



FY 2013 Results

18 September 2013

NEXT GENERATION NUTRITION

DELIVERING ON EXPECTATIONS



- **Strategic vision & business description**
- **2013 financial performance**
- **Operational review**
- **Clover's competitive strengths**
- **Research & Development**
- **Priorities**
- **FY2014 Outlook**

STRATEGIC VISION



Clover Corporation seeks to:

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

COMPANY DESCRIPTION

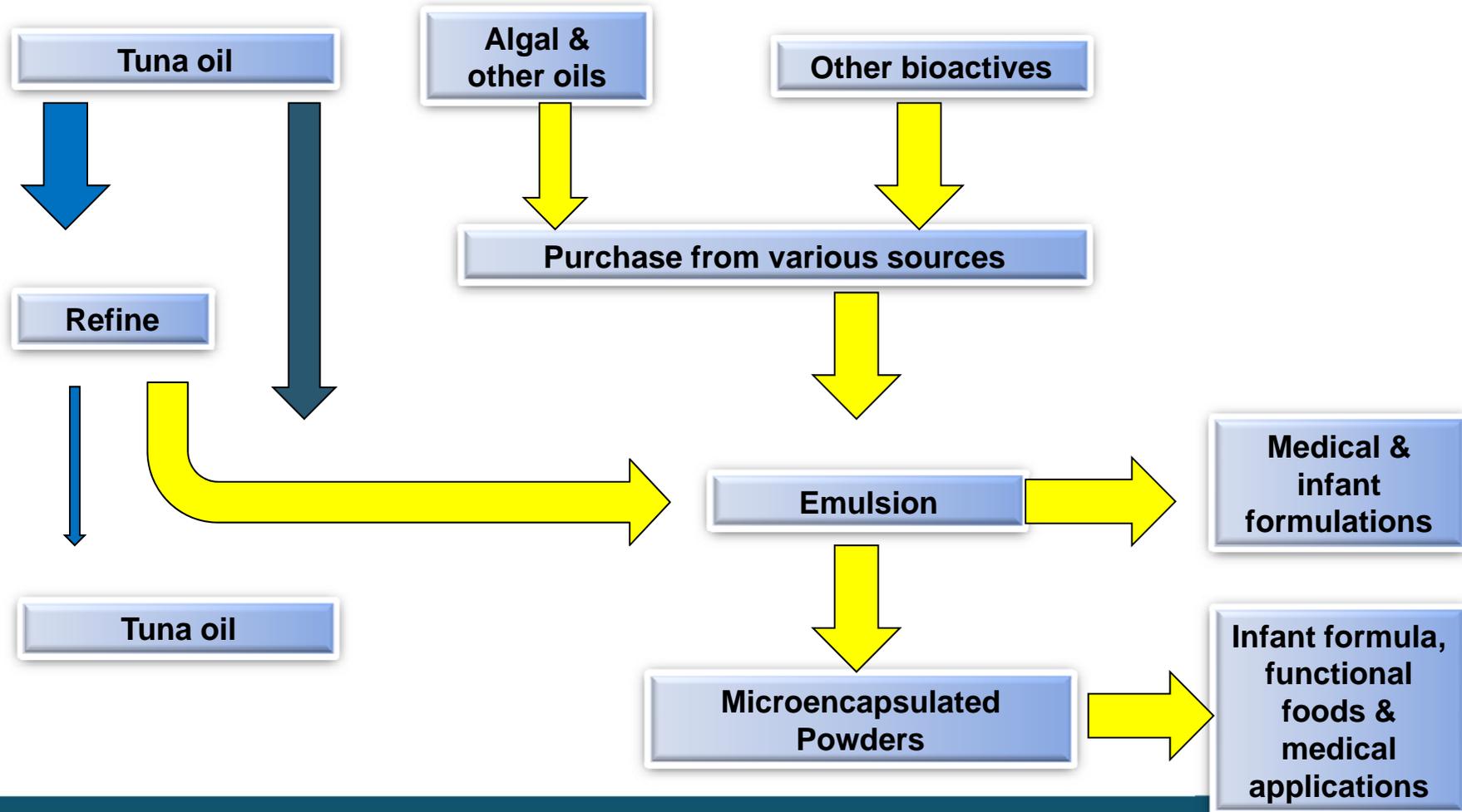


- **Focus on two business units:**
 - Clover Corporation focuses on *innovation*, obtaining the optimal return from proprietary technology and developing new business opportunities
 - Nu-Mega Ingredients (100% owned subsidiary) *commercialises* proprietary ingredient delivery and encapsulation technology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

