

CLOVER CORPORATION LIMITED

2023 Annual General Meeting

23 November 2023





Welcome

23 November 2023



Board Members



Rupert Harrington



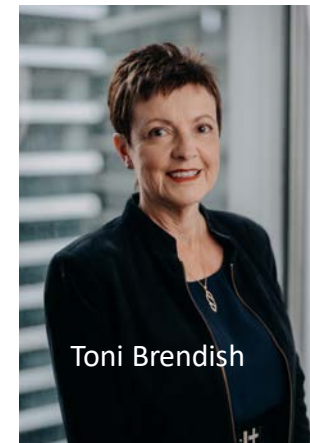
Peter Davey



Graeme Billings



Ian Glasson



Toni Brendish



Simon Green

Agenda



- Welcome
- Introductions
- How to ask Questions
- How to Vote
- Chairman's Address
- Managing Directors Report

Formal Business

- Item 1 Adoption of the Annual Accounts
- Item 2 – Resolution 1 Adoption of the Remuneration Report
- Item 3 – Resolution 2 Re-election of
- Item 4 – Resolution 3 Re-election of
- Item 5 – Resolution 4 Issue of FY24 Performance Rights
- Questions



How to ask a question

- To ask a written question select the Q & A icon
- Select the topic your question relates to from the drop-down list
- Type your question in the text box and **press** the send button
- To ask a verbal question follow the instructions below the broadcast window.

A screenshot of the Clover Corporation's Q & A interface. At the top, there is a navigation bar with four icons: a monitor for "Broadcast", a document for "Vote", a speech bubble for "Q & A" (which is highlighted with a purple underline), and a folder for "Documents". Below the navigation bar is a large text input area with the placeholder text "Your question(s)". Underneath this is a smaller text box with the instruction "You may enter a question using the field below." followed by a "Select Topic" dropdown menu. Below the dropdown is a note "Questions are limited to 2000 characters." and another text input field with a character count "0 character(s)". To the right of the input field is a "Send" button.



How to vote

- When the poll is open, select the vote icon at the top of the screen
- To vote, select either For, Against or Abstain
- You will see a vote confirmation
- To change or cancel your vote “click here to change your vote” at any time until the poll is closed

Broadcast

Vote

Q & A

Documents

Items of Business

2A Re-elect Mr Sam Sample as a Director

FOR

AGAINST

ABSTAIN

2B Re-elect Ms Jane Citizen as a Director

We have received your vote **For**
Click here to change your vote.



Chairman's Address

23 November 2023





Managing Director's Report 12 Months to 31 July 2023

23 November 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.

Full Year Performance Highlights

♣ Total full year Revenue
\$79.9m up 13.0% on
FY22 \$70.7m driven by
increased demand and
prebuild GB China approvals

♣ Net Profit after tax
\$6.2m down 13.0%
on FY22 \$7.1m

♣ Operating Expenses
\$13.8m up 32.3% (FY22
\$10.4m) impacted by
inflation, travel and marketing
costs.

♣ New customers and
products continue to diversify
revenue base

♣ Inventory at **\$36.9m**
increased \$0.9m on FY22 full
year

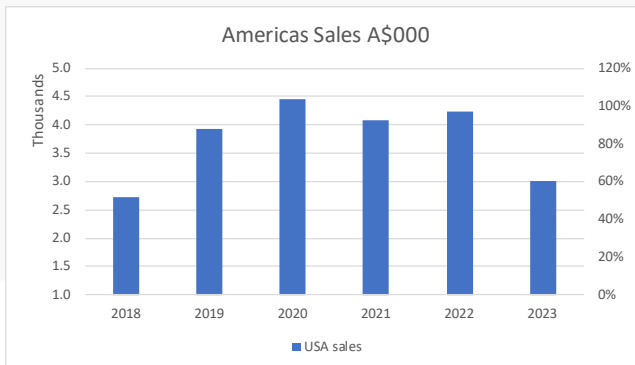
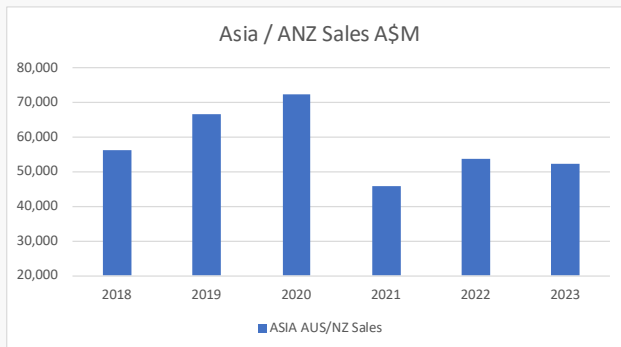
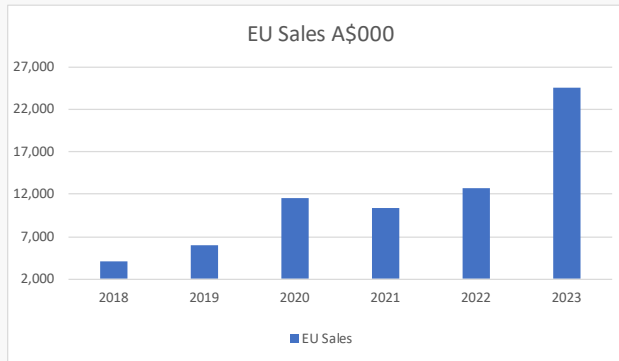
♣ Balance Sheet remains strong
with cash of **\$9.4m**

