

Managing Director's Report 12 Months to 31 July 2024

24 September 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.

Full Year Performance Highlights

- ♣ Total full year Revenue
\$62.2m in line with guidance down on the FY23 \$79.9m driven by reduced demand in the Infant formula market
- ♣ Net Profit after tax
\$1.5m down 76% on FY23 \$6.2m
- ♣ Operating Expenses
\$12.9m down 6.6% (FY23 \$13.8m) driven by reduced head count, travel, marketing
- ♣ New products continue to diversify the business
- ♣ Inventory at **\$29.6m** reduced \$7.3m on FY23 full year
- ♣ Balance Sheet remains strong with cash of **\$12.2m**
- ♣ Final dividend declared of **0.75 cent** per share

FY24 Update

- ♣ The second half delivered revenue of \$34.9m (1H \$27.3m) an increase of 28%, and NPAT \$2.1m (1H NPAT -\$0.6m).
- ♣ The last quarter delivered improved orders including those from our Chinese customers.
- ♣ The company's inventory position closed at \$29.6 million a 19.9% reduction on the prior year.
- ♣ Lower sales volumes in the 1HFY24 resulted in reduced manufacturing hours combined with the disposal of aged inventory has impacted the overall reported gross margin.
- ♣ Increased attendance at trade shows and customer visits has enhanced the business's ability to connect with new customers which continues to expand the customer base.
- ♣ Ecuador – completed on time and on budget

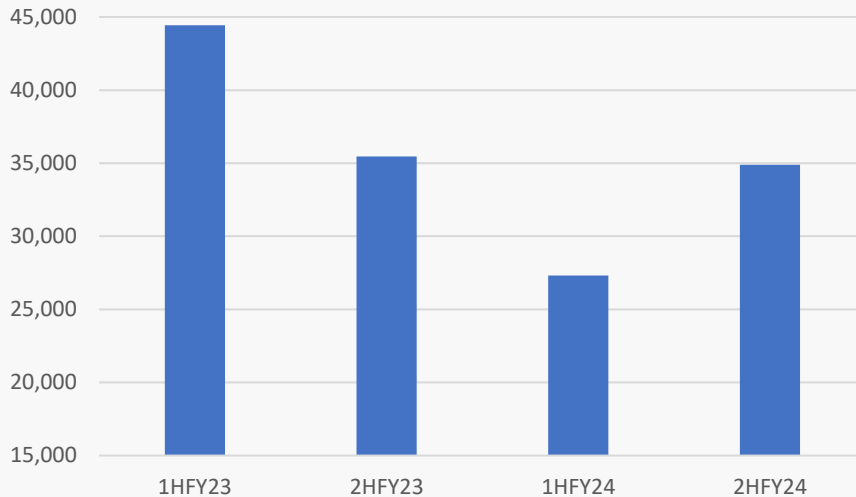
Full Year 2024 Results

AUD million	4E Reported 31 Jul 2024	4E Reported 31 Jul 2023
Revenue	\$62.2	\$79.9
EBITDA	\$4.0	\$10.0
NPBT	\$1.9	\$8.4
Tax	(\$0.4)	(\$2.3)
NPAT	\$1.5	\$6.2
EPS	0.9 cps	3.7 cps
ROE (annualised)	2.3%	9.2%

- ♣ Customer engagement remains a key focus with continued trialling of new products to diversify and extend our business offering
- ♣ NPAT impacted by lower sales and slowed production with continued investment in new market development supporting future growth and mitigating supply chain risk
- ♣ NPAT result \$1.5m (FY23 \$6.2m)

1st Half & 2nd Half Performance

Net Sales Revenue FY23 and FY24



FY24

1H

- ♣ Market demand fell – high inventory and ongoing low birth rates
- ♣ China moved to algal powders v tuna

FY23

1H

- ♣ driven by stock build ahead of China licensing which came into effect Feb 23
- ♣ Middle East customers grew through brand and market growth

2H

- ♣ Demand reduced following stock build and introduction of China GB license

FY24

2H

- ♣ Excess inventory has been exited improving demand
- ♣ China tuna powder orders returned
- ♣ Western manufacturers have made strong gains through online channels

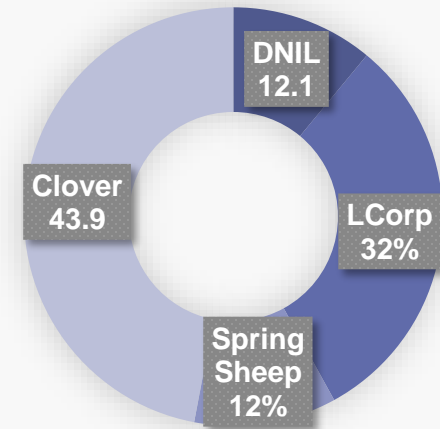
Balance Sheet 31 July 2024

AUD	Reported 31 Jul 2024 \$M	Reported 31 Jul 2023 \$M	Movement \$M
Cash	12.3	9.4	2.9
Trade Receivables	13.7	12.0	1.7
Inventories	29.6	36.9	(7.3)
Total Current Assets	56.9	60.0	(3.1)
Fixed Assets	27.5	26.2	1.3
Total Assets	84.4	86.2	(1.8)
Trade Payables	(5.1)	(4.6)	0.5
Current Borrowings	(3.4)	(1.7)	1.7
Total Current Liabilities	(9.8)	(8.3)	1.5
Non-Current Borrowings	(5.0)	(7.7)	(2.7)
Total Liabilities	(17.3)	(19.1)	(1.8)
Net Assets	67.1	67.1	(0.0)

- ♣ Tighter inventory control in line with general demand generated a strong cash position at the end of the year.
- ♣ A strong quarter to finish the FY24 year created the higher receivables close.
- ♣ Trade payables decreased in line with timing of raw material purchases, lower demand, offset by a one off non trade settlement (insurance)

Melody Dairies - New Zealand

- ♣ Melody Dairies remains a strategic investment for Clover.
- ♣ The ownership structure changed during the year with Food Innovation Waikato selling to Clover and Landcorp. Clover now holds 43.9%. Landcorp will reduce its holding over time selling its interest to its related entity in Spring Sheep who acquired a 12% stake in July 2024.
- ♣ Under a new management structure and the addition of Spring Sheep as a shareholder the business has operated profitably in the final quarter of FY24.
- ♣ Clover recognised its share of the full-year Melody loss in the P&L of \$0.5m.



Ecuador

- ♣ AUD 5.0m strategic investment
- ♣ Extraction of fish oil from heads of Tuna
- ♣ Vertical integration, part of the Company's long-term strategy
- ♣ Supply chain protection and risk mitigation
- ♣ Cost reduction



An Update on Growth Platforms



Growth Platform

New products driving future growth

Choline

- ♣ Clover has filed for IP of its unique Choline powder which is to be branded CholineXcel
- ♣ Clover completed a production trial in August 2024 from which the product will be made available for customers to test over the coming months
- ♣ Choline is used in prenatal products and is a required ingredient in infant formula with a current market value of ~ \$150m
- ♣ Use of the unique Choline powder in dry blending operations will overcome the manual handling challenges experienced today



CholineXcel

**New
Product
Development**

Growth Platform

New products driving future growth



New products

- ♣ Generated meaningful sales across food, gummies, powdered drinks and nutraceuticals.
- ♣ Gelphorm – a major USA brand has incorporated Gelphorm into its UHT product and remains on trial with other UHT customers in the USA & Asia.

Gelphorm®

Premneo

- ♣ Regulators required a review of all available clinical trials involving DHA and Preterm infants to prove safety; the study has been completed after 12 months and is now under review by clinical experts.
- ♣ Clover is confident the conclusions of the study will pave the way for regulatory approvals.
- ♣ Discussions with potential partners will recommence with regulatory approvals in place.

 **Premneo®**

**New
Product
Development**

Growth Platform

Infant formula

- ♣ The infant formula market globally remains subdued due to lower birth rates
- ♣ Clover's unique powders have allowed customers to achieve higher levels of DHA and meet ingredients requirements adding revenue in H2 FY24
- ♣ The H2 FY24 sales to Chinese manufacturers improved with concerns around Tuna oil abating
- ♣ Online sales have increased in China via the bonded warehouse system improving the sales of Western manufacturers benefiting Clover's demand

Focus on
Infant
Formula



FY25 Priorities

Operations & Supply Chain Efficiencies

- ♣ Integration of the Ecuador facility into the supply chain for strategic and gross margin benefits
- ♣ Optimisation and use of Melody Dairies under new management to generate a lower cost of manufacture supporting customer requirements

Innovation & Business Growth

- ♣ Appointment of new distributors to support our sales team in reach and diversification of our segment and customer base
- ♣ Customer engagement in using the free-flowing Choline powder from trial phases to shelf-life testing to commercial sales
- ♣ Achieve regulatory approval for Premneo in ANZ & EU, align with packaging and distribution partners

FY25 Outlook

- ♣ As we move into FY25, Clover aims to build on the demand profile achieved in the second half of FY24
- ♣ Diversification remains a core focus with our powders being used in the nutraceutical markets in addition to major long-term projects including Gelphorm and Premneo providing a channel for growth outside the infant formula market. At the same time, the ability to extend our offering with existing infant formula customers using our unique powdered Choline product is exciting

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