



# Investor Presentation

## 26 March 2014

NEXT GENERATION NUTRITION

# PROGRESS FH FY2014



- **Who is Clover**
- **Historical performance**
- **Progress of the business in FY2014**
- **Progress on business development in FY2014**
- **What happened in 1H FY2014**
- **Clover's competitive strength**
- **Clover's priorities**
  - **Focus on the core business & new product pipeline**
  - **Opportunities for medical food applications – preterm infants foods**

# STRATEGIC VISION



**Clover Corporation seeks to:**

- **Identify, develop and commercialise speciality functional and nutritional ingredients in the growing nutraceutical & medical markets**
- **Develop and commercialise leading edge proprietary and patented delivery technologies including the utilisation of encapsulation**
- **Work with innovative and multinational industry partners to leverage core technical and manufacturing strengths to develop and launch new products, expand in core markets and explore strategic opportunities**
- **While retaining a conservative financial base, deliver growth on earnings and dividends**

# COMPANY DESCRIPTION



- **Focus on two business units:**
  - Clover Corporation focuses on innovation, obtaining the optimal return from proprietary technology and developing new business opportunities
  - Nu-Mega Ingredients (100% owned subsidiary) commercialises proprietary ingredient delivery and encapsulation technology in targeted value added markets
- **Work with customers to identify, design, develop, test & launch new products**
- **Generate sales directly and through specialist distribution partners**
- **Maintain strong links with technical & academic agencies including CSIRO**
- **Employ 37 staff, including 4 PhD's, with offices in Sydney, Melbourne, Brisbane and UK**

# HISTORICAL FINANCIAL PERFORMANCE



AUD million	FY2013	FY2012	FP2011 (13 months)	FY2010 #	FY2009	FY2008	FY2007
Shares on issue (m)	165.2	165.2	165.2	165.2	165.2	165.2	165.2
Total contributed equity (\$m)	\$32.4	\$29.9	\$28.1	\$25.6	\$28.3	\$27.0	\$23.7
Cash total (\$m)	\$8.3	\$9.7	\$7.4	\$12.2	\$9.2	\$10.8	\$11.0
Sales Revenue (\$m)	\$44.1	\$38.4	\$35.6	\$34.9	\$21.1	\$21.6	\$16.5
Total Revenue (\$m)	\$44.9	\$38.7	\$36.2	\$35.9	\$22.9	\$22.9	\$17.7
Profit before tax (\$m)	\$8.5	\$6.4	\$6.1	\$1.6	\$4.5	\$3.0	\$1.3
Profit after tax (\$m)	\$6.1	\$4.4	\$4.6	(\$0.97)	\$3.1	\$4.1	\$0.6
EPS (cents)	3.68	2.61	2.79	(0.59)	1.87	2.5	0.38
ROE (%)	19.2	14.6	16.4	-3.8	10.9	15.3	2.7
Dividend (cps)	2.00	1.75	1.50	1.25	1.00	1.00	0
Market capitalisation* (\$m)	\$94.0	\$66.1	\$52.0	\$46.3	\$35.5	\$26.4	\$17.3

# HISTORICAL PERFORMANCE

## First Half Financial Year

(as reported)



AUD \$ million	Period end 31/1/14	Period end 31/1/13	Period end 31/1/12 *	Period end 31/12/10	Period end 31/12/09	Period end 31/12/08
Sales Revenue	\$14.9	\$20.2	\$17.9	\$14.0	\$16.4	\$9.1
Cash total	\$8.7	\$9.7	\$7.1	\$9.2	\$8.1	\$9.5
Profit before tax	\$1.9	\$3.8	\$2.8	\$2.7	\$2.7	\$2.1
Profit after tax	\$1.4	\$2.7	\$1.7	\$2.0	\$1.9	\$1.6
EPS (cents)	1.00	1.72	1.03	1.18	1.16	0.97

\* Includes \$970,000 cost associated with Future Food Ingredients Pty Ltd

# PROGRESS OF THE BUSINESS IN FY2014



Focus areas	Status	Comment
Decrease in sales revenue due to Fonterra incident	26.3% pcp decrease in first half sales	No loss of customers. Speed of recovery dependent on customer performance. Potential for 20% - 40% decrease in sales revenue for the full year. Improvement anticipated in FY2015
Inventory	Inventory managed in response to reduced sales.	No inventory write downs.
Management changes	Short list of candidates being considered.	Dr Brown will leaving Clover on the 31 March 2014 to pursue other activities.
Strong financial position	Strong balance sheet and cash position.  Interim dividend of 0.5 cents per share	Expenditure well managed.

