

Managing Director's Report 6 Months to 31 January 2024

20 March 2024



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.

Half Year Performance Highlights

♣ Half year Revenue

\$27.3m down 39% on the record 1H23 \$44.4m essentially in line with 1H FY22.

♣ Net Loss after tax **\$0.6m**

down on 1HFY23 \$3.6m. Excluding market development & Melody Dairies the underlying business would have generated a break-even result.

♣ Operating Expenses

\$7.1m down 7.3% (1H23 \$7.6m) impacted by reduced travel and cost reduction focus.

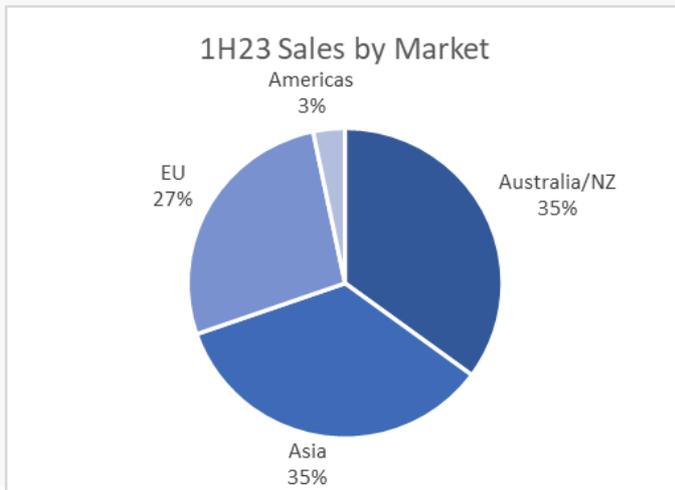
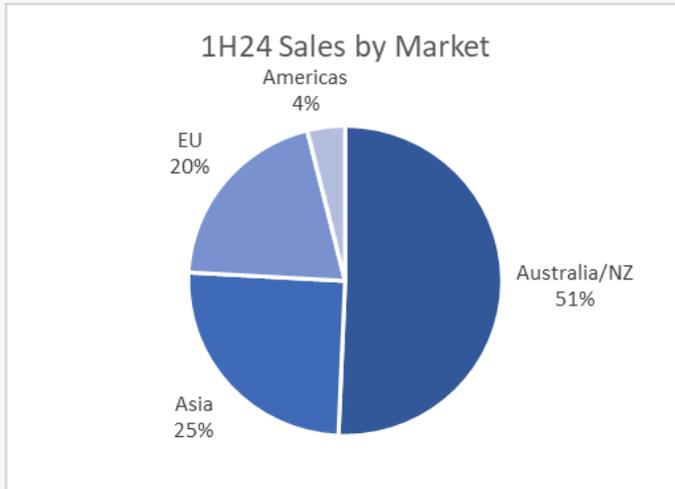
♣ Building new customers and products to continue diversifying the revenue base

♣ Inventory at **\$34.0m** decreased \$2.9m on the FY23 position (\$36.9m)

♣ Balance Sheet remains strong with cash of **\$8.1m**

♣ Nil interim dividend to focus on capital management priorities and key projects.

Sales by Geography



MEA EU

- ♣ European sales have declined with impacted by local and export demand.
- ♣ Middle East sales declined with high levels of inventory needing to be addressed.

Asia ANZ

- ♣ China demand has been impacted by the move of manufacturers to Algae sources of DHA, away from Tuna.
- ♣ ANZ has maintained demand year on year with both food and infant formula performing well.

Half Year 2024 Results

AUD million	4D Reported 31 Jan 2024	4D Reported 31 Jan 2023
Revenue	\$27.3	\$44.4 *
EBITDA	\$0.3	\$5.7
NPBT	(\$0.7)	\$5.0
Tax	\$0.1	(\$1.4)
NPAT	(\$0.6)	\$3.6
EPS	(0.4) cps	2.2 cps
ROE (annualised)	(1.2%)	9.1%

* 1H FY22 - \$29.7m

- ♣ 39% comparative revenue decrease. EU/Middle East growth slowed with high inventory and general weakness in infant formula sales.
- ♣ Expense management has been controlled through travel and personnel, offset by a focus on R&D
- ♣ Melody Dairy
 - \$0.3m of equity accounted losses and \$0.3m of margin impact relating to Take or Pay.
- ♣ NPAT impacted by continued investment in new market development (\$0.4m) supporting future growth and mitigating supply chain risk.
- ♣ Underlying NPAT result of breakeven.

Balance Sheet 31 January 2024

AUD	Reported 31 Jan 2024 \$M	Reported 31 Jul 2023 \$M	Movement \$M
Cash	8.1	9.4	(1.3)
Trade Receivables	13.1	12.0	1.1
Inventories	34.0	36.9	(2.9)
Total Current Assets	56.2	60.0	(3.8)
Fixed Assets	28.7	26.2	2.5
Total Assets	84.9	86.2	(1.3)
Trade Payables	(1.7)	(4.6)	(2.9)
Current Borrowings	(3.4)	(1.7)	1.7
Total Current Liabilities	(6.5)	(8.3)	(1.8)
Non-Current Borrowings	(10.2)	(7.7)	2.5
Total Liabilities	(19.6)	(19.1)	(0.5)
Net Assets	65.3	67.1	(1.8)

♣ Strong Cash management amidst sales downturn

♣ Trade receivables impacted by a major customer who has not settled at the date of this report.