OVERVIEW OF NU-MEGA OPERATIONS



Maximize the use of proprietary bioactive delivery technology



CLOVER FY2013 RESULTS

year ended 31 July 2013



AUD million	4E Reported 31 July 2013	4E Normalised* 31 July 2012	4E Reported 31 July 2012	PCP 1 Aug'10 – 31 Jul '11
Revenue	\$44.1	\$38.4	\$38.4	\$32.0
Profit before tax	\$8.5	\$7.4	\$6.4	\$5.2
Depreciation/Amort	(\$0.50)	(\$0.51)	(\$0.51)	(\$0.36)
Interest	\$0.21	\$0.29	\$0.29	\$0.55
EBITDA	\$8.8	\$7.9	\$6.7	\$5.1
EBIT	\$8.3	\$7.6	\$6.2	\$4.7
Tax	(\$2.43)	(\$1.99)	(\$1.99)	(\$1.26)
NPAT	\$6.1	\$5.6	\$4.4	\$4.0
EPS	3.80 cps	3.38 cps	2.65 cps	2.40 cps
ROE (annualised)	19.2%	18.6%	14.5%	14.1%

* Normalised results are non-statutory measures and represent results from continuing operations. Expenses totalling \$1.22 million in respect of the joint venture, Future Food Ingredients Pty. Limited, have been excluded from the normalised results.

CLOVER RESULTS

for the past 4 half years



AUD million	1 February 2013 to 31 July 2013	1 August 2012 to 31 January 2013	1 February 2012 to 31 July 2012	1 August 2011 to 31 January 2012
Revenue	\$23.9	\$20.2	\$20.5	\$17.9
Cost of Goods Sold	(\$15.9)	(\$12.7)	(\$12.6)	(\$10.6)
Gross Profit	\$8.0	\$7.5	\$7.9	\$7.3
Operational Costs	(\$2.7)	(\$2.8)	(\$3.1)	(\$2.8)
R&D Expenditure	(\$1.0)	(\$0.8)	(\$0.8)	(\$0.7)
Other Income	\$0.6	-	-	-
EBITDA	\$4.9	\$3.9	\$4.0	\$3.8
EBITDA margin	20.5%	19.3%	19.5%	15.6%
EBIT	\$4.6	\$3.7	\$3.7	\$3.6
Profit before tax	\$4.7	\$3.8	\$3.8	\$3.8
NPAT	\$3.4	\$2.7*	\$2.9*	\$2.7

* Normalised to remove impairments and extraordinary items.

HISTORICAL FINANCIAL PERFORMANCE



AUD million	FY2013	FY2012	FP2011 (13 months)	FY2010	FY2009	FY2008	FY2007
Shares on issue	165.2 m	165.2 m	165.2 m	165.2 m	165.2 m	165.2 m	165.2 m
Total contributed equity	\$32.4	\$29.9	\$32.9	\$32.9	\$28.3	\$27.0	\$23.7
Net cash total	\$8.3	\$9.7	\$7.4	\$12.2	\$9.2	\$10.8	\$11.0
Sales Revenue	\$44.1	\$38.4	\$35.6	\$34.9	\$21.1	\$21.6	\$16.5
Total Revenue	\$44.9	\$38.7	\$36.0	\$35.9	\$22.9	\$22.9	\$17.7
Profit before tax	\$8.5	\$6.4	\$6.1	\$1.6	\$4.5	\$3.0	\$1.3
Profit after tax	\$6.1	\$4.4	\$4.6	(\$0.97)	\$3.1	\$4.1	\$0.6
Normalised NPAT	\$6.1	\$5.6	\$4.0	\$4.7	\$3.5	\$2.7	\$0.9
EPS (cents)	3.80	2.60	2.70	(0.59)	1.87	2.5	0.38
Interim Dividend (cps)	0.5						
Final Dividend (cps)	1.50	1.75	1.50	1.25	1.00	1.00	0

* Normalised NPAT has removed impairments and extraordinary items.

CASH FLOW

Year ended 31 July 2013



AUD million From Continuing Ops	Reported 31 July 2013	Notes
EBITDA	8.8	
Working Capital Movement	(4.1)	Increased inventory including for raw material evaluation and approval.
Net Interest	0.2	
Tax Paid	(2.1)	
Cash Flow from Operations	2.8	
Financing Activities	(4.0)	Funding of dividend payments/CSIRO loan repayment (0.3)
Capex	(0.2)	Maintenance level
Net Cash Flow	(1.4)	
Net Increase in Cash Held	(1.4)	

BALANCE SHEET

Year ended 31 July 2013



AUD million	Reported 31 July 2013	Reported 31 July 2012	Movement
Cash	8.3	9.7	(1.4)
Trade Receivables	12.0	9.7	2.3
Inventories	14.0	12.3	1.7
Total Current Assets	34.7	31.8	2.9
PPE/Intangible Assets	5.3	5.5	(0.2)
Total Assets	41.5	38.6	2.9
Trade Payables	(7.7)	(8.1)	(0.4)
Total Current Liabilities	(8.7)	(8.4)	0.3
Total Liabilities	(9.1)	(8.7)	0.4
Net Assets	32.4	29.9	2.5
ROE	19.2%	14.5%	4.7%
ROE ex cash	25.8%	21.4%	4.4%

FY2013 OPERATIONAL REVIEW – DELIVERING ON EXPECTATIONS



- Strong growth in organic sales revenue (+14.9% from 2012).
- Focus on higher value infant formula & children applications (2013: 98%).
- Continued expansion of sales in Oceania (2013: +67%).
- Re-signed 5 year supply agreement with multi-national infant formula company.
- Locked in exchange rate until end FY2014 to stabilise raw material costs.
- Pressure on margins in a competitive environment.
- Operating expenditure remains well controlled.
- Evaluation and sales of new products slower than expected. Customer trials are proceeding with initial sales of 2 products expected in FY2014.
- Innovation program with CSIRO Australian Growth Partnership program terminated due to not meeting technical or commercial milestones.
- Increased inventory influenced by program to qualify and secure additional sources of raw materials which provide increased manufacturing margins.
- Board renewal – Mr Graeme Billings replaced Mr David Wills as a non-executive director.

CONTINUED FOCUS ON GROWTH MARKETS & VALUE ADDED PRODUCTS



- Sales revenue increased with the strongest performance in Oceania.
- Focus has been on infant formula, follow-on formula, growing-up-milks and special diets in super premium, premium and standard ranges of products.
- 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 mainly uses oils rather than encapsulated powders and there are regulatory restrictions.

Geographic sales by revenue

	FY2013	FY2012
Oceania	38%	26%
Asia	52%	64%
Europe	6%	6%
Americas	4%	4%

Types of Product

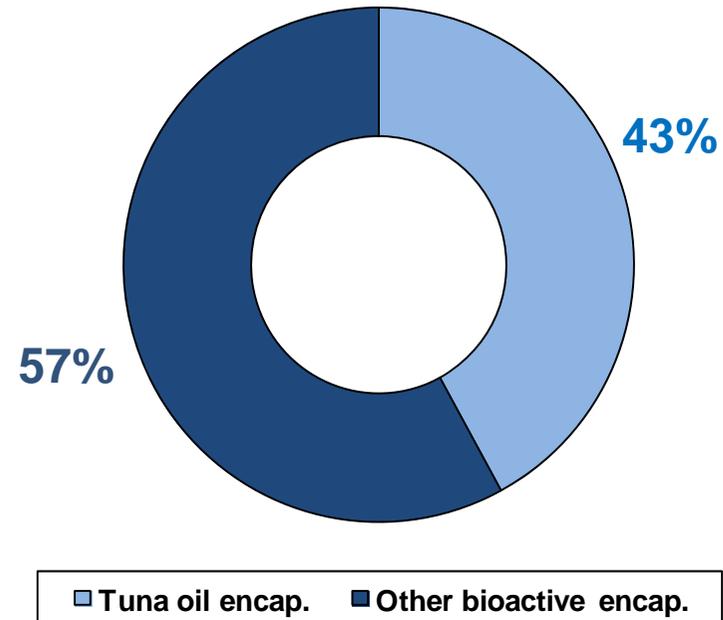
	FY2013	FY2012
Oil	3%	3%
Encapsulated Powders	97%	97%

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 improve the stability of important and sensitive nutritional materials and facilitate their use in many applications.
- Clover uses proprietary encapsulation technology that can allow;
 - high levels oil in the powder.
 - long shelf-life.
 - stability at ambient temperatures.
 - potential to deliver multiple bioactives.

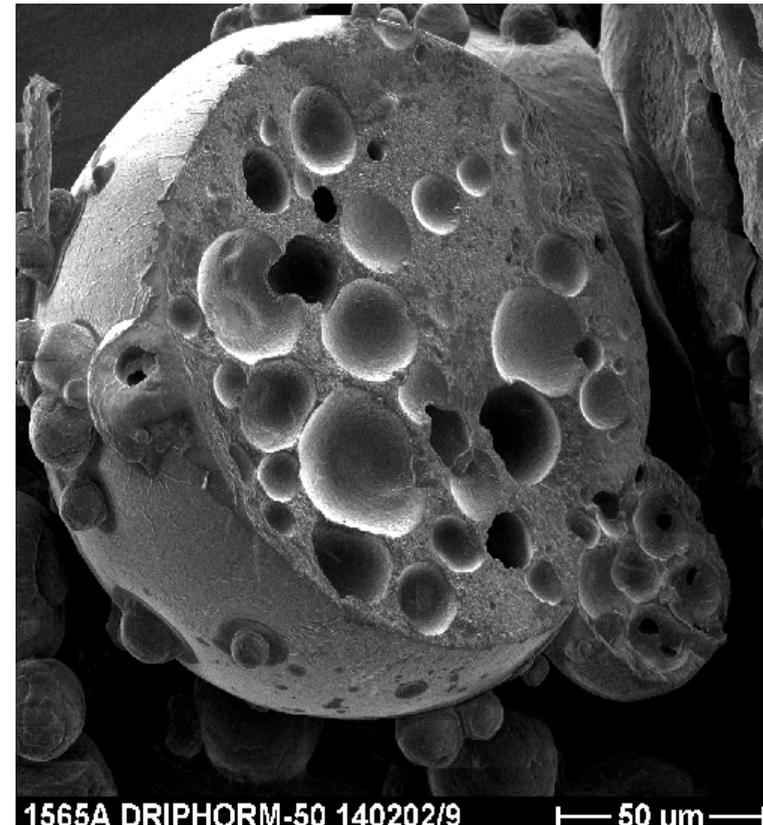
Sales Revenue based on Diversified Bioactives in FY2013



COMPETITIVE STRENGTHS – A CULTURE OF COMMERCIAL INNOVATION

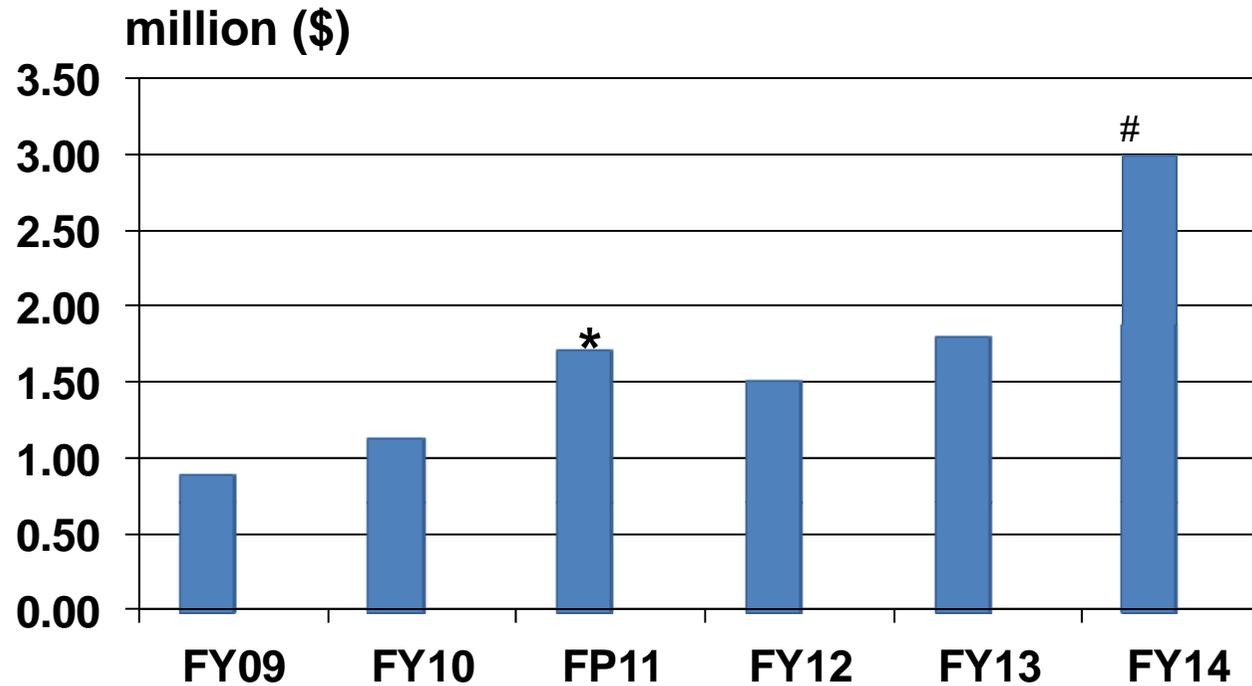


- **Clover's core strengths;**
 - Focus on value added markets
 - Proprietary & patented technology
 - Commercial focus on innovation program
 - High quality differentiated products
 - Excellent reputation with clients
 - Dedicated and skilled staff
- Long term commercial relationships
- Strategic discipline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



RESEARCH & DEVELOPMENT EXPENDITURE

(FULLY EXPENSED IN YEAR OF ACTIVITY)



R&D Expenditure

* FP11 represents 13 months

FY14 Budget estimate

PRIORITIES



- **Continued focus on the infant formula and children's food market.**
 - Specialist delivery systems.
 - Targeted multiple bioactive delivery systems.
 - Improved bioactive protection.
 - Provision of improved value.
- **Focus 1: Focus on expanding the sales of existing products.**
- **Focus 2: Commercialise the sales of new products**
 - Customer evaluation trials are underway in Oceania and Asia.
- **Focus 3: Develop medical food opportunities**
 - Preterm infant formulation and delivery system is currently in Phase 3 clinical study.
 - Trial involves approximately 1250 children in Australia and overseas.
 - Focus on improving the health and performance of premature infants.
 - Trial is due to be completed by end 2014 with results to be available in mid 2015.
 - Potential for sales in FY2016.
 - Currently developing the regulatory, manufacturing and commercial plans for the first product.

FY2014 OUTLOOK



- **Outlook for sales is challenging due to:**
 - Reduction in infant formula sales resulting from the milk powder contamination incident in New Zealand in August 2013.
 - Consolidation of the infant formula market in China.
 - Continued pressure on gross margins mitigated by ongoing productivity improvements.
 - Delays in evaluation and uptake of new products
- **Expect initial sales from products provided for customer evaluation in 2011.**
- **Will advance the innovation program for specialty infant formula ingredients and medical food applications.**
- **CEO Dr Ian Brown will not be renewing his contract beyond June 2014. A search to replace Dr Brown is underway.**
- **Will explore strategic acquisitions that are accretive to Clover in relation to product range, market and sales opportunities.**



THANK YOU
Questions?

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