2m
Total Current Assets	\$59.1	\$55.4	+\$3.7m
Fixed Assets	\$22.4	\$19.4	+\$5.0m
Total Assets	\$81.5	\$74.8	+\$6.7m
Trade Payables	(\$8.0)	(\$12.5)	+\$4.5m
Current borrowings	(\$1.6)	(\$1.5)	-\$0.1m
Total Current Liabilities	(\$10.9)	(\$17.5)	+\$6.6m
Non current borrowings	(\$13.0)	(\$12.0)	-\$1.0m
Total Liabilities	(\$23.9)	(\$29.6)	+\$5.7m
Net Assets	\$57.6	\$45.1	+\$12.5m

♣ Cash balance strong
\$9.2m

♣ Trade receivables
down on FY19
reflects sales timing

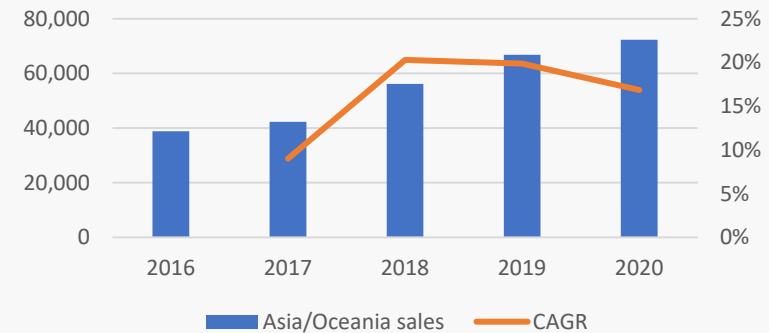
♣ Inventory levels
increased to meet
demand

♣ Payables decreased
in line with timing of
oil purchases

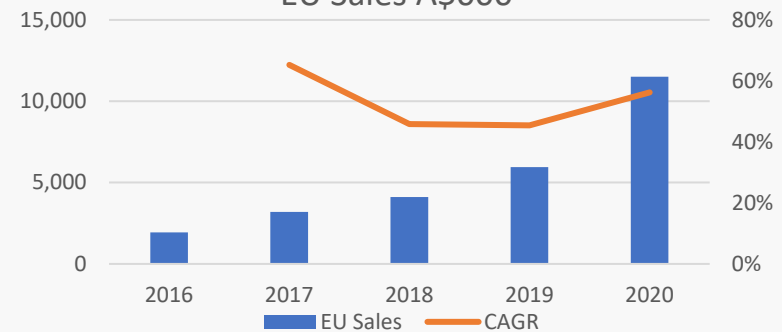
Sales by Geography

- ♣ Sales across all key regions have grown during FY20 compared to FY19
- ♣ Asia & EU key growth areas for IF for the Chinese market, whilst USA growth in non-IF sector
- ♣ EU provides significant growth with new customers and existing increasing demand to meet the new IF standard
- ♣ Growth in US sales impacted by COVID with new product projects on hold

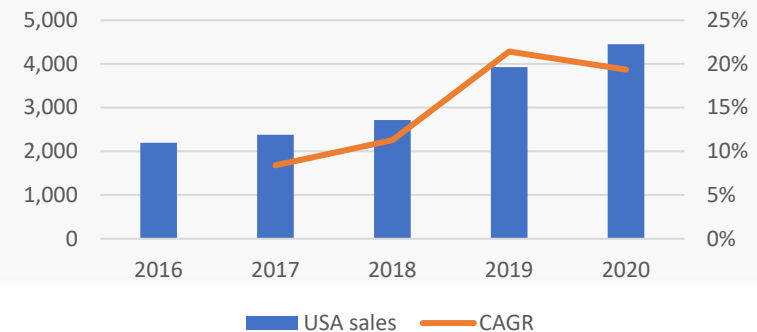
Asia / Oceania sales A\$000



EU Sales A\$000



USA Sales A\$000



Melody Dairies- New Zealand

- ♣ Clover invested in a new company 'Melody Dairies' in 2019 which has built a new Nutritional Spray Dryer in Hamilton, New Zealand during 2020
- ♣ Clover owns 42% of the equity and has access to 42% of the dryer capacity to manufacture its products
- ♣ The construction of the spray dryer is complete with qualification trials progressing well
- ♣ Customer audits have been impacted by COVID-19 preventing travel, which will slow volume initially
- ♣ The Melody Dairies dryer adds much needed capacity and risk reduction which will supplement existing manufacturing in Australia



An Update on Growth Platforms



Growth Platform

New products driving future growth

- ♣ Research & Development has a range of new products that have been created to fulfil customer requirements that will continue to deliver growth in the future.
- ♣ Clover's concentrated DHA powders have won additional business in a range of new applications covering bread, yoghurt, health bars and sport nutrition
- ♣ Clover has participated in clinical trial work to prove the bioavailability of its products and the health benefits of DHA, adding to the credibility of product use and applications



**New
Product
Development**

Growth Platform

Infant formula maintains growth

- ♣ EU legislation has taken effect requiring a minimum of 20mg/100Kcal of DHA, positively impacting EU sales
- ♣ China business has continued to grow, providing many customers with improved results and demand for Clover's ingredients
- ♣ China's DRAFT legislation requiring infant formula to contain a min 15mg/100Kcal of DHA and ARA has initiated discussions for manufacturers to trial Clover product as a solution

Focus on
Infant
Formula



Growth Platform

New market development

- ♣ Clover has grown sales across all markets, increasing exposure to food segments and other applications
- ♣ The company is selling into Asia, EU and USA a “stick pack” ready-to-drink formula, and high DHA gummies are in production in all markets
- ♣ In response to travel restrictions Clover has added sales staff across the USA, Europe and China to service new and existing customers
- ♣ The company has embarked on an online training program for customers, to assist product development and solution selling



**New
Market
Development**

1HFY21 Outlook & Priorities

- ♣ Our people continue to be a major focus
- ♣ Uncertainty from COVID-19 has the potential to impact demand both positively and negatively
- ♣ The higher pantry-stocking driven demand of Q3 & Q4 FY20 may have been a 'one-off', with demand in 1HFY21 appearing similar to that of 1HFY20
- ♣ Targeting new customers in Europe to meet the new IF standards and establish online or third-party audits
- ♣ Restart new product development in the USA
- ♣ Increase vertical integration into supply chain, establishing partners in supply and logistics
- ♣ Deliver new product solutions to access new markets and applications
- ♣ Add value through strategic acquisition and/or partnership

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