



Clover Corporation Limited
ABN 85 003 622 866

ASX ANNOUNCEMENT

25 November 2016

The Manager
Company Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

2016 ANNUAL GENERAL MEETING

Enclosed is the transcript of the Chairman's Address and a copy of the presentation by the CEO, which are both to be delivered at the 2016 Annual General Meeting of Clover Corporation Limited scheduled to commence at 11:00am today.

Signed for and on behalf of Clover Corporation Limited.

Jaime Pinto
Company Secretary

Clover Corporation Limited Chairman's Address 2016

I am pleased to inform shareholders of an improved year for Clover Corporation with revenues up 43%, a net profit of \$2.2 million; increased dividend payment and an upward movement in share price. These improvements are the result of a market recovery in infant formula, a renewed focus on growing the customer base, and the company continuing to deliver excellent service to the customer.

Clover has reported a net profit after tax of \$2.2m for the 12 months ended 31st July 2016, up on the FY15 NPAT position of \$0.1m.

Sales revenue for the FY16 financial year was \$42.9m, an increase of 43% on FY15 revenues of \$29.9m.

The strong revenue growth resulted from a much improved sales mix from traditional customers and new customers, as well as the introduction of new products. Gross margins have been maintained, with volume and reduced operating expenditure improving the profit position. Most customers have now moved to purchasing in US\$ which provides a natural hedge for the business (which purchases many raw materials in US\$), reducing the risk of fluctuating input prices and potentially impacting profits.

Clover has a new commercial team focused on business development into new countries, markets and products. This has already delivered new business in FY16, with a pipeline of other opportunities in place. Clover has moved to expand its market reach, looking outside the traditional infant formula market business to provide growth opportunities. The company has appointed new distributