



# Investor Presentation

## 20 March 2013

NEXT GENERATION NUTRITION

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# MANAGING FOR GROWTH

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- **Who is Clover**
- **What happened in 1HFY2013**
- **Historical performance**
- **Clover's competitive strengths**
- **Clover's strategy**
  - **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

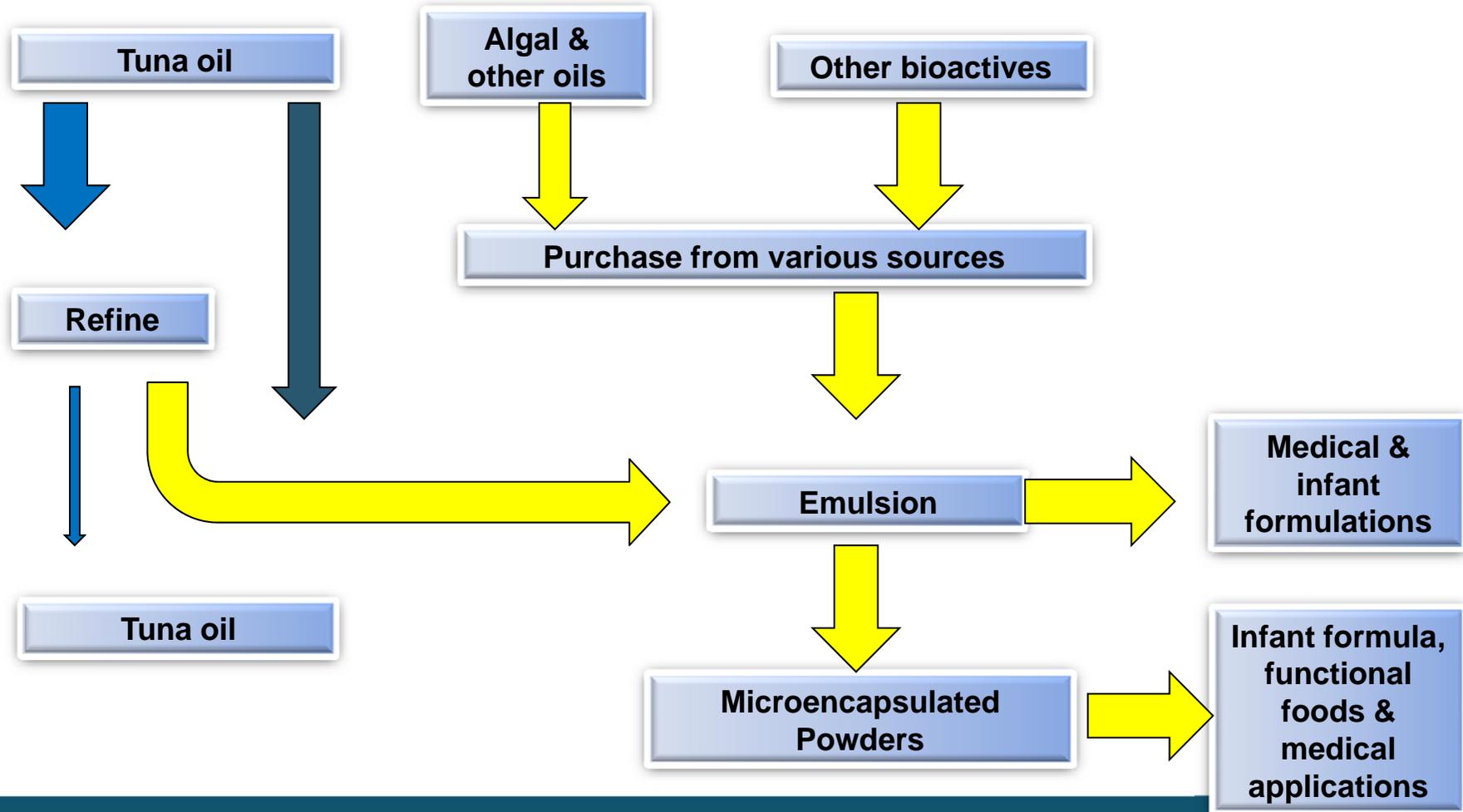


- **Focus on two business units:**
  - Clover Corporation focuses on innovation, obtaining the optimal return from proprietary technology and developing new business opportunities
  - Nu-Mega Ingredients (100% owned subsidiary) commercialises proprietary ingredient delivery and encapsulation technology 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 38 staff, including 5 PhD's, with offices in Sydney, Melbourne, Brisbane and UK**

