

Managing Director Report 6 Months to 31 Jan 2023

15 March 2023



Vision, Values and Purpose Statement

Vision

To optimise the health and development of adults, infants and children.

Values

Respect, Response, Responsibility

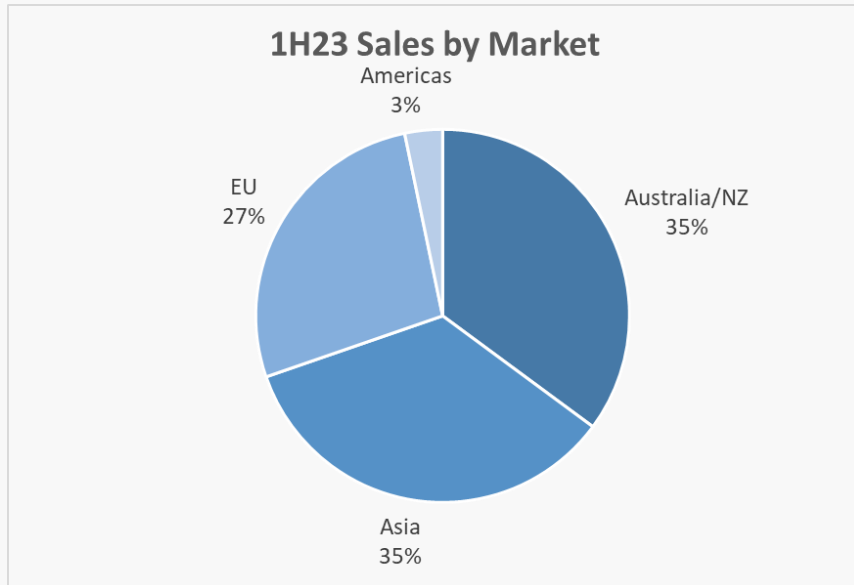
Purpose

In collaboration with key market participants, Clover develops customised high value nutritional ingredients that enhance the wellbeing and dietary needs of their customers.

Record Results Half Year FY23

- ♣ Total half year Revenue **\$44.4m** up 49.5% on 1HFY22 \$29.7m
- ♣ NPAT **\$3.6m** up 81.1% on 1HFY22 \$2.0m
- ♣ Balance Sheet remains strong with cash of **\$6.5m**
- ♣ Inventory at **\$41.1m** up \$5.1m on FY22 (36.0)
- ♣ Operating Expenses **\$7.6m** up 28.0% (1HFY22 \$5.9m) with continued focus on R&D development, recruitment and customer engagement
- ♣ Clover has achieved revenue growth in Europe & Middle East, Asia and ANZ
- ♣ New business won in China
- ♣ Interim fully franked dividend **0.75c** declared

Sales by Geography



MEA EU

- ♣ European sales improved with the EU recovering from COVID-19 and returning to work.
- ♣ Middle East sales contributed growth with customers benefiting from higher female participation in work.

Asia ANZ

- ♣ Sales into Asia have improved compared to the prior year.
- ♣ New business won in China
- ♣ ANZ recovered well with food and infant formula projects. Inventory builds in infant formula contributed to a strong first half.

Half Year 2023 Results

AUD million	4D Reported 31 Jan 2023	4D Reported 31 Jan 2022
Revenue	\$44.4	\$29.7
EBITDA	\$5.7	\$3.4
NPBT	\$5.0	\$2.8
Tax	(\$1.4)	(\$0.8)
NPAT	\$3.6	\$2.0
EPS	2.2 cps	1.2 cps
ROE (annualised)	9.1%	7.8%

- ♣ Revenue increased 49.5% with projects recovering from COVID-19 and infant formula customers building inventory
- ♣ EBITDA was supported by resourcing of raw materials and price increases.
- ♣ Ongoing focus with R&D and customer engagement on strategic growth.
- ♣ NPAT result \$3.6m (FY22 \$2.0m)

