



Clover Corporation Limited

ABN 85 003 622 866

ASX ANNOUNCEMENT

21 September 2018

Clover delivers strong revenue and profit growth for 2018

- Sales revenue in FY2018 was \$63.0m (2017: \$47.9m) an increase of 31.5%
- Net Profit After Tax in FY2018 was \$7.6m (2017: \$3.6m) an increase of 109%
- The Infant Formula market continues to grow
- Clover's products are winning share in a competitive market driven by quality
- The Balance Sheet remains strong with cash at \$7.9m
- Clover declares final dividend of 1.25 cent per share

Clover's revenue for the year ended 31 July 2018 was \$63.0 million (2017: \$47.9 million), an increase of 31.5% on the prior year. A combination of increased volumes and change in product and customer mix has delivered improved Net Profit After Tax for the year ended 31 July 2018 at \$7.6 million (2017: \$3.6 million).

Demand for Clover's products has grown strongly across the year, with regulatory stability in the Chinese Infant Formula (IF) market, and consumers in this market preferring imported IF over locally made products. This has favoured Clover's customer base, traditionally the major global brands, which maintain strong IF sales into China. The company has successfully renegotiated contracts with all existing and several new IF manufacturers, resulting in strong demand for Clover's products during the year and projecting further growth for the future.

CEO, Peter Davey said "This result is the outcome of a great team of people consistently working together over several years on a plan to deliver excellence in products and services. Our pathway from first contacting a new customer to product sales is a long one, with many of our most recent new customers commencing trials and testing of our products as long as three years ago. That extended process continues today as we continue to explore sales into additional markets, develop and market new products and seek out potential new customers. We are proud of our growing reputation for the superior performance of Clover's products and the quality of service provided by our staff, aspects which we will continue to foster, to support our growth into the future".

The New Zealand market, which has benefited from significant investment in its dairy processing industry for IF production, has grown rapidly as a destination for Clover's products. As a result, we have positioned a full-time executive in New Zealand to provide local support for our current customers and to continue expansion of our NZ sales. Clover established an investment and manufacturing contract with New Zealand Food Innovation Waikato (NZFIW) to build a spray drying facility in 2014. This facility is now at full capacity and has led the company to investigate further investment to increase our current manufacturing capabilities, in addition to focus on securing additional sources of quality raw materials to meet our growing product demand. Clover intends entering into a contract to purchase a share of a spray drying facility in Hamilton, New Zealand.

The Company maintains a strong balance sheet, recording a positive cash balance of \$7.9 million at year end, positioning it well for future investments. Overall operating expenses have been controlled during 2018 at \$8.3 million (2017 \$6.1 million) maintaining our cost base at a rate of \$0.13 per dollar of revenue as production has expanded. Clover has benefited from economies of scale, with greater utilization of our facilities as production levels have increased.

Dividend

Based on the company's cash position, Directors have decided to declare a fully franked final dividend for FY18 of 1.25 cent per share. This delivers shareholders a full year fully franked dividend of 1.75 cent per share, an improvement as compared to FY17 1.00 cent per share. Relevant dates for the dividend are as follows;

Ex-dividend Date: Friday 26 October 2018

Record Date: Tuesday 30 October 2018

Payment Date: Tuesday 20 November 2018

Looking forward

Clover has a strong pipeline of new products under development, and continues to expand its customer and market base. The European Union (EU) has determined that all EU IF will be required to contain a minimum of 20mg DHA per 10 kcal by February 2020, a significant increase over previous requirements. Other markets can be expected to follow this lead. This will force many IF manufacturers to rethink their manufacturing approaches and provides excellent opportunities for Clover, whose products have the superior technical features needed to meet this challenge.

Based on current demand patterns, new customers and stability of regulatory requirements around IF, it is expected Clover will maintain its sales position established across the prior six months.

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