

# Clover Corporation Limited

25 & 26 October 2018

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Peter Davey- CEO & Managing Director presentation  
Select Equities doing business in China



# Vision and Mission Statement



## Vision

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

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## Mission

To deliver science based bioactives which provide health benefits to adults, infants and children.

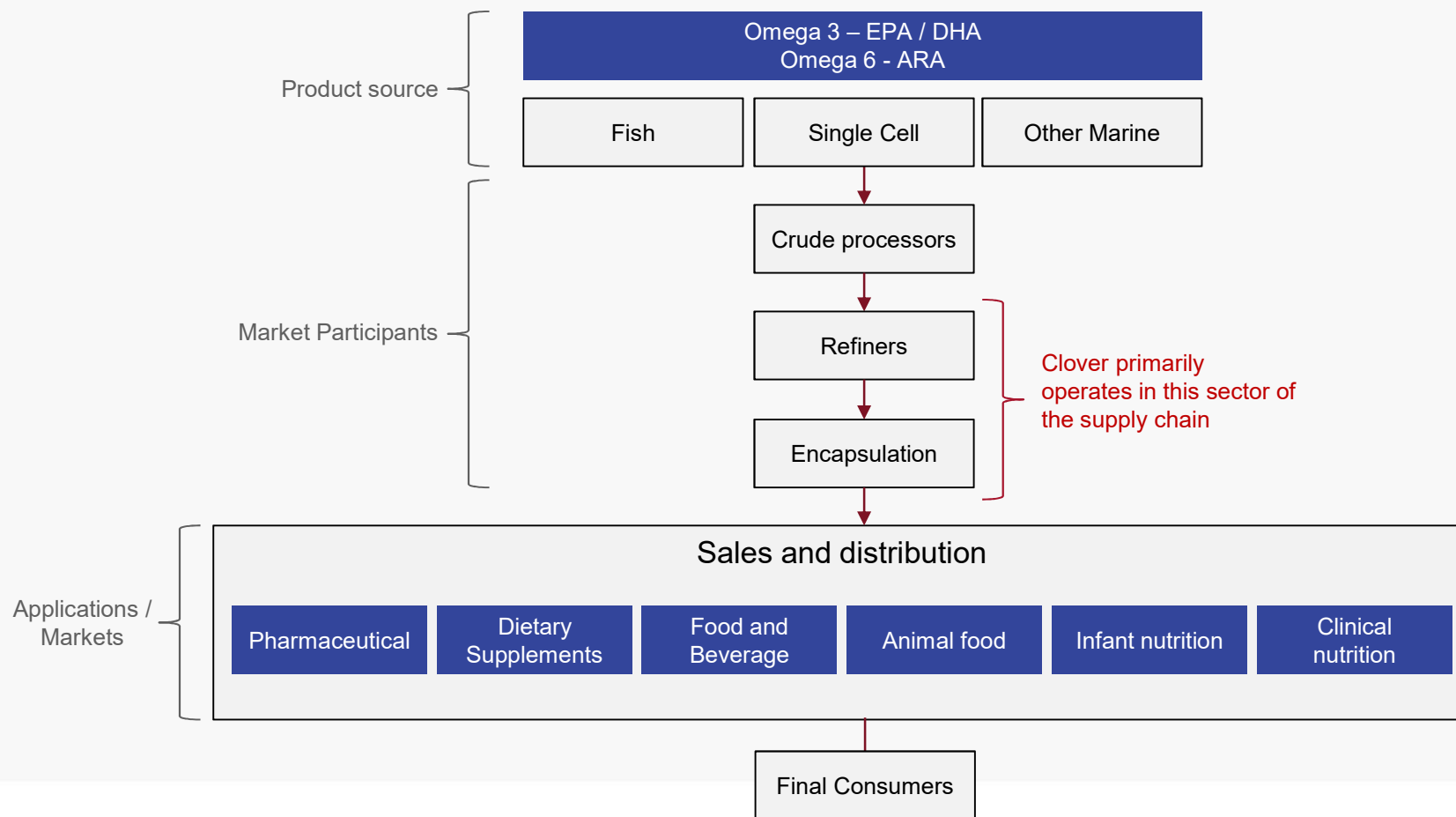
# Clover 2015-18

Average daily trading price ASX:CLV



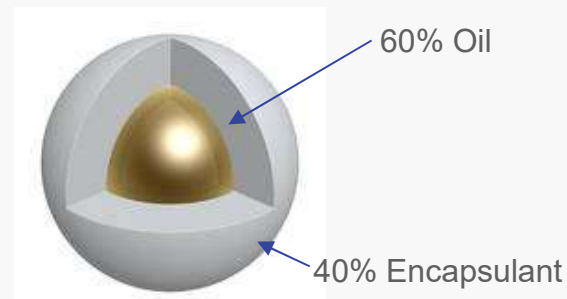
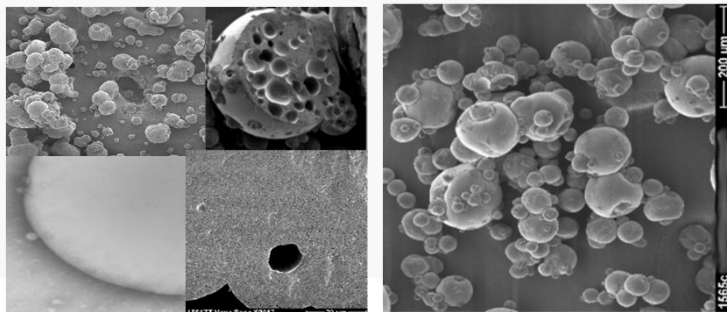
Average Daily Clover Corporation Share price July 31, 2015 to October 9, 2018

# Omega Ingredients Value Chain



# Encapsulation Technology

- Patented Microencapsulation Technology with best in class application performance:
  - Protection against oxidation and provides superior sensory stability
  - Suitable for a wide range of food applications
  - Benefits of non-refrigerated storage with a shelf life of 24 months, lowering cost of logistics, storage and use
  - 60% oil loaded powder delivering:
    - Tuna oil (14.5% DHA)
    - ARA (24%)
    - Algal DHA (24%)
  - More than 16 years of proven global use within dry-blended infant and children formula products
  - China regulatory compliant ingredients



