

Managing Director's Report 12 Months to 31 July 2021

21 September 2021



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.

Full Year Performance Highlights

♣ Total full year Revenue

\$60.5m down 32.0% on
FY20 \$88.3m driven by
reduced demand

♣ Net Profit **\$6.0m**

down 51.9% on FY20
\$12.5m

♣ Operating Expenses

\$8.7m down 23.7%
(FY20 \$11.4m) reduced
spending across all areas

♣ New products continuing to
be developed to move
forward in new segments and
markets

♣ Inventory at **\$30.8m**
down \$1.1m on FY20 full year

♣ Balance Sheet remains strong
with cash of **\$9.1m**

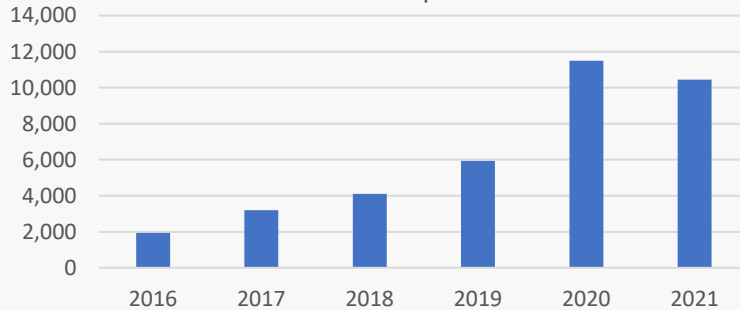
♣ Final dividend declared of **0.5**
cent per share, bringing the full
year dividend to 1.0 cent per share

COVID-19 Update

- ♣ Clover has managed the business to a COVID-19 safe plan with the focus on the health and safety of our employees, customers and suppliers
- ♣ Customer demand has been curtailed by COVID-19 conditions
- ♣ Clover maintains a relatively high inventory position to act as a buffer to insufficient shipping availability, port congestion globally and increasing freight costs
- ♣ Clover has not received any government assistance through this pandemic
- ♣ Many new projects are on hold as our customers' employees continue to work from home
- ♣ More than 80% of Clover's customer base is located overseas and travel constraints have limited business development opportunities

Sales by Geography

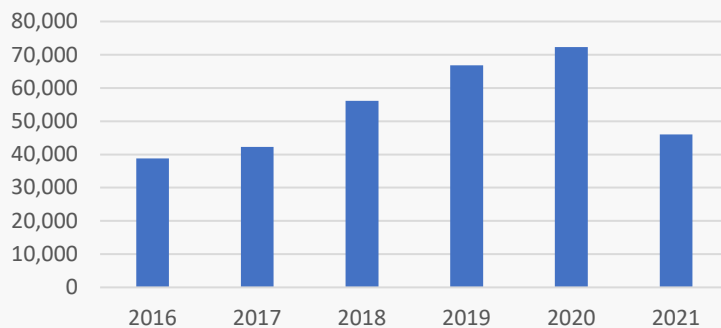
EU Sales A\$000



Europe

- ♣ European sales have been slowed by COVID-19 restrictions and general activity in the market
- ♣ European infant formula manufacturers have reduced sales into China

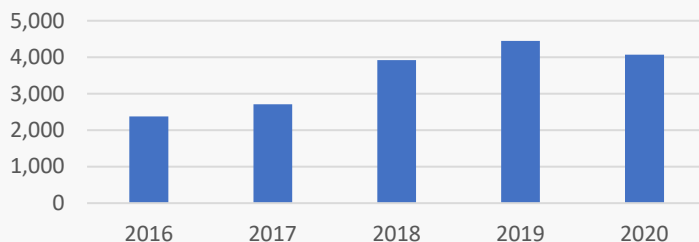
Asia / ANZ Sales A\$000



Asia ANZ

- ♣ Direct sales into the Asian marketplace via our Distributor network also slowed in FY21
- ♣ AU / NZ reflects the impact of weaker demand from infant formula manufacturers as their channels of sale into the Chinese market changed

Americas Sales A\$000



Americas

- ♣ The USA Region pulled back slightly from the prior year in reported sales.
- ♣ South American sales have been subdued by COVID-19

■ Sales

Full Year 2021 Results

AUD million	4E Reported 31 Jul 2021	4E Reported 31 Jul 2020
Revenue	\$60.5	\$88.3
EBITDA	\$9.5	\$18.9
NPBT	\$8.2	\$17.7
Tax	(\$2.2)	(\$5.2)
NPAT	\$6.0	\$12.5
EPS	3.6 cps	7.5 cps
ROE (annualised)	10.3%	21.7%

- ♣ 32% year on year revenue decline
- ♣ Pantry stacking of FY20 and ongoing COVID-19 restrictions in FY21 leading to lower volumes and revenue decline.
- ♣ 3% Margin decline impacted by FX and customer/volume mix
- ♣ Fixed costs managed \$8.7m or 14.4% of revenue (FY20 \$11.1m, 12.6% of revenue).
- ♣ FY21 Tax 26.8% v FY20 29.4% reflects the continued focus on R&D development
- ♣ NPAT result \$6.0m (FY20 \$12.5m)
- ♣ Excluding the Melody Dairy operating loss and IP legal defence costs, the underlying NPAT for FY21 would be \$7.3m