♣ Final dividend declared of
0.75 cent per share,
bringing the full year dividend to
1.5 cent per share

FY23 Update

- ♣ Throughout FY23, Clover prioritized maintaining a COVID-free environment and enhancing our health and safety protocols.
- ♣ The first half of the year witnessed record-breaking revenue of \$44.4 million, although orders slowed during the second half to \$35.5 million.
- ♣ Our inventory position ensures Clover is ready to manage short-term demand and supply chain issues.
- ♣ Persistent inflationary pressures across raw materials, energy and labour have challenged our gross margins. To mitigate this, we have strategically adjusted pricing and looked at sourcing opportunities.
- ♣ We revisited pre-COVID projects, re-engaging with customers and commencing work on these initiatives.
- ♣ A deliberate effort to engage with customers face-to-face and attend trade shows contributed to higher year-on-year costs but also resulted in fostering relationships with new and existing customers.

Sales by Geography



Europe/ME

- ♣ Customers in Europe were less impacted by the China GB positioning and new customers added to revenue.
- ♣ Middle Eastern customers grew through new brands and market growth.

Asia ANZ

- ♣ Asian & ANZ sales declined as customers initially built inventory and then slowed their orders to offset high inventory position.

Americas

- ♣ The USA Region declined due to one customer product market withdrawal, higher competition in the infant formula market and a slow return to work following COVID-19. Our forecast for the US market remains positive due to acceptance of new products

Full Year 2023 Results

AUD million	4E Reported 31 Jul 2023	4E Reported 31 Jul 2022
Revenue	\$79.9	\$70.7
EBITDA	\$10.0	\$11.0
NPBT	\$8.4	\$9.9
Tax	(\$2.3)	(\$2.7)
NPAT	\$6.2	\$7.1
EPS	3.7 cps	4.3 cps
ROE (annualised)	9.2%	11.4%

- ♣ 13% year on year revenue increase. Middle East growth offset traditional customer base slowing.
- ♣ Price increases / cost reduction and mix of the customer base sales has offset the global inflationary pressures with GM% stabilised
- ♣ Participation and attendance at trade shows a significant cost increase year on year
- ♣ NPAT impacted by continued investment in new market development supporting future growth and mitigating supply chain risk

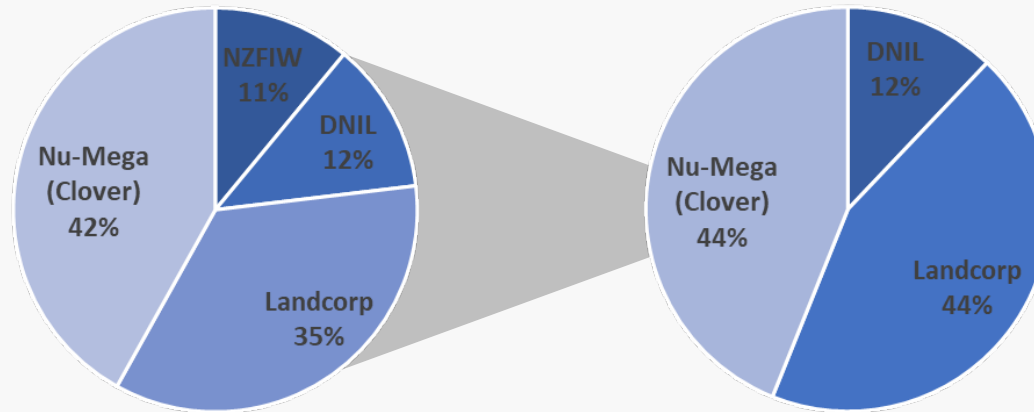
Balance Sheet 31 July 2023

AUD	Reported 31 Jul 2023 \$M	Reported 31 Jul 2022 \$M	Movement \$M
Cash	9.4	10.1	(0.7)
Trade Receivables	12.0	19.4	(7.4)
Inventories	36.9	36.0	0.9
Total Current Assets	60.0	66.9	(6.9)
Fixed Assets	26.2	23.9	2.3
Total Assets	86.2	90.8	(4.6)
Trade Payables	(4.6)	(13.6)	(9.0)
Current Borrowings	(1.7)	(1.7)	-
Total Current Liabilities	(8.3)	(16.5)	(8.2)
Non-Current Borrowings	(7.7)	(9.3)	(1.6)
Total Liabilities	(19.1)	(27.7)	(8.6)
Net Assets	67.1	63.1	4.0

- ♣ Cash management continues to be a focus with the volatility around revenue
- ♣ Trade receivables down with weaker finish to FY23.
- ♣ Higher raw material inventory positions impacted by slowing of customer orders 2nd half.
- ♣ Payables decreased in line with timing of raw material purchases.