♣ Lower raw material inventory positions of crude oils and powder stocks with slowing of customer orders.

♣ Payables decreased in line with the timing of raw material purchases.

An Update on Growth Platforms



Growth Platform

New products driving future growth

- ♣ Premneo
 - ♣ Regulatory approval application continues with additional data requirements for safety to be developed. It is expected to take 12-24 months.
 - ♣ Market research with key users and influencers has been conducted to understand Doctors acceptance and positioning of the product with positive results.
 - ♣ Discussions with potential distribution partners has commenced.

- ♣ Gelphorm
 - ♣ A DHA emulsion for the fortification of UHT & ESL drinks
 - ♣ Customer trials continue in Asia & USA
 - ♣ The first non-dairy UHT product released is expanding their use and distribution reach in the USA.



 Premneo®



Gelphorm®

Growth Platform



New products driving future growth

♣ Choline

- ♣ Clover has developed an encapsulation matrix for Choline, a product that is used in nutraceuticals and specified in infant formula.
- ♣ The new product is moving to scaled-up volumes to undergo shelf life testing normally 12-24 months.
- ♣ Clover's solution removes issues with the handling and blending of Choline.

♣ Probiotics

- ♣ The company has developed a micro encapsulation system for Probiotics that removes the costly and difficult freeze drying process.
- ♣ The product is in its early stages of development with initial outcomes providing excellent results. The company expects to move to scale up production in 24-36 months.

**New
Product
Development**

Growth Platform

Infant formula update

- ♣ The recovery of the infant formula market post COVID has been a slow process
- ♣ Global birth rates have declined in 2023 by 1.15% per 1000 people, with significant drops observed in the EU (5.9%) and China (2.3%)* continuing the 5-year trend. Consequently, all stages of infant formula production, from birth to growing up milks, have declined.
- ♣ Clover had qualified its tuna DHA powder with major Chinese manufacturers and received initial orders.
- ♣ Following advice from the Chinese government to reconsider the use of tuna oil in infant formula post the Fukushima incident. Orders from China over the last 6 months have reduced.
- ♣ The reduction in infant formula manufacturing has intensified competition with Chinese competitors engaging in price-based competition. This competitive landscape has pressured Clover's margins.

Focus on
Infant
Formula



Growth Platform

New market development

- ♣ Clover continues to work with manufacturers in the nutraceutical and food markets for new applications
- ♣ The Company has invested in oil sourcing operations to assure supply, quality and a competitive price position. The Anchovy market is experiencing severe shortages providing an opportunity for Clover to supply to the nutraceutical & pet food markets
- ♣ The Company has extended its distribution channels into Mexico & South America
- ♣ Clover has added technical resources to support customers in the application of its products in Asia
- ♣ Clover has launched a digital marketing campaign to broaden its reach to existing and potential new customers.



2HFY24 Priorities & Outlook

- ♣ Clover remains committed to diversifying its customer base and exploring new markets and products.
- ♣ Initiatives include:
 - ♣ advancing encapsulated Choline for dry mix applications,
 - ♣ scaling up microencapsulated probiotics to enhance usability,
 - ♣ progressing regulatory approvals for Premneo, an emulsion that boosts the IQ of preterm infants, and
 - ♣ investing in facilities for fish oil sourcing.
- ♣ Looking to the full-year result, uncertainty persists regarding the recovery of Clover's infant formula segment and the market acceptance timeline for new products. Based on existing customer forecasts, Clover anticipates FY2024 revenue to range between \$60m to \$70m.

Disclaimer

The release, publication or distribution of this presentation in certain jurisdictions may be restricted by law and therefore persons in such jurisdictions into which this presentation is released, published or distributed should inform themselves about and observe such restrictions.

This presentation does not constitute, or form part of, an offer to sell or the solicitation of an offer to subscribe for or buy any securities, nor the solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issue or transfer of the securities referred to in this presentation in any jurisdiction in contravention of applicable law.

Persons needing advice should consult their stockbroker, bank manager, solicitor, accountant or other independent financial advisor. Certain statements made in this presentation are forward-looking statements. These forward-looking statements are not historical facts but rather are based on Clover Corporation's current expectations, estimates and projections about the industry in which Clover Corporation operates, and its beliefs and assumptions. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," and similar expressions are intended to identify forward-looking statements.

These statements are not guaranteeing of future performance and are subject to known and unknown risks, uncertainties and other factors, some of which are beyond the control of Clover Corporation, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. Clover Corporation cautions shareholders and prospective shareholders not to place undue reliance on these forward-looking statements, which reflect the view of Clover Corporation only as of the date of this presentation. The forward-looking statements made in this presentation relate only to events as of the date on which the statements are made. Clover Corporation will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this presentation except as required by law or by any appropriate regulatory authority.