Balance Sheet 31 July 2021

AUD	Reported 31 Jul 2021 \$M	Reported 31 Jul 2020 \$M	Movement \$M
Cash	9.1	9.2	(0.1)
Trade Receivables	13.3	16.8	(3.5)
Inventories	30.8	31.9	(1.1)
Total Current Assets	54.7	59.1	(4.4)
Fixed Assets	24.0	22.4	1.6
Total Assets	78.7	81.5	(2.8)
Trade Payables	(5.3)	(8.0)	2.7
Current Borrowings	(1.6)	(1.6)	-
Total Current Liabilities	(7.8)	(10.9)	3.1
Non-Current Borrowings	(12.5)	(13.0)	0.5
Total Liabilities	(20.3)	(23.9)	3.6
Net Assets	58.4	57.6	1.2

- ♣ Cash balance strong \$9.1m
- ♣ Trade receivables down on FY21 sales against FY20 strong finish
- ♣ Inventory levels down but held due to supply chain constraints
- ♣ Payables decreased in line with timing of oil purchases and lower demand

Capital Discipline & Risk Management

AUD million	FY21	FY20	Change	Change %
Cash	\$9.09	\$9.24	(\$0.15)	(1.6%)
Borrowings	\$13.08	\$14.52	\$1.44	9.9%
Net Debt	\$3.99	\$5.28	\$1.29	24.4%
Lease Liability	\$1.11	\$0.10	(\$1.01)	
Total Lease adjusted Debt	\$4.57	\$5.38	\$0.81	15.1%
Total Shareholders' Equity	\$58.4	\$57.6	\$1.2	2.1%
Net Leverage ratio	0.5 x	0.3 x		
Interest cover ratio	23.8 x	31.5 x		(7.7 x)

	FY21	FY20	Change %
Weighted average # shares (millions)	166.3	166.3	0.0%
Operating EPS (cents)	3.6c	7.5c	(52.0%)
Dividend (cents)	1.0c	2.5c	(60.0%)
Dividend payout ratio	28%	33%	

- ♣ Borrowings continued to be paid down in line with loan terms
- ♣ New lease on Brisbane R&D office to a location suitable for spray drying trials
- ♣ Net Leverage Ratio moved slightly on lower EBITDA
- ♣ Full Year dividend restraint with changing market conditions in the short term

Melody Dairies- New Zealand

- ♣ Clover has 42% ownership of a spray drying facility in Hamilton, New Zealand
- ♣ The factory had a delayed start up in FY21 due to COVID-19 delays in construction, accreditation and customer acceptance testing
- ♣ Clover has been impacted by its share of the loss associated with the late start up during FY21 to the value of \$0.8m
- ♣ Some customer audits have now been completed with others ongoing
- ♣ The Melody Dairies dryer has been used successfully for several production runs with product sold late in the financial year and a good outlook for FY22



An Update on Growth Platforms



Growth Platform

New products driving future growth

- ♣ Research & Development maintains a pipeline of new products with excellent progress and prospects for future market growth
- ♣ Clover has launched two high EPA powders; EPA is a fatty acid recognised for its qualities to reduce inflammation and is being used in nutraceutical and Food for Special Medical Purposes products
- ♣ The Company has invested in its R&D activities moving to facilities that incorporate R&D pilot production equipment to fast-track the development of new products



**New
Product
Development**

Growth Platform

Infant formula provides new opportunities

- ♣ Clover is working with several Infant formula manufacturers in the EU, that will come online in FY22
- ♣ China's legislation requiring infant formula to contain a min 15mg/100Kcal of DHA and ARA has been fully approved with manufacturer's currently transitioning formulations for commencement in Feb 2023
- ♣ Clover products are being qualified with several local China infant formula manufacturers with license submission including Clover's microencapsulated powder as a specified ingredient

Focus on
Infant
Formula



Growth Platform

New market development

- ♣ Clover has established direct customer contact in China and aligned with new distributors capable of winning business
- ♣ The Food Ingredients China trade show provided access to new customers, delivering immediate sales opportunities
- ♣ The Company has maintained and added new customers across the year, these are relatively modest however with good growth prospects
- ♣ Clover is currently in trials with major gummy manufacturers providing access to global markets



**New
Market
Development**

1HFY22 Outlook & Priorities

- ♣ The health & safety of employees, customers and suppliers remains our focus
- ♣ Supply chain challenges are a focus on obtaining raw materials and ensuring our customers are well serviced
- ♣ Re-engaging with customers to progress the new product and application pipeline in China, Europe and the USA
- ♣ Launching newly developed products
- ♣ Increase vertical integration into supply chain, establishing partners in supply and logistics
- ♣ Add value through strategic acquisition and/or partnership
- ♣ Clover expects to capitalise on the above opportunities once markets and borders re-open but the timing is unknown. It is therefore difficult to provide meaningful guidance

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