▶ D301.010 Driphorm HiDHA 60

# Market Update

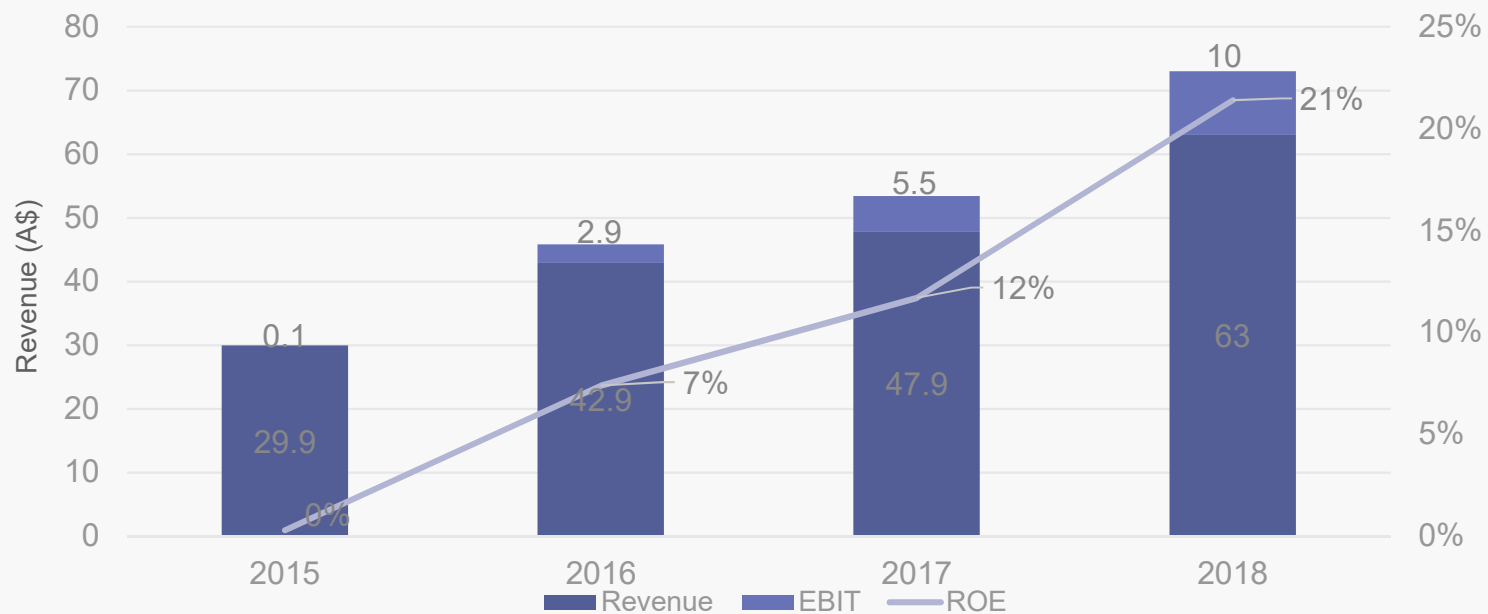
## Market changes

- Slowing of CFDA registrations for International brands to sell in China
- New EU regulation requiring the mandatory inclusion of DHA in infant formula by Feb. 2020
- Consumers preference for non-China manufactured infant formula
- China extends CBEC (Cross Boarder Electronic Commerce) market with new regulations expected in early 2019
- New Chinese DRAFT GB standard for Infant Formula requiring a min. 15mg /100Kcal DHA

