

Managing Director's Report 12 Months to 31 July 2023

26 September 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.

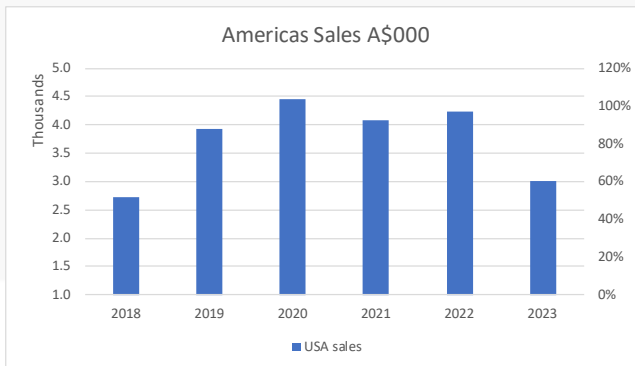
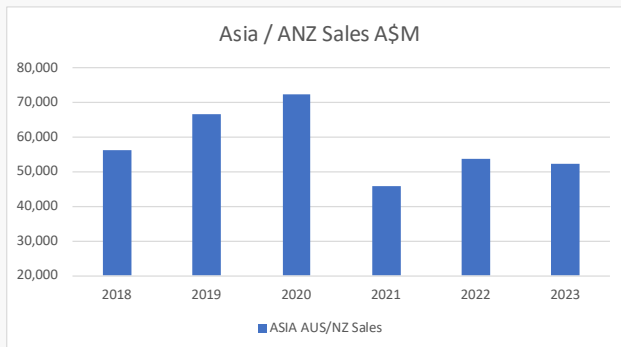
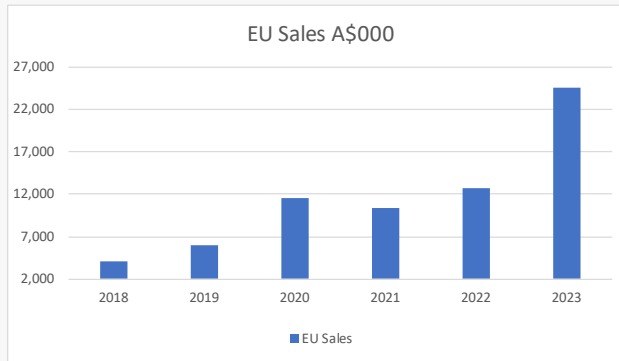
Full Year Performance Highlights

- ♣ Total full year Revenue
\$79.9m up 13.0% on FY22 \$70.7m driven by increased demand and prebuild re 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 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 orders with a 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
- ♣ NPAT result \$6.2m (FY22 \$7.1m)

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 and softer demand

Melody Dairies - New Zealand

- ♣ Clover has 42% ownership of a spray drying facility in Hamilton, New Zealand
- ♣ Melody Dairies made significant operational improvements during the year to allow for full production runs with higher volume
- ♣ The slow down in the infant formula market demand has impacted utilisation of the dryer requiring further financial assistance from Clover and other partner shareholders
- ♣ Clover recognised its share of the loss associated with the low utilisation during 2nd half FY23.
- ♣ Melody Dairies is manufacturing product for the New Zealand and China markets



An Update on Growth Platforms



Growth Platform

New products driving future growth



- ♣ Premneo
 - ♣ Regulatory approval work has commenced across multiple countries, though it is expected to be a lengthy process.
 - ♣ 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.
- ♣ New products
 - ♣ Clover has launched 4 new product during the year and recognised sales in Food and Nutraceutical applications
 - ♣ Gelphorm - Multiple customers across the EU, USA & Asia have the product on trial
 - ♣ A non-dairy UHT product in the USA is due for release in 2024



Gelphorm®

**New
Product
Development**

Growth Platform

Infant formula provides new opportunities

- ♣ Clover 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 in 2H FY23
- ♣ The cross-border Daigou market has not recovered to historic levels and continues to impact sales levels for infant formula previously exported to China.
- ♣ A low birth rate in China is affecting global demand for infant formula but still represents an opportunity to grow our share of the Omega 3 market. Clover has added new infant formula business in China and Europe

Focus on
Infant
Formula



Growth Platform

New market development

- ♣ 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 (“Turkey”), Japan, Korea and India with market development activities expected to deliver revenue in 2024
- ♣ Clover exhibited at double the trade shows it normally attends 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 Outlook & Priorities

- ♣ 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
- ♣ Progressing commercialisation of the Premneo and GelPhorm products
- ♣ Increase vertical integration into supply chain, establishing partners in supply and logistics
- ♣ Add value through strategic acquisition and/or partnership
- ♣ 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.

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