

# Managing Director Report 6 Months to 31 Jan 2016

23 March 2016

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# Vision and Mission Statement

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

**Mission: To deliver science based bioactives which provide health benefits to adults, infants, children and to the medical food markets.**



# Half Year Performance Highlights

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- ✓ Total Revenue up **23.9%** driven by improved demand
- ✓ Net Profit **\$801K** up **12.6%** on half year 2015
- ✓ Operating expenses down **2.5%** as a % of revenue on previous year
- ✓ Interim dividend of **0.25c** declared
- ✓ Revenue from new customers is **16%** continues positive trend
- ✓ Inventory managed at **\$13m** in line with revenue growth
- ✓ Balance sheet remains strong with no debt and cash of **\$7m**

# Half Year 2016 Results

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AUD million	4E Reported 31 Jan 2016	4E Reported 31 Jan 2015
Revenue	\$19.7	\$16.0
Profit before tax	\$1.08	\$0.91
EBITDA	\$1.26	\$1.14
EBIT	<b>\$1.05</b>	<b>\$0.89</b>
Tax	\$0.28	\$0.20
NPAT	\$0.801	\$0.711
EPS	0.48 cps	0.43 cps

- **23.9% year on year revenue growth**

- **Recovery of traditional markets and customers and encouraging growth in sales to new customers**

- **EBIT \$1.1m (PCP \$0.9m)**

- **Fixed costs managed \$2.9m (PCP \$2.8m)**

- **NPAT result \$0.8m (PCP \$0.7m)**

# Balance Sheet 31 January 2016

AUD million	Reported 31 Jan 2016	Reported 31 July 2015	Movement
Cash	\$7.1	\$9.6	2.5 ↓
Trade Receivables	\$11.1	\$5.5	5.6 ↑
Inventories	\$13.1	\$14.2	1.1 ↓
Total Current Assets	\$31.4	\$29.5	1.9 ↑
PPE/Intangible Assets	\$4.8	\$5.0	0.2 ↓
Total Assets	\$37.9	\$36.6	1.3 ↑
Trade Payables	(\$7.9)	(\$6.3)	1.6 ↑
Total Current Liabilities	(\$8.5)	(\$7.0)	1.5 ↑
Total Liabilities	(\$8.6)	(\$7.2)	1.4 ↑
Net Assets	\$29.3	\$29.4	0.1 ↓

•Cash balance strong \$7.1m

•Trade receivables reflect the increased sales activity

•A key focus has reduced Inventories

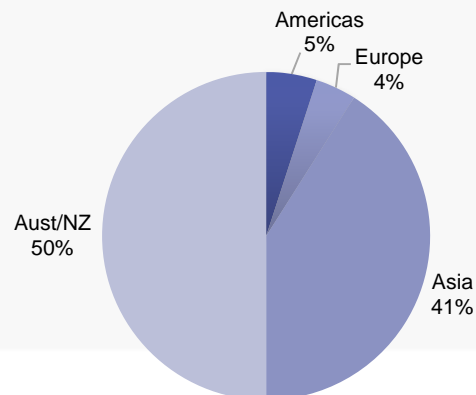
•Payables managed in line with revenue

•1H16 dividend payment of 0.25c per share

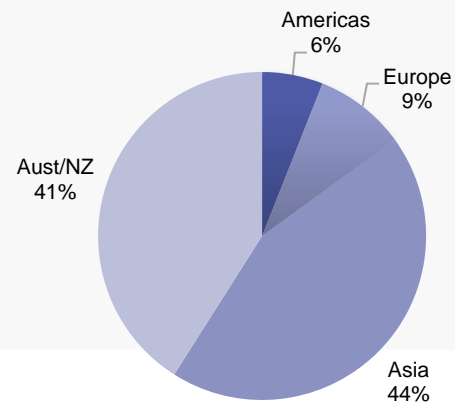
# Sales by geography & product

- Continued strong presence through Oceania and Asia
- Investment in New Zealand Dairy and Infant formula is providing new opportunities
- Encapsulation technology delivers a differentiated product which delivers new customers
- Encapsulated Powders represent 98% of revenue with Oil making up 2%

1H FY 2016 Geographic



1H FY 2015 Geographic



# An Update on Growth Platforms

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# Growth Platform

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## Continued focus on the infant formula market

- ♣ The Chinese infant formula market has seen a recovery with strong sales from Australia and New Zealand
- ♣ Traditional Nu-Mega customers sales are recovering, reflected in revenue
- ♣ Order patterns going forward to new and existing customers remain strong
- ♣ New European regulations requiring the inclusion of DHA in all infant formula by 2020 represents a growth opportunity for Clover

Focus on  
infant  
formula  
customers  
and market





# Growth Platform

## Developing new markets

- ♣ The first production run at Waikato in New Zealand is complete with production samples distributed to customers for evaluation (customer trials tend to run 6-12 months)
- ♣ Waikato provides the opportunity to manufacture unique specialist products like Clover's patented Hypoallergenic powder which has new customers interested
- ♣ Trials and product innovation have been initiated with Fast Moving Consumer Goods customers for Omega 3 products
- ♣ Clover has employed two new scientists to continue its new product development

New products, process and market development



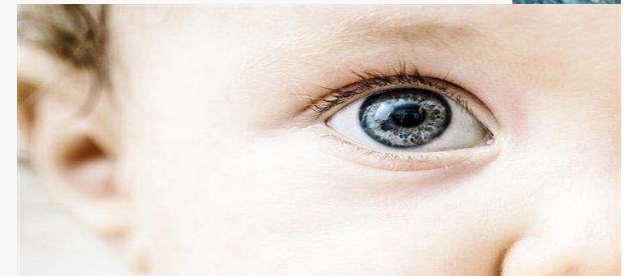
# Growth Platform

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## Treatment for Premature babies

- ♣ The phase III clinical trial of Clover's DHA emulsion product for improving respiratory health in premature babies was due to be finalised in December 2015; at the time of reporting, the trial is still in its final stages and will be concluded when all babies recruited have left hospital care
- ♣ Clover sublicensed its Preterm product to Premneo Pharmaceuticals Pty Limited in October 2015
- ♣ Premneo is working toward establishing manufacturing capability and regulatory approval in the USA and Europe in preparation for the results release after the trial is concluded
- ♣ Clover will continue to pursue other applications of its technology into the Medical market

Development  
of medical  
foods  
program



# FY2016 Outlook & Priorities

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- **Leverage the two child policy in China, grow sales in the region**
- **Develop new product applications in collaboration with customers**
- **Organic growth with emphasis on Oceania, Asia and Europe**
- **Diversify product portfolio and attract new customers**
- **Continue to improve efficiencies and reduce costs**
- **Add value through strategic acquisition and/or partnership**



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