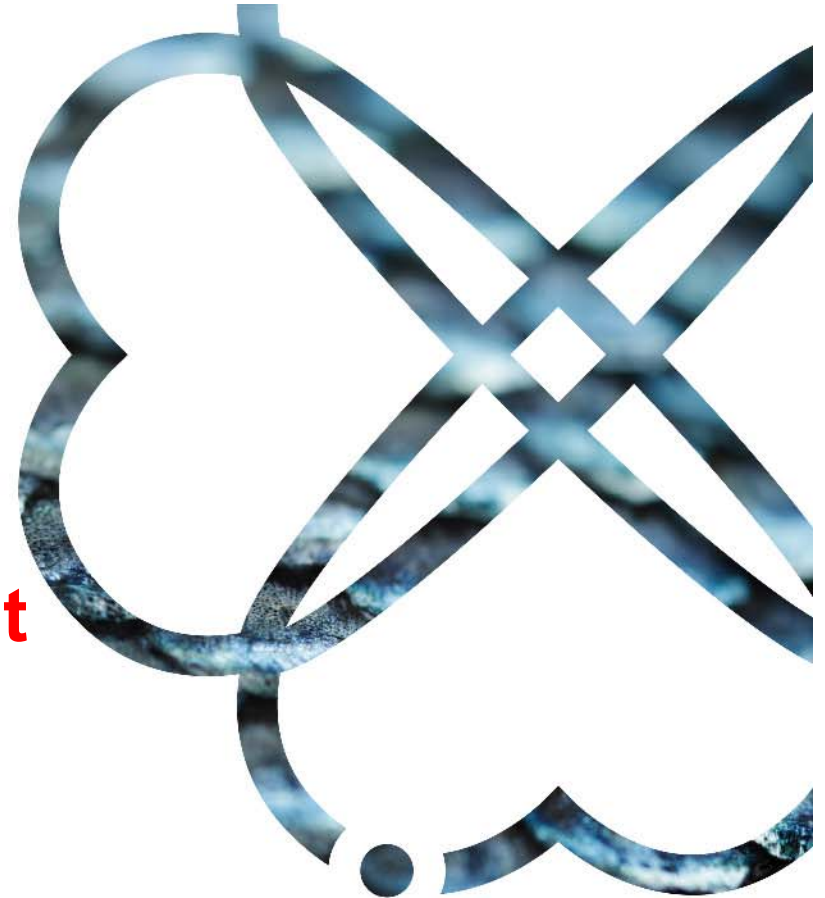


# Managing Director Report 6 Months to 31 Jan 2021

16 March 2021



# Vision, Values & Purpose



## Vision

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

## Values

Respect, Response, Responsibility

## Purpose

In collaboration with key market participants, Clover develop customised high value nutritional ingredients that enhance the wellbeing and dietary needs of their customers.

# COVID-19 Update

- ♣ Clover has maintained a focus on the health and safety of staff, implementing COVID safe plans, and staff have worked from home where possible
- ♣ Clover has not sought or received any government assistance
- ♣ Clover's H1FY21 result has been negatively impacted by global COVID-19
  - Most new projects are on hold
  - Customers have experienced shutdowns and most staff working from home
- ♣ Chinese demand for imported infant formula has been curtailed by travel restrictions virtually eliminating the Daigou, Chinese tourist and student channel
- ♣ Face to face customer visits and trade shows have not been possible since March 2020
- ♣ Clover has implemented online marketing and training programs to maintain exposure to customers

# Half-Year Performance

- ♣ Operating Revenue  
**\$29.4m** down  
**21.7%** on half year 2020
- ♣ Net Profit **\$2.5m** down  
**45.8%** on half year 2020
- ♣ Operating expenses of  
**\$4.6m** down **15%**  
upon cost saving initiatives
- ♣ Interim fully franked dividend  
**0.5c/share**  
declared
- ♣ 1H21 v 1H20 revenue improvements from Asia, USA & Europe under difficult market conditions
- ♣ Inventory maintained to  
**\$31.5m** represents investment in raw materials for future demand

# Half-Year 2021 Results

AUD million	31 Jan 2021	31 Jan 2020
Revenue	\$29.4	\$37.6
NPBT	\$3.3	\$6.4
Tax	(\$0.8)	(\$1.7)
NPAT	\$2.5	\$4.6
EPS	1.51 cps	2.79 cps
ROE (annualised)	9%	20%

- Revenue declined 21.7% impacted by demand and FX (like for like FX, Revenue of \$30.3m)

- NPAT result \$2.5m (PCP \$4.6m), expenses have been curtailed with a focus on discretionary spending