# OVERVIEW OF NU-MEGA OPERATIONS



Maximize the use of proprietary bioactive delivery technology



# KEY COMPANY DEVELOPMENTS



## Clover Corporation

- **1988** Private Co.
- **1999** – ASX listed
- JV with Heinz for tuna oil processing
- Research in encapsulation

## 2002-2007

- Clover Corp JV with Food Spectrum = Nu-Mega Ingredients
- Uses encapsulated tuna oil in foods & infant formula
- Focus on Asian and European markets
- **2004** – Clover Corp JV to form FFI for proprietary soy ingredients

## 2007-2012

- Nu-Mega Ingredients 100% subsidiary of Clover Corp.
- **2008** - New Innovation & Sales facility in Brisbane
- Development of the innovations program
- Multi-year supply contracts with infant formula companies
- **2009** - Frost & Sullivan Ingredient Company of the Year
- **2011** – AGP NPD program with CSIRO
- **2012** – Sale of FFI assets

## 2012-

- Building business plan for medical related opportunities arising from core competencies
- Enters Phase 3 preterm infant formula trial – completion expected 2014



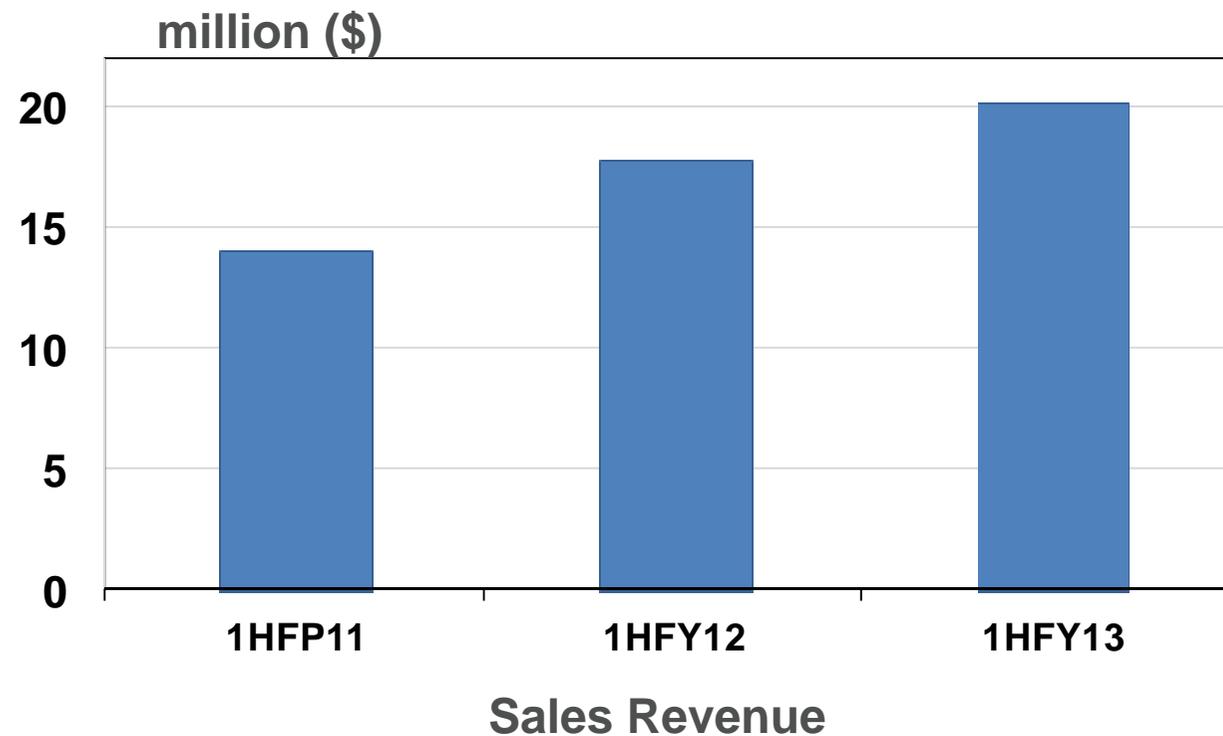
## TRADING UPDATE & OUTLOOK FOR FY2013



- **12.5% increase in sales revenue in the first half FY2013 (pcp).**
  - Increased sales in infant formula applications.
  - Featuring Oceania and Asia.
- **Re-signed 5 year supply contract with major multi-national infant formula manufacturer.**
- **Positive sales opportunities due to recent bilateral tariff reductions for infant formula exports from Australia and New Zealand to China.**
- **Anticipated decrease in gross margins in 1HFY2013 due to product mix, some changes in customer manufacturing techniques and market competition for Clover and its customers.**
- **Focus on improving manufacturing efficiencies and controlling operational expenditure.**
- **Increased expenditure on innovation (+14% pcp).**
- **Extensive evaluation of new products likely to lead to initial sales in FY2013 to position the company for future growth.**
- **Phase 3 preterm formulation clinical study on track for results by the end 2014.**
- **Expects strong demand for products to continue in the second half of FY2013.**
- **Interim dividend of 0.5 cps.**

# SALES REVENUE +12.5% IN THE FIRST HALF FY2013

(as reported)



# CLOVER Half Year FY2013 RESULTS

## Period ended 31 January 2013



AUD \$ million	1H FY2013 to 31 January 2013	1H FY2012 to 31 January 2012 (as reported)	Underlying 1HFY2012 (Unaudited, eliminating FFI cost)
Revenue (\$m)	\$20.2	\$17.9	\$17.9
Profit before tax (\$m)	\$3.8	\$2.8	\$3.8
Depreciation/Amort (\$m)	(\$0.25)	(\$0.26)	(\$0.26)
Interest (\$m)	\$0.12	\$0.15	\$0.15
EBITDA (\$m)	\$3.9	\$2.9	\$3.9
EBITDA margin %	19.3%	16.2%	21.8%
EBIT (\$m)	\$3.7	\$2.6	\$3.6
Tax (\$m)	(\$1.2)	(\$1.1)	(\$1.1)
NPAT (\$m)	\$2.7	\$1.7	\$2.7
EPS	1.72	1.03	1.67
Cash	9.7	7.1	7.1

# HISTORICAL PERFORMANCE

## First Half Financial Year

(as reported)



AUD \$ million	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	Period end 31/12/07
Sales Revenue	\$20.2	\$17.9	\$14.0	\$16.4	\$9.1	\$9.4
Cash total	\$9.7	\$7.1	\$9.2	\$8.1	\$9.5	\$9.4
Profit before tax	\$3.8	\$2.8	\$2.7	\$2.7	\$2.1	\$1.2
Profit after tax	\$2.7	\$1.7	\$2.0	\$1.9	\$1.6	\$0.9
EPS (cents)	1.72	1.03	1.18	1.16	0.97	0.41

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

# HISTORICAL FINANCIAL PERFORMANCE



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

\* Based on share price on the last day of the financial year/period.

# Impaired costs of \$5.5 million associated with joint venture Future Food Ingredients Pty Ltd.

# CONTINUED FOCUS ON GROWTH MARKETS & VALUE ADDED PRODUCTS



- Sales revenue increased with the strongest performance in Oceania.
- Focus has been on infant formula & children's food applications.
- The expansion of sales in value added encapsulated ingredient systems.
- However in some mature infant formula markets there are restrictions to entry such as;
  - USA mainly uses patent protected algal oils.
  - Europe uses mainly oils rather than encapsulated powders and there are regulatory restrictions.

## FY2012 Geographic

Oceania	26%
Asia	64%
Europe	6%
Americas	4%

## FY2012 Products

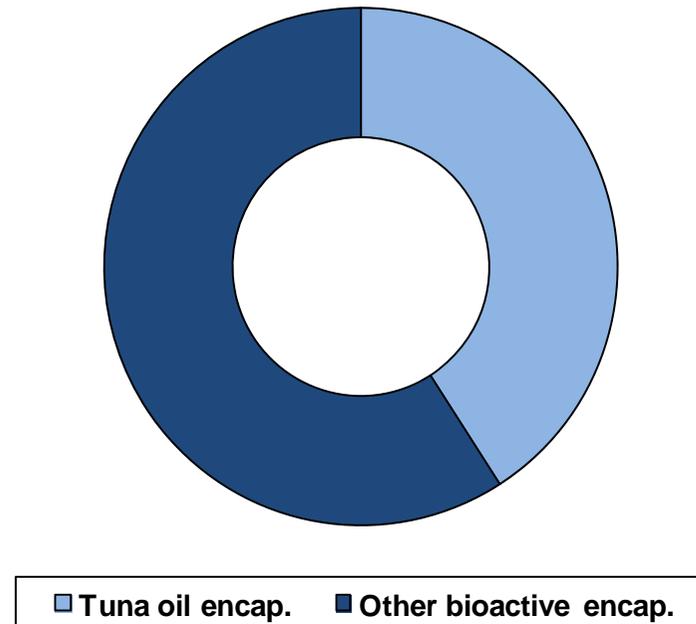
Oil	3%
Encapsulated Powders	97%

# DELIVERY SYSTEMS BASED ON A VARIETY OF NUTRITIONAL BIOACTIVES



- Product portfolio includes refined tuna oil and encapsulated powders containing marine oil, algal oils, other specialty oils and important micronutrients.
- Encapsulation technologies to improve the stability of important and sensitive nutritional materials and allow their use in many applications.
- Innovation program focuses on developing products that deliver valuable nutrients in infant formula and other applications.

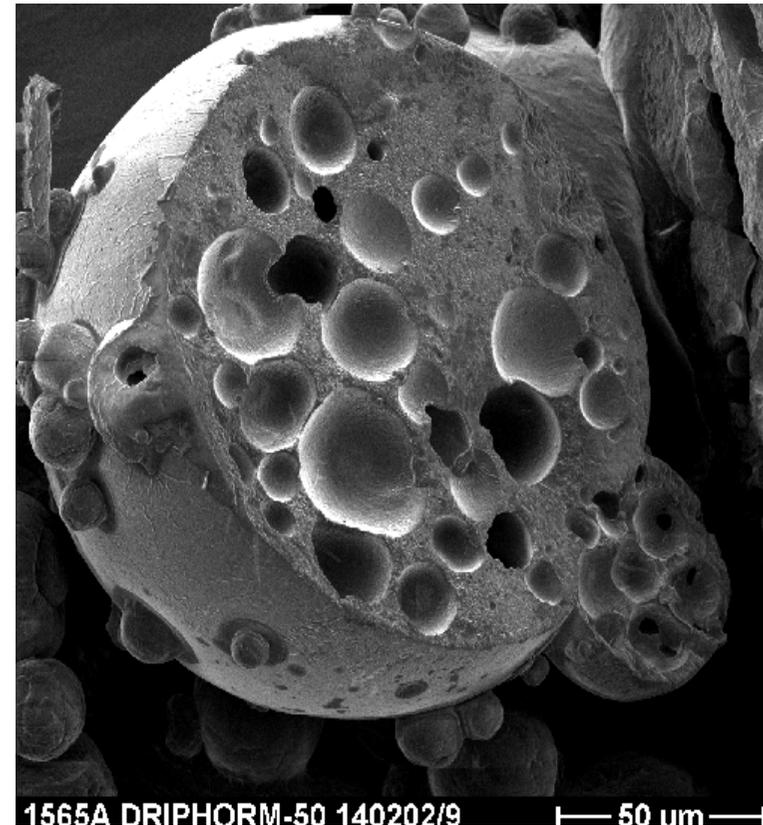
Sales Revenue based on Diversified Bioactives in FY2012



# COMPETITIVE STRENGTHS – A CULTURE OF COMMERCIAL INNOVATION

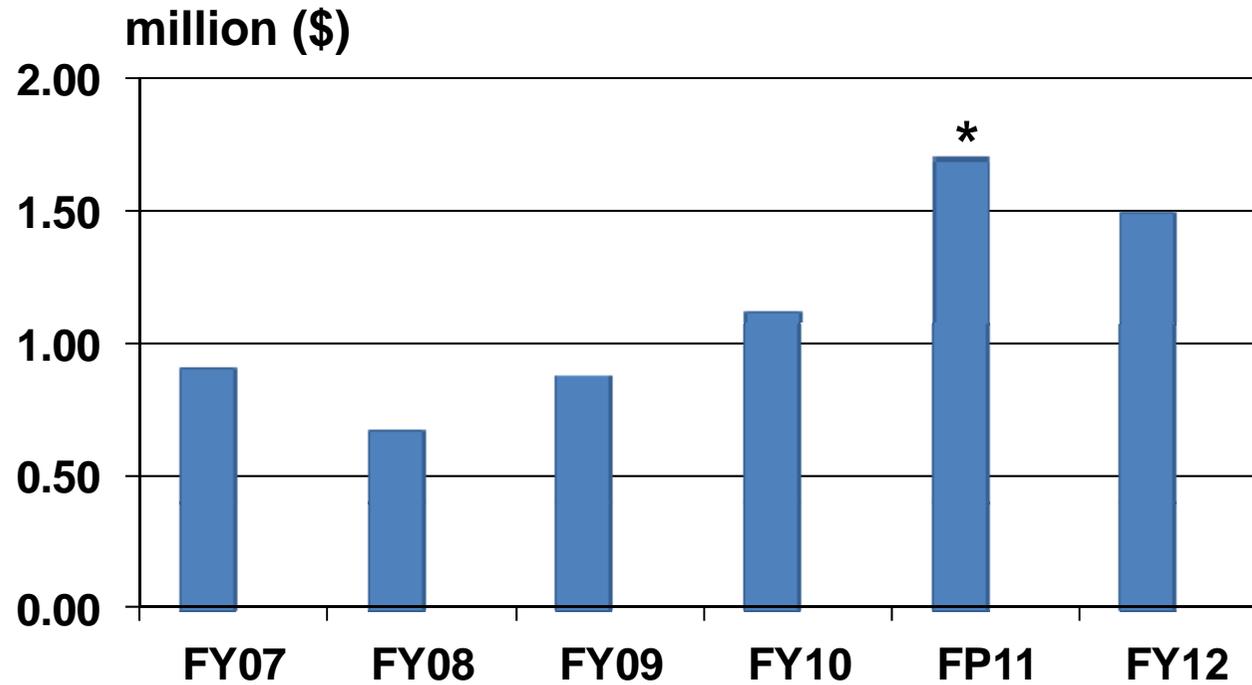


- **Clover's core strengths;**
  - Focus on value added markets
  - Proprietary & patented technology
  - Commercial focus on innovation program
  - High quality differentiated products
  - Excellent reputation with clients
  - Dedicated and skilled staff
- Long term commercial relationships
- Strategic 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



# RESEARCH & DEVELOPMENT EXPENDITURE

(EXPENSED IN YEAR OF ACTIVITY)



R&D Expenditure

\* FP11 represents 13 months

# FOCUS ON THE GROWTH OF THE CORE BUSINESS



## Core business & new product development:

- **Continued focus on the infant formula and children's food market.**
  - Specialist delivery systems.
  - Targeted multiple bioactive delivery systems.
  - Improved bioactive protection.
- **Developing new markets / applications / relationships.**
- **New products undergoing customer evaluation. Products entered customer evaluation in 2011 & 2012 and this can take 2 to 4 years before first sale.**
- **Multiple base technologies are available for biodelivery systems & product development.**
- **Assessing new bioactives & biodelivery systems.**

# THE OPPORTUNITIES FOR MEDICAL APPLICATIONS



## New 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:
  - Cognitive or mental impairment.
  - Respiratory impairment .
- Incidence of premature births:
  - Preterm births globally approx. 13 million.
  - Preterm births requiring tertiary care approx. 4 million.
  - Preterm births in countries with critical care facilities approx. 1.6 million.
- Results of the initial clinical study reported in 2009 (+600 infants):
  - Improved cognitive development in girls at 18 months.
  - Reduced oxygen requirement at 36 weeks in boys.
  - Reduced incidence of hayfever.



# PRETERM INFANT FORMULATION



- **Clover developed a specialty formulation for hospital use:**
  - Licence agreements signed & patent applications filed.
  - Proprietary formulation & delivery system being manufactured for trials.
  - Successful clinical testing of the formulation and delivery system.
  - Product development supported by a major clinical trial underway.
- **Currently involved in Phase 3 international clinical study using the Clover product:**
  - Clinical study supported by grant funds.
  - Clinical trial (multiple sites) involves +1000 preterm infants.
  - Clinical results are projected to be available by end 2014.
  - Clinical study on time.
  - Clover is providing the proprietary formulation for the trials.
- **Current focus:**
  - Obtaining required regulatory approvals.
  - Finalising the business, marketing & distribution plans.





**THANK YOU**  
**Questions?**