## Outcomes for Clover

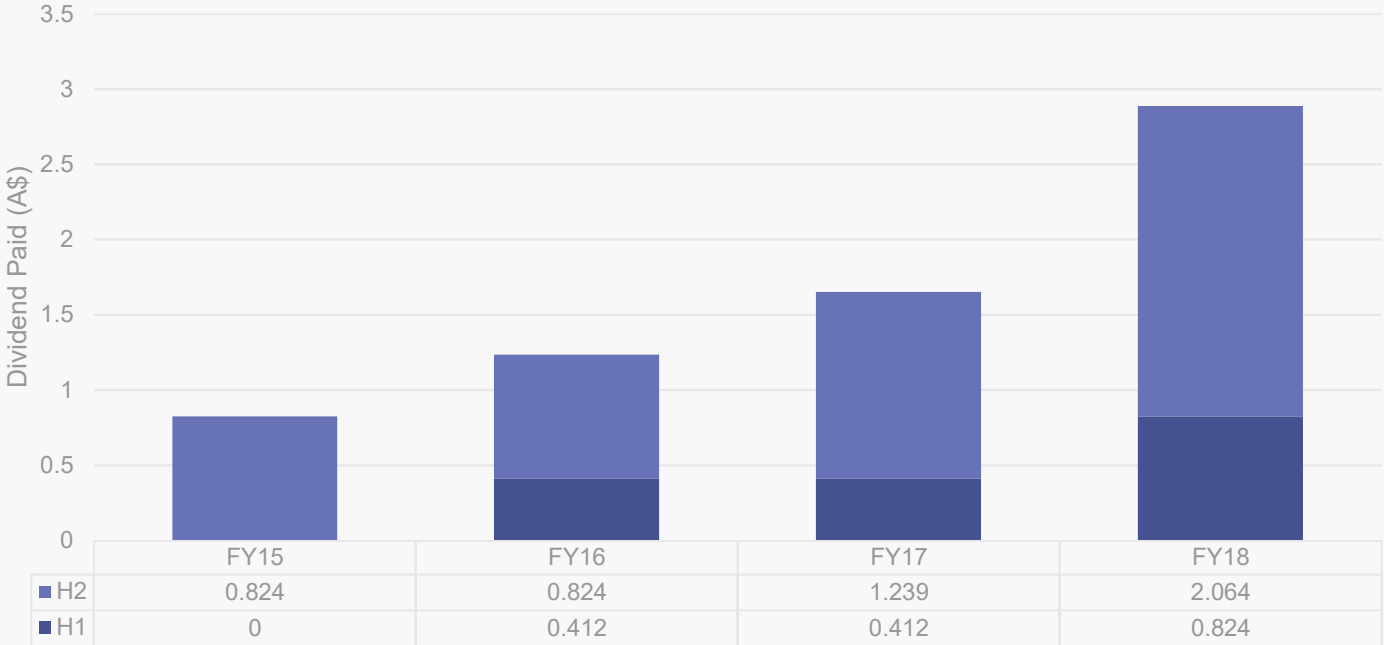
- Clover's customers are cautious around inventory, as when CFDA licence awarded new cans are required
- EU infant formula manufacturers will use encapsulated DHA like Clover's product to meet new regulations
- Australia / New Zealand brands in demand, increasing demand for Clover's ingredients
- Clover supplies to manufacturers who benefit from the extended CBEC trade
- If the DRAFT becomes legislation Clover expects to benefit from the increased DHA usage

# Financial Review- 2015-2018



- Clover has experienced significant revenue growth since 2015, complemented by improved profitability providing an increased Return On Equity
- The infant formula sector has continued to rally with little change in Chinese regulations across 2018 and improved confidence in product quality

# Total Dividend Paid FY'15-18



- Clover has consistently increased its total dividend payout to shareholders in line with growth in profitability





# Full Year 2018 Performance Highlights

- ✓ Total full year Revenue **\$62.9m** up **32%** on FY17 \$47.9m driven by improved demand
- ✓ Net Profit **\$7.6m** up **109%** on FY17 \$3.6m.
- ✓ Operating Expenses **\$8.3m** (FY17 \$6.1m); investment in people and technology to develop new products and sales
- ✓ New products delivering growth in new segments and countries
- ✓ Inventory at **\$19.8m** up \$1.0m on FY17 full year upon forward demand
- ✓ Balance Sheet remains strong with cash of **\$7.9m**
- ✓ Final dividend declared of **1.25 cent** per share, a **67%** increase on prior year final

# Full Year 2018 Results

A\$m	4E Reported 31 Jul 2018	4E Reported 31 Jul 2017
Revenue	\$62.9	\$47.9
EBITDA	\$10.9	\$6.1
NPBT	\$10.6	\$5.0
Tax	(\$3.0)	(\$1.4)
NPAT	\$7.6	\$3.6
EPS	4.59 cps	2.20 cps
ROE (annualised)	21.4%	11.7%

- ♣ 32% year on year revenue growth
- ♣ Australia/NZ key growth region
- ♣ EBITDA \$10.9m (PY \$6.1m)
- ♣ Fixed costs managed \$8.3m (PY \$6.1m), resourcing for future growth
- ♣ NPAT result \$7.6m (PY \$3.6m)

# Balance Sheet 31 July 2018

A\$m	Reported 31 Jul 2018	Reported 31 July 2017	Movement
Cash	\$7.9	\$5.9	+\$2.0m
Trade Receivables	\$15.3	\$12.1	+\$3.2m
Inventories	\$19.8	\$18.8	+\$1.0m
<b>Total Current Assets</b>	<b>\$43.6</b>	<b>\$37.6</b>	<b>+\$6.0m</b>
PPE/Intangible Assets	\$8.5	\$5.0	+\$3.5m
<b>Total Assets</b>	<b>\$52.0</b>	<b>\$42.6</b>	<b>+\$9.4m</b>
Trade Payables	(\$7.8)	(\$9.2)	+\$1.4m
<b>Total Current Liabilities</b>	<b>(\$10.1)</b>	<b>(\$9.9)</b>	<b>-\$0.2m</b>
<b>Total Liabilities</b>	<b>(\$13.9)</b>	<b>(\$10.0)</b>	<b>-\$3.9m</b>
<b>Net Assets</b>	<b>\$38.1</b>	<b>\$32.6</b>	<b>+\$5.5m</b>

- ♣ Cash balance strong \$7.9m
- ♣ Trade receivables up on FY17 reflects sales increase
- ♣ Inventory levels maintained to meet demand
- ♣ Payables managed in line with inventory activity

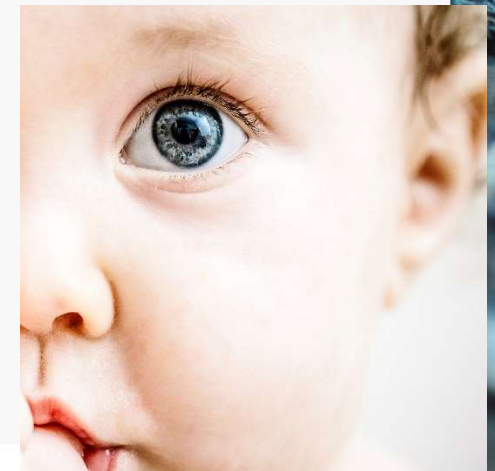
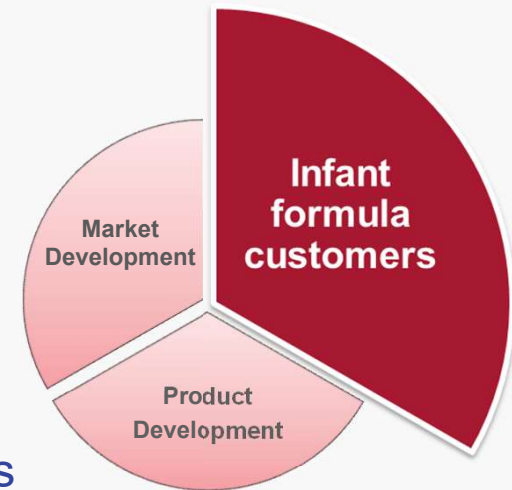
# An Update on Growth Platforms



# Growth Platform

## Infant formula maintains growth

- ♣ Chinese consumer sentiment for Western brands is driving growth for customers
- ♣ Awarding of CFDA licenses to market and sell product in China has slowed, the CBEC (Cross Boarder Electronic Commerce) trade has strengthened
- ♣ Existing customers have been re-contracted and showing growth with several new customers contracted globally



# Growth Platform

## New products driving future growth

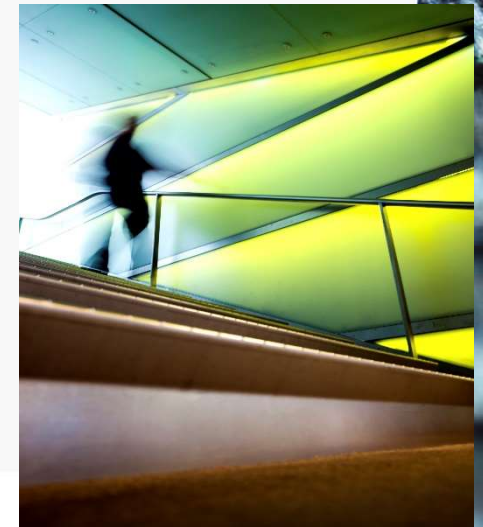
- ♣ Clover's Hypoallergenic DHA product continues to win new customers and applications in speciality segments
- ♣ A highly concentrated DHA product which delivers 60% oil loading in a powder form is now used in sports nutrition and nutraceutical products
- ♣ Clover has applied for two new patents and released a technical paper published in "Critical Reviews in Food Science and Nutrition" journal



# Growth Platform

## New markets development

- ♣ Clover has grown sales in USA, Europe, Asia and ANZ
- ♣ Australia & New Zealand has experienced significant growth servicing the Asian market with several new facilities starting production
- ♣ Clover has appointed a Business Development resource in NZ and new distributors in South America





# 1HFY19 Outlook & Priorities

- ♣ Growth in European markets driven by the requirement to increase DHA levels in infant formula
- ♣ Clover intends entering into a contract to purchase a share of a spray drying facility in Hamilton, New Zealand
- ♣ Development of new products targeting sports nutrition, children's and seniors' health
- ♣ Growth expected in Asia, USA and South America
- ♣ Establish customers for new products in nutraceuticals, pharmaceuticals, and sports nutrition
- ♣ Additional staff to service customers and deliver on opportunities
- ♣ Add value through strategic acquisition and/or partnership





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