# PROGRESS ON BUSINESS DEVELOPMENT IN FY2014



Focus areas	Status	Comment
Geographic expansion of sales	<p>Increased in the America's by +96% pcp and in Europe +21% pcp.</p> <p>Distribution agreement signed in China</p>	<p>Canadian novel food approval, developing opportunities in Central &amp; South America and Europe. Initial sales have commenced.</p>
New product pipeline	<p>Product 1 – first sales scheduled for early FY2015.</p> <p>Product 2 – successful manufacturing trials of the encapsulation enhancement product</p> <p>Product 3 – proprietary hypoallergenic encapsulated product .</p>	<p>Product approved by customer.</p> <p>New product featured in Chinese expo in March 2014</p> <p>Under customer evaluation.</p>
Refined tuna oil for specialty applications	Sales revenue increased by 35% pcp	Long term supply contract of high quality tuna oil from a fourth provider.
Medical foods program	Phase 3 clinical study of proprietary preterm medical food progressing well.	<p>52 hospitals now participating. Clinical phase to complete in early 2015.</p> <p>Results should be available mid 2015.</p>



# CLOVER HALF YEAR FY2014 FINANCIAL RESULTS



AUD \$ million	1H FY2014 to 31 January 2014	1H FY2013 to 31 January 2013	% Change vs pcp	Notes
Revenue (\$m)	\$14.9	\$20.2	-26.8%	Impact of 'Fonterra incident'
Gross margin (\$m)	\$5.1	\$7.5	-32.8%	Due to reduced sales
Operational expenditure (\$m)	\$3.5	\$3.8	-8%	Sales restructuring costs in 1H FY2013 (\$400K) and increased R&D expensed in 1H FY2014 (+\$108K) pcp.
Profit before tax (\$m)	\$1.9	\$3.8	-51.1%	
Depreciation/Amort (\$m)	(\$0.24)	(\$0.25)	9.6%	
Interest (\$m)	\$0.08	\$0.12	-38.1%	
EBITDA (\$m)	\$2.0	\$3.9	-\$1.9	
EBITDA margin %	13.7%	19.3%		
EBIT (\$m)	\$1.8	\$3.7	-53.7%	
Tax (\$m)	(\$0.5)	(\$1.2)	59.7%	
NPAT (\$m)	\$1.4	\$2.7	-48.7%	
EPS	1.00	1.72	-41.9%	
Cash	8.7	9.7	-10.3%	

# REVIEW OF REVENUE TRENDS



- The majority of sales are still in Asia and Oceania.
- However there has been significant growth in both sales revenue and percentage in both Europe and the Americas.
- Increased sales of high quality refined tuna oil in specialty markets.
- Focus continues to be on the growing market for infant formula & children’s food applications.

## Geographic (by % of sales revenue)

	FH FY14	FH FY13		Change in sales revenue (%)
Oceania	23%	39%		-56%
Asia	57%	51%		-18%
Europe	11%	7%		+21%
Americas	9%	3%		+96%

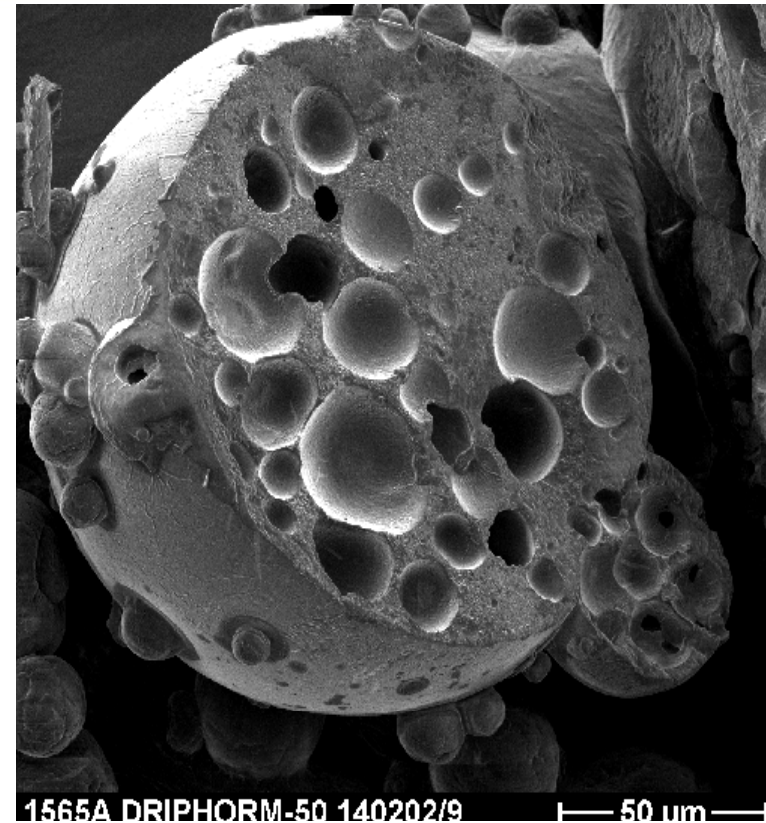
## Products (by % of sales revenue)

	FH FY14	FH FY13		Change in sales revenue (%)
Oil	5%	3%		+35%
Encapsulated Powders	95%	97%		-29%

# COMPETITIVE STRENGTHS – A CULTURE OF COMMERCIAL INNOVATION



- **Clover's core strengths;**
  - Focus on value added markets
  - Proprietary & patented technology
  - Commercial focus on innovation program
  - High quality differentiated products
  - Excellent reputation with clients
  - Dedicated and skilled staff
- Long term commercial relationships
- Strategic discipline focusing on core competencies
- Expanding product portfolio supported by sound science
- Targeted external research program
- Long product life cycle supported by rigorous customer evaluation
- Excellent customer & applications support
- Specialised distribution network
- Low capital model



# PRIORITIES FOR CLOVER



- **Continued focus on the growing infant formula and children's food market.**
  - Specialist delivery systems.
  - Targeted multiple bioactive delivery systems.
  - Improved bioactive protection and delivery.
  - Provision of improved value.
- **Focus 1: Focus on expanding the sales of existing products.**
  - Focus on Asia, Americas and Europe.
  - Improvement in revenues anticipated in FY2015.
- **Focus 2: Commercialise the sales of new products**
  - Initial sales from new encapsulated product – customer has approved and product manufactured.
  - A new encapsulation enhancement product is in manufacturing trials in China – sales expected in FY2014.
  - Third proprietary encapsulated product designed for hypoallergenic infant formula and metabolic foods under customer evaluation.
- **Focus 3: Develop medical food opportunities**

# PRETERM MEDICAL FOOD PROJECT



## Medical & Pharmaceutical applications:

- Clover has supported strategic clinical studies for many years and this assists in identifying new commercial opportunities.
- Medical issues that affect preterm infants include:
  - Respiratory impairment .
  - Cognitive or mental impairment.
- Incidence of premature births#:
  - Preterm births globally approx. 14.9 million p.a. (11.1% of live births).
  - Preterm births less than 33 weeks approx. 1.6 million p.a. (total available market).
- Results of the initial clinical study reported in 2009 (657 infants):
  - Increased dose of DHA lipid provided infants from birth to normal 40 week gestation.
  - Reduced incidence of bronchopulmonary dysplasia (BPD) and asthma in boys and BPD in all children with birth weight less than 1.25 kilograms.\*
  - Improved cognitive development in girls at 18 months.
  - The results of the assessment of these children at 7 years will be available in early 2015.



# Blencowe et al., Lancet. 379: 2162 (2012)

\* Manley et al., Pediatrics. 128,1: e71-e77 (2011)

# BUSINESS PLAN FOR PRETERM INFANT FORMULATION



- **Clover has developed a specialty formulation for hospital use:**
  - Successful clinical trial to test high DHA emulsion & delivery system completed in 2011.
  - Licence agreements signed & patent applications filed.
    - US Patent for “Promoting respiratory development of an infant” granted (USP 8,563,611).
  - Finalised formulation and manufacturing requirements.
    - DHA emulsion + delivery being manufactured for the Phase 3 clinical trial.
- **Phase 3 international clinical study using the Clover product:**
  - Primary outcome to reduce the incidence of BPD in preterm infants.
  - NH&MRC funded study to Adelaide University & the Adelaide Women’s and Children’s Hospital.
  - Clinical trial (multiple sites in Australia, New Zealand & Singapore) involving approx. 1250 preterm infants.
  - Clinical trial to be completed by early 2015.
  - Results should be available by mid 2015.
- **Current status:**
  - Submission for FDA GRAS approval planned for 2014.
  - Initial target market +500, 000 children per year in four countries.
  - Market potential +\$100 million revenue per year.
  - Development of second generation product has commenced.
  - Finalising the business, investment, marketing & distribution plans.





**THANK YOU**  
Questions?

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