



Clover Corporation Limited

ABN 85 003 622 866

ASX ANNOUNCEMENT

20 September 2019

Clover delivers record revenue and profit growth for FY 2019

- Sales revenue in FY2019 was \$76.7m (2018: \$63.0m) an increase of 21.8%
- Net Profit After Tax in FY2019 was \$10.1m (2018: \$7.6m) an increase of 33.1%
- Sales of new products fuel growth and profitability
- Clover's focus on expanding sales into new territories delivers growth
- The Balance Sheet remains strong with net debt of \$5.2m
- Clover declares final dividend of 1.75 cent per share

Clover's revenue for the year ended 31 July 2019 was \$76.7 million (2018: \$63.0 million), an increase of 21.8% on the prior year. The improved results were delivered by new customers, new products and territorial expansion, whilst maintaining the base of the business. Net Profit After Tax for the year ended 31 July 2019 at \$10.1 million (2018: \$7.6 million).

Clover has worked with several new customers and distributors to move through the extensive qualification process and win their business across FY2019. This process began three years ago and is now delivering in revenue and profitability growth. Business Development staff are now located in Europe, China and New Zealand which allows the company to focus on relationship development, service and technical support, all of which are critical to the company's success. This coupled with an increased Research & Development (R&D) team, has provided the avenue to support customers with their adoption process and the introduction of new products.

New products developed by Clover have opened up new applications into food and drink products fortified with Omega 3. Over the past few years Clover's R&D team have delivered new products which have significantly expanded the range of foodstuffs into which DHA can be incorporated. During FY2019 customers have trialled and incorporated the company's products into their applications outside of the traditional infant formula market.

The USA Food & Drug Administration has recently announced a qualified health claim linking EPA and DHA Omega 3's to a reduction in blood pressure allowing products that incorporate 0.8 grams per serving to be labelled "Consuming EPA and DHA combined may reduce the risk of CHD (Coronary Heart Disease) by lowering blood pressure". This is a step forward in the formal recognition of the benefits of Omega 3 which have been proven by clinical trials. We expect it will spur the introduction of additional products targeted at helping people suffering hypertension.

The combined result of new products, additional staff and the synergies between technical and business development staff has expanded sales across all territories. Clover has opened a warehouse in Amsterdam to serve new opportunities now and going forward as Europe adopts new legislation in February 2020 requiring locally made infant formula to incorporate 20mg DHA/ 100Kcal, effectively doubling the current usage. Customers are moving to adopt the higher DHA levels, benefitting from the advice and technical assistance of Clover staff, as they overcome difficulties in achieving the increased DHA requirement for their products.

CEO, Peter Davey said "The company continues to focus on doing the right things to win new customers and providing excellent service to support and retain the existing customer base. We work with customers; visiting, providing expert technical help, and delivering the best products every time, on time. We combine excellent people with unique and technologically superior products. It's not just one thing, it's everything. We aim to deliver excellence across every aspect of the business – that is our competitive advantage in the market, and it shows in our continuing growth".

Clover is currently building a new spray dryer in New Zealand (NZ) as a partner in Melody Dairies. The dryer is on time for delivery in the first half of 2020 and will provide Clover enough manufacturing capacity to continue to grow. Once construction is complete, the dryer will go through initial qualification and NZ regulatory approval, then the extensive customer qualification process will take place. The dryer is expected to be ready for full commercial production in 2021. NZ has proven to be an excellent market for Clover over the past four years as it has attracted significant foreign investment in dairy and expanding food production. Clover is well placed to support these manufacturers with its powders to add value to Food and Nutraceuticals.

The Company's balance sheet recorded positive cashflow for the year, with minimal existing net debt levels, positioning it well for future investments. Overall operating expenses have been contained during 2019 at \$10.6 million (2018 \$8.3 million), maintaining our overhead cost base at a rate of \$0.14 per dollar of revenue as production has expanded. Clover continues to benefit from improved economies of scale, with greater utilization of our facilities as production levels have increased.

Dividend

Based on the company's profit and cash position, Directors have decided to declare a fully franked final dividend for FY19 of 1.75 cent per share. This delivers shareholders a full year fully franked dividend of 2.375 cent per share, an improvement as compared to FY18 (1.75 cent per share). Relevant dates for the dividend are as follows;

Ex-dividend Date: Tuesday 29 October 2019

Record Date: Wednesday 30 October 2019

Payment Date: Wednesday 20 November 2019

Looking forward

Clover continues to have a strong pipeline of opportunities to grow its market share in IF and to diversify into new adjacent markets. Whilst legislation in Europe to increase DHA in IF in 2020 and likely similar changes in China in future years provide good prospects for growth, we are seeing pressure on margins due to increased competition.

Clover expects to maintain its market position as reflected in the second half of FY2019.

For further information, please contact:

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About Clover Corporation Limited

Clover Corporation is an Australian company listed on the Australian Stock Exchange (ASX:CLV). Clover evolved from being a research and development, manufacturing and marketing company to one concentrating on forming strategic relationships focused on technology, new product development and commercialisation.

Clover's superior microencapsulation technology enables nutritional oils, such as tuna, fish, algal and fungal oils, to be added to infant formula, foods and beverages. Developed through extensive research and development, our proprietary technologies protect those sensitive oils from oxidation, allowing them to be incorporated into a range of applications. All Clover products reach the highest standards of purity, stability and performance, allowing our customers to deliver consistent, high quality nutritional products to consumers.

For more information about Clover visit www.clovercorp.com.au