- One off impacts on NPAT have been

- Start up costs and share of loss in Melody Dairies ~\$1.0m (before tax)
- Ongoing legal costs enforcing Clover intellectual property rights against Pharmamark Nutrition Pty Ltd and an individual
- Underlying NPAT \$3.3m

# Balance Sheet 31 January 2021

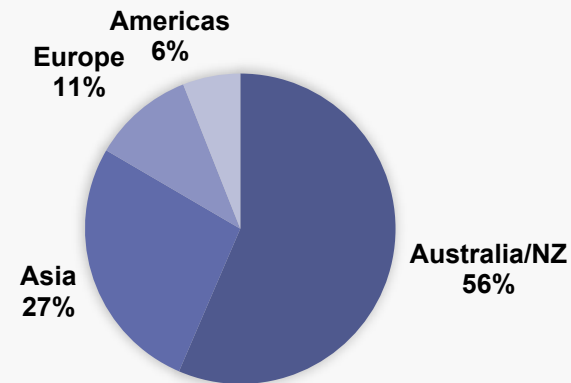
AUD million	Reported 31 Jan 2021	Reported 31 Jul 2020	Movement
Cash	\$9.8	\$9.2	\$0.6
Trade Receivables	\$9.7	\$16.8	(\$7.1)
Inventories	\$31.5	\$31.9	(\$0.4)
Total Current Assets	\$52.1	\$59.1	(\$7.0)
Fixed Assets	\$22.5	\$22.4	\$0.1
Total Assets	\$74.6	\$81.5	(\$6.9)
Trade Payables	(\$4.2)	(\$8.0)	\$3.8
Total Current Liabilities	(\$6.5)	(\$10.9)	\$4.4
Non-current borrowings	(\$12.2)	(\$13.0)	\$0.8
Total Liabilities	(\$18.7)	(\$23.9)	\$5.2
Net Assets	\$55.9	\$57.6	(\$1.7)

- Cash position remains strong
- Inventories maintained to meet future demand
- Payables controlled utilising cash position
- Borrowings represent the investment in Melody Dairies & Melbourne property

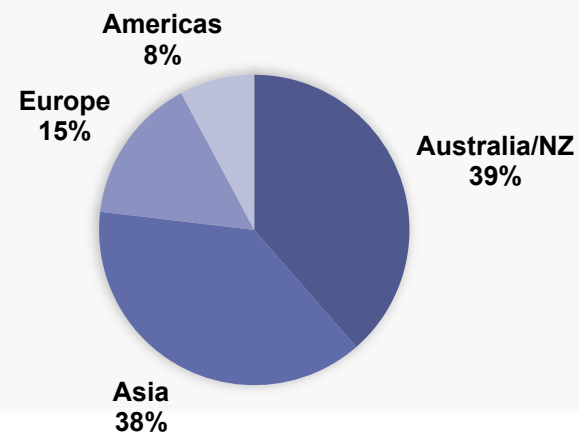
# Sales by Geography

- ♣ Demand from Australia & New Zealand has been impacted by COVID-19 & Daigou reductions
- ♣ Asia demand improved marginally from new product applications
- ♣ European sales growth from new customers (with historical customers volume declining)
- ♣ The Americas improved sales in very difficult conditions with COVID lock downs