Balance Sheet 31 January 2023

AUD	Reported 31 Jan 2023 \$M	Reported 31 Jul 2022 \$M	Movement \$M
Cash	6.5	10.1	(3.6)
Trade Receivables	17.6	19.6	(2.0)
Inventories	41.1	36.0	5.1
Total Current Assets	65.9	66.9	(1.0)
Non Current Assets	24.5	24.7	(0.2)
Total Assets	90.4	91.6	(1.2)
Trade Payables	(10.4)	(13.6)	3.2
Current Borrowings	(1.7)	(1.7)	0.0
Total Current Liabilities	(14.6)	(17.3)	2.7
Non-Current Borrowings	(8.5)	(9.2)	0.7
Total Liabilities	(25.1)	(28.6)	3.5
Net Assets	65.3	63.0	2.3

♣ Cash balance remains strong \$6.5m

♣ Trade receivables consistent on comparative sales volumes, with all accounts on terms

♣ Inventory levels up to service supply chain demands

♣ Payables in line with timing of oil purchases and stock management

An Update on Growth Platforms



Growth Platform

Successful Clinical trial - Premneo

- ♣ Published in the New England Journal, the trial results demonstrated improved IQ for pre-term infants utilising our proprietary DHA emulsion product.
- ♣ The Medical Food product is branded Premneo which requires regulatory registration & approvals, manufacturing and distribution investment.
- ♣ This may take 18 to 36 months before meaningful revenue is recognised.
- ♣ Globally, there are ~2.5m babies born preterm (less than 32 weeks), potentially requiring 300m to 400m doses annually.



**New
Product
Development**

Growth Platform

New products driving future growth

- ♣ Clover has achieved sales of Gelporm, our proprietary emulsion product which allows UHT drinks to be fortified with Omega 3.
- ♣ Gelporm is on trial with additional customers.
- ♣ The Company is progressed in the development of its next generation proprietary encapsulation technology.
- ♣ Clover has a product development pipeline including the microencapsulation of probiotics, choline, CoQ10 and folic acid.



Gelporm®

**New
Product
Development**

Growth Platform

Market development

- ♣ Europe & the Middle East have delivered growth through new customers and projects restarting post COVID-19.
- ♣ The Company has reinitiated customer engagement through visits and trade shows.
- ♣ Melody Dairies continues to be a key strategic investment providing diversified manufacturing capacity at low cost to meet our growth. Improvements to the spray dryer have increased efficiency.



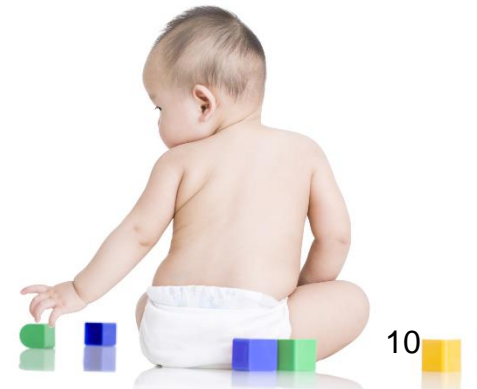
**New
Market
Development**

Growth Platform

China provides new infant formula opportunities

- ♣ 1HFY23 Revenues have been strengthened by customers building inventory in preparation for the new China GB standard.
- ♣ The China GB Standard requires infant formula manufacturers to hold a license to sell through the Chinese retail stores from late February 2023. Product manufactured prior to the February deadline can still be sold.
- ♣ Many manufacturers are in the process of achieving a license and have built inventory to maintain sales during this period.
- ♣ As customers work through this inventory build and await their GB license, we expect volatility in demand for the second half.

Focus on
Infant
Formula



2HFY23 Outlook & Priorities

- ♣ Maintain the Health & Safety focus on our employees, suppliers, customers and stakeholders
- ♣ Continued development of new products in food and nutraceutical applications leveraging our R&D capability
- ♣ Manage the inventory position to maintain supply and minimise cost
- ♣ Engage with new and existing customers through travel and trade shows
- ♣ Increase vertical integration into supply chain
- ♣ Continue investigation and the development of plans for the commercialisation of Premneo
- ♣ With market opportunities improving, Clover expects full year revenues for FY23 to be in the range of \$80m to \$90m. The Company remains cautious on full year revenue guidance with ongoing COVID-19 infections, geo-political issues effecting freight and supply and the outcome of the introduction of the Chinese infant formula GB license potential to impact customer demand.

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