Melody Dairies - New Zealand

Melody Dairies change in Shareholding



- ♣ Clover Corporation and Landcorp have increased their shareholding buying out Food Ingredients Waikato (FIW), who have ceased to be a shareholder, Clover increased its shareholding by 2% to 43.9%
- ♣ FIW held the management rights over the site which will now transfer to Melody Dairies with more oversight from the Partners.
- ♣ Significant improvements have been made to the capacity of the spray dryer; we expect to make further improvements to its utilisation to gain efficiencies over the next 12 months
- ♣ Clover recognised its share of the loss associated with low utilisation of the dryer during 2nd half FY23.

An Update on Growth Platforms



Growth Platform

New products driving future growth

♣ Premneo

- ♣ Regulatory approval work has commenced across multiple countries. It is expected to take 12-24 months.
- ♣ Trial product has been successfully packaged in India in preparation for launch upon regulatory approval.
- ♣ We are actively seeking distribution partners, and marketing plans are progressing accordingly.



Growth Platform

New products driving future growth

- ♣ New products
 - ♣ Clover has launched 4 new products during the year and recognised sales in Food and Nutraceutical applications
- ♣ Gelphorm
 - ♣ A DHA emulsion for the fortification of UHT & ESL drinks
 - ♣ Multiple customers across the USA & Asia have the product on trial
 - ♣ A non-dairy UHT product was released in the USA September 2024 using Gelphorm
- ♣ Clover has new products in development for the microencapsulation of Choline, Probiotics and other Bioactives which provide solutions to customers' existing problems



Gelphorm®

**New
Product
Development**

Growth Platform

Infant formula provides new opportunities

- ♣ The China GB license requires infant formula (IF) manufacturers to include a minimum of 15mg of DHA in stage 1 & 2 products sold through the retail channel
- ♣ Clover's microencapsulated DHA powder helps IF manufacturers achieve the higher levels of DHA without sensory issues
- ♣ Clover's product has been included in Chinese & Western infant formula brands with China GB license applications
- ♣ Customers built significant inventory positions ahead of the China GB license with inventory remaining in the distribution channel and reducing demand
- ♣ The company expects demand to increase as the current inventory position is replaced
- ♣ 2024 is the Year of the Dragon, traditionally signifying an increase in the Chinese birth rate.

Focus on
Infant
Formula



Growth Platform

New market development

- ♣ Clover continues to work with EU manufacturers to achieve improved sensory outcomes for their infant formula following the EU's regulatory increase of DHA to 20mg/kcal
- ♣ The Company has commissioned a spray dryer in its R&D facility in Brisbane accelerating new product development
- ♣ The Company has extended distribution into Turkiye, Japan, Korea and India with market development activities expected to deliver revenue in 2024
- ♣ Clover exhibited at double the number of trade shows we normally attend to establish new opportunities following the long COVID-19 delay
- ♣ Clover has launched a new website and digital marketing under the Nu-Mega brand



**New
Market
Development**

1HFY24 Priorities

- ♣ Assisting infant formula manufacturers to meet the new GB standard will grow our revenue
- ♣ Progressing commercialisation of the Premneo, GelPhorm and other new products
- ♣ One of Clover's competitors, BASF, has informed the market they will cease selling powdered fish oil products, creating an opportunity for Clover to gain market share
- ♣ Managing our inventory position to be financially balanced and have the flexibility to meet fluctuating customer demand
- ♣ Achieving an agreed cost-effective structure with greater levels of production at Melody Dairies
- ♣ Increase vertical integration into supply chain, establishing partners in supply and logistics

FY24 Trading Update

Global Demand

- ♣ Demand for Clovers products remains robust
- ♣ The legislated increase in DHA & ARA inclusion in infant formula (IF) provides a significant opportunity for further growth Globally
- ♣ The 2020 EU regulation to increase the level of DHA in IF has benefited Clover with sales to the EU/ME increasing from circa \$6m (2019) to \$25m (2023), the uptake of the regulation has been slow but continues to provide opportunities today
- ♣ Clover's non-infant formula business has grown across all markets with the introduction of solutions to assist new product development

China Demand

- ♣ The birth rate in China reduced to 6.77m babies in 2022 a 35% reduction of 10.41m births in 2019 ^{1,2.}
- ♣ China represents 50% of global IF manufacturers volume & value ^{5.}
- ♣ Import of International IF to China is down 36% Jul-Sept FY24 (YoY) ^{3.}, Domestic sales via mom & baby stores reduced 17% (YoY) ^{4.}
- ♣ Western & Chinese IF manufacturers built inventory prior to the China GB Lic. change.
- ♣ Increasingly Western & Chinese IF manufacturers are selling their GB Lic. Brands
- ♣ November has a significant online sales event which will assist in clearing older inventory, that is priced lower than the GB Lic. Brands
- ♣ IF product produced prior to the GB Lic has a shelf-life limit which will require replacement
- ♣ Clover's demand has been reduced by the current high inventory position in China

1. National Bureau of Statistic China

2. Euromonitor 2022

3. Select Equities- Doing Business in China Oct 2023

4. Goldman Sachs (Nielsen)- China Infant Formula Jul-Aug 2023

5. Businesswire, China Infant Formula Market Size, Trends & Forecasts 2021-2025, 2022

FY24 Outlook

Previous Outlook statement FY23 results

- ♣ As we look ahead to FY24 two factors will lead to a normalised growth pattern, a reduction of customers' infant formula inventory is crucial to boosting revenue in this segment and the market acceptance of our key projects in the general food and nutraceutical sectors will be pivotal to our sales growth.
- ♣ Clover anticipates an improvement in demand for its microencapsulated powders due to:
 - ♣ Demand from EU manufacturers meeting the higher DHA requirements for EU infant formula
 - ♣ New product sales across Asia, USA and EU
 - ♣ Filling the gap left by BASF's exit from the market
 - ♣ The decline of non-GB inventory in the China retail channel driven by discounting, product shelf life, and customers transitioning to the new GB product
- ♣ Whilst there are positive signs ahead in the short term, due to the uncertainty surrounding the normalisation of demand in China, Clover anticipates full-year revenues for FY24 to be circa \$70m.

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Formal Business



Item 1 Adoption of the Annual Accounts

Item 2 – Resolution 1	Adoption of the Remuneration Report
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Item 3 – Resolution 2	Re-election of Mr Ian Glasson
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Item 4 – Resolution 3	Re-election of Ms Toni Brendish
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Item 5 – Resolution 4	Issue of FY24 Performance Rights
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Questions

Voting Close

Item 1

Annual Report



Adoption of Annual Report

Item 2 - Resolution 1

Remuneration Report



Adoption of remuneration report

That the remuneration report that forms part of the director's report for the financial year ended 31 July 2023, be adopted

Item 2 - Resolution 1

Remuneration Report



Proxy Votes

	Votes	% Voted
For	65,358,015	39.1
Against	1,054,371	0.6
Abstain	112,202	0.1

Item 3 - Resolution 2

Re-election of Mr. Ian Glasson



Re-election of Mr. Ian Glasson

To consider and if thought fit pass the following resolution as an **ordinary resolution**

That Mr. Ian Glasson who retires in accordance with article 16 of the Company's constitution and, being eligible, stands for re-election, be re-elected as a director of the Company.

Item 3 - Resolution 2

Re-election of Mr. Ian Glasson



Proxy Votes

	Votes	% Voted
For	65,970,188	39.5
Against	597,710	0.4
Abstain	102,924	0.1

Item 4 - Resolution 3

Re-election of Ms. Toni Brendish



Re-election of Ms. Toni Brendish

To consider and if thought fit pass the following resolution as an **ordinary resolution**

That Ms. Toni Brendish, who retires in accordance with article 16 of the Company's constitution and, being eligible, stands for re-election, be re-elected as a director of the Company.

Item 4 - Resolution 3

Re-election of Ms. Toni Brendish



Proxy Votes

	Votes	% Voted
For	65,946,088	39.5
Against	617,810	0.4
Abstain	106,924	0.1

Item 5 - Resolution 4

Issue of FY24 Performance Rights



Approval of FY24 Performance Rights to be issued to the Managing Director

To consider and if thought fit pass the following resolution as an **ordinary resolution**

That for the purposes of Listing Rule 10.14, and for all other purposes, shareholders of the Company authorise and approve the issue of 249,712 Performance Rights under the FY24 LTI Plan by the Company to Mr Peter Davey, The Company's Managing Director on the terms and conditions set out in the Explanatory Memorandum.

Item 5 - Resolution 4

Issue of FY24 Performance Rights



Proxy Votes

	Votes	% Voted
For	65,236,592	39.1
Against	1,321,715	0.8
Abstain	112,515	0.1

Voting Close



- Voting Close
- Formal business concluded

Questions



Questions