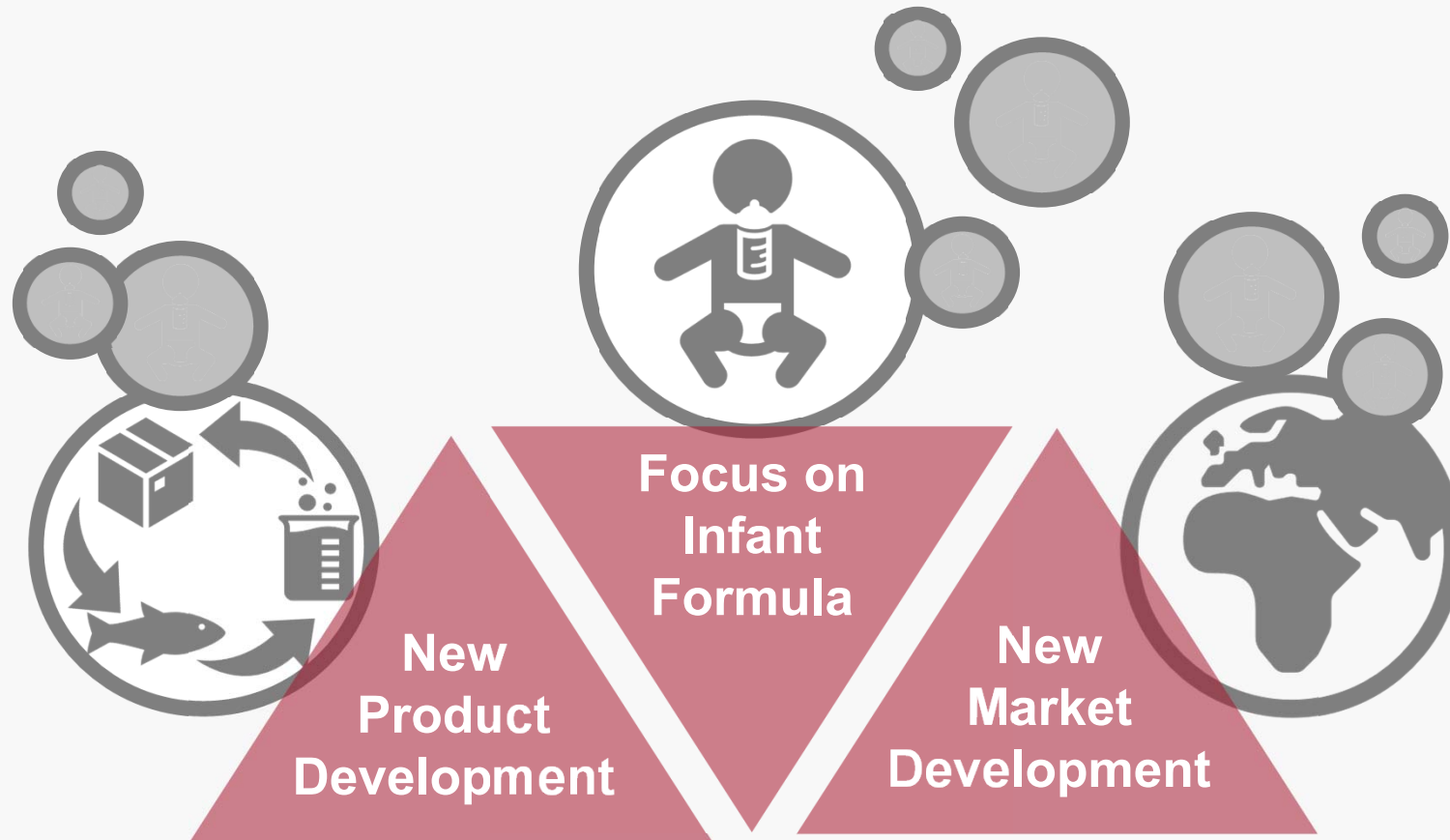
## 1H20 SALES BY MARKET



## 1H21 SALES BY MARKET



# An Update on Growth Platforms





Focus on  
Infant  
Formula

# Growth Platform

## Customer development in infant formula

- ♣ New infant formula customers added in the half year in the EU with others requiring audit of our facilities before progressing
- ♣ Key customers impacted by reduced demand from China due to COVID-19 restrictions, reduced Daigou channel, reduced travel and increased competition within China
- ♣ Working through qualification with several China infant formula manufacturers
- ♣ China's DRAFT legislation requiring a minimum 15mg/100Kcal of DHA in infant formula is expected in 2H21 with a 2-year introduction



# Growth Platform

## Creating new opportunities

- ♣ A highly concentrated Omega 3 powder released during the first half is in product application trials in food & nutraceutical products
- ♣ Sales across food & beverage products increased in the half
- ♣ A solutions-based training program delivered on electronic platforms explains Clover's products and assists customers in a COVID environment
- ♣ New product pipeline has several new products for release in the 2H21 targeted at the health food market



**New  
Product  
Development** <sub>7</sub>

# Growth Platform

## Expanding our market reach

- ♣ Continued push for growth in EU, Asia and Americas
- ♣ New Business development staff established across EU, China & USA, where face to face customer visits are not possible
- ♣ Trade shows have moved online with little success
- ♣ Clover's new spray dryer built at Melody Dairies NZ has been COVID-19 delayed in opening and being available for customer acceptance delivering a loss; this remains a long-term investment imperative



New  
Market  
Development 8

# 2HFY2021 Outlook & Priorities

- Continue to develop opportunities in the EU, USA & Asia
- Complete qualification of Melody Dairies NZ spray dryer
- Establish additional raw material sources
- Further develop Chinese infant formula relationships to prepare for the proposed new manufacturing standard requiring 15mg/kcal DHA
- Focus on rolling out new product applications across nutrition segments
- The fundamentals of the business remain strong with opportunities for growth across markets and segments currently curtailed by COVID-19
- The global uncertainty is leading to a slow recovery in the infant formula market, as a result Clover expects revenue for FY2021 to be in the range of \$60m to \$70m

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