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# Clover Corporation Limited

September 26, 2018

Sino-Australasian Entrepreneurs Summit (SAES) 2018





# Section 1

Introduction and Background

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# Vision and Mission Statement

## Vision

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

## Mission

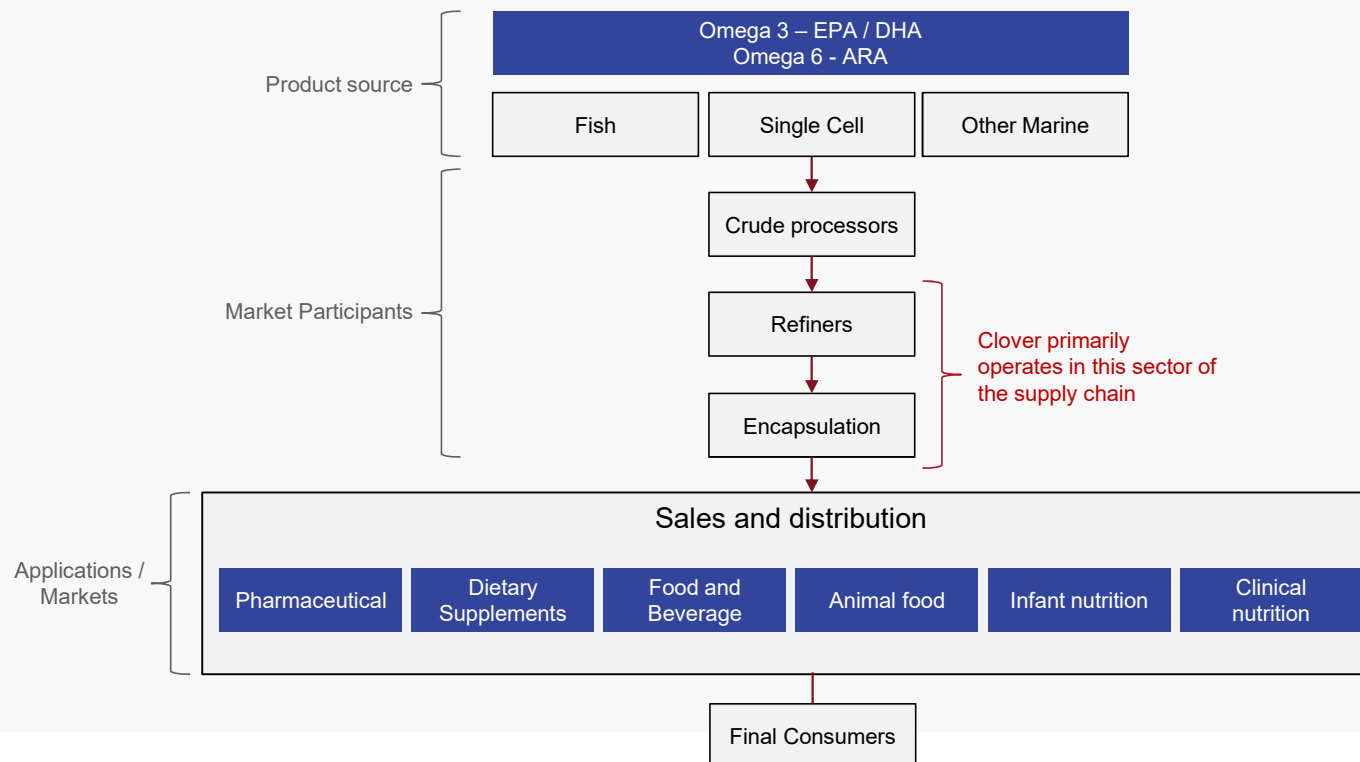
To deliver science based bioactives which provide health benefits to adults, infants and children.

# Industry Overview

- Omega fatty acids are a family of polyunsaturated fatty acids that are considered nutritionally essential. The market for omega ingredients incorporates omega-3 and omega-6 fatty acids
- The primary acids in the market are:
  - Eicosapentaenoic acid (“EPA”)
  - Docosahexaenoic acid (“DHA”)
  - Arachidonic acid (“ARA”)
- These fatty acids are primarily developed from marine and algae sources and each has an important role in the promotion of health and wellbeing
- The global market for omega ingredients is expected to reach USD 7.32 billion by 2020<sup>1</sup>. Growing consumer awareness regarding the health benefits associated with omega ingredients for humans in all phases of life coupled with rising prevalence of coronary heart diseases are expected to drive market demand over the next two years

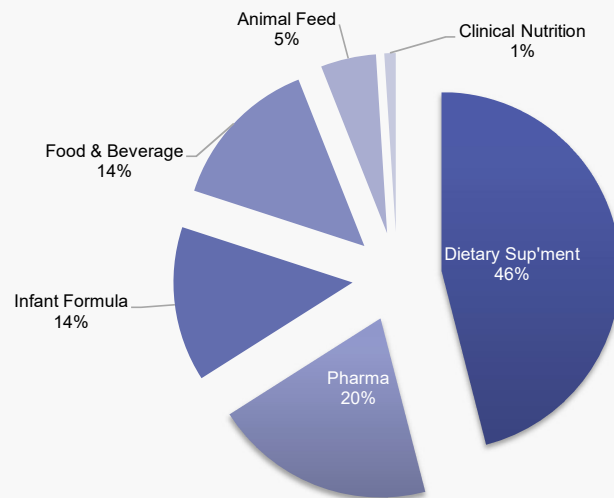
<sup>1</sup> Grand View Research

# Omega Ingredients Value Chain



# Market Applications

- Dietary supplements remain the largest segment of the omega ingredients sector however the market is highly competitive
- Pharmaceuticals account for a relatively small proportion of the omega end product on a unit basis, yet contribute to ~20% of industry revenue
- Clover focuses on the high value add segments of Omega 3 applications in Infant Formula, Food & Beverage and Pharma



Source: Frost Sullivan; Clover estimates

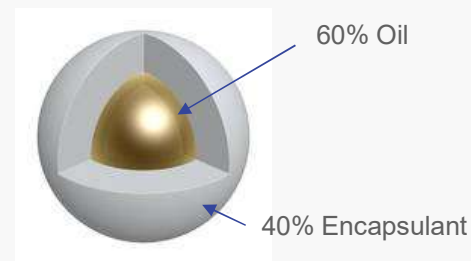
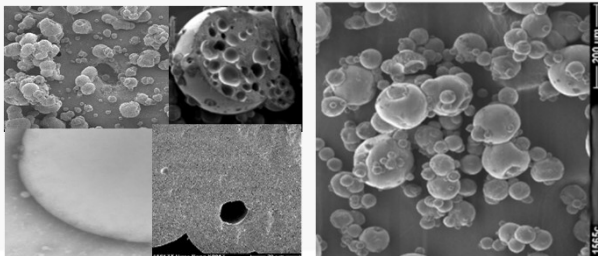
# Company Overview

- Clover has two business units: Nu-Mega Ingredients and the research & development function



# 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

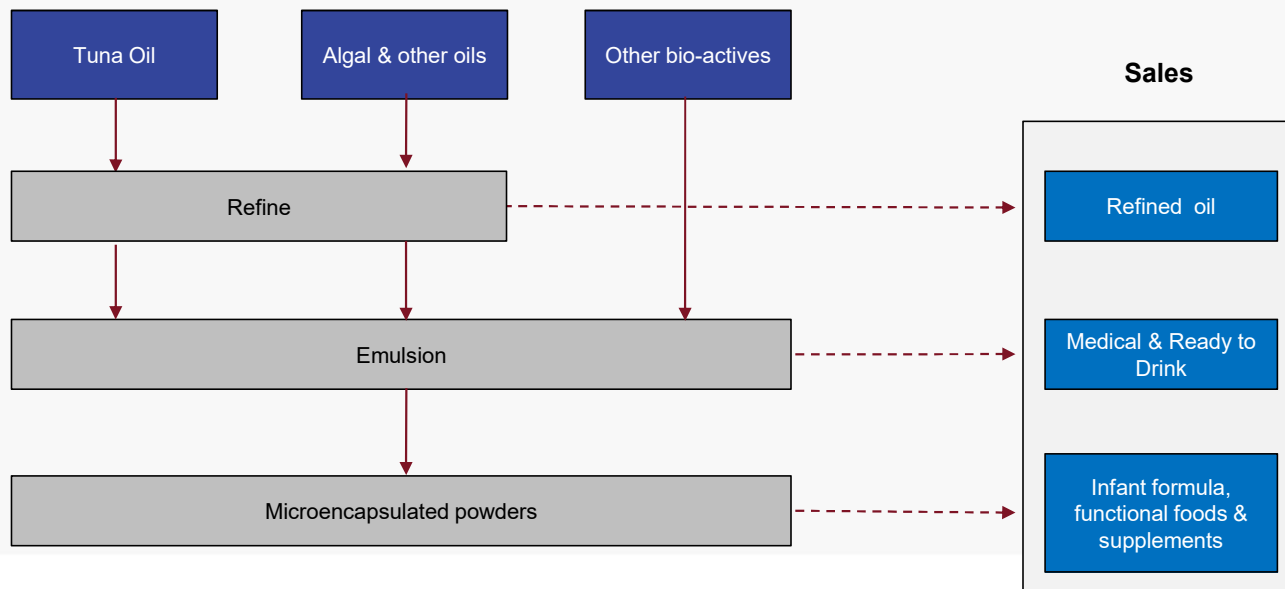


D301.010 Driphorm HiDHA 60



# Overview Of Nu-Mega Operations

- Nu-Mega refines and encapsulates a variety of omega-3 sources to produce a range of products for various end user markets:
  - The majority of Nu-Mega's sales are microencapsulated powders which are supplied into the infant formula, functional food and supplements markets





# Section 2

2018 Financials & Report

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## Full Year 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

AUD million	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

AUD million	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
- ♣ Improve efficiencies and reduce operating costs
- ♣ Add value through strategic acquisition and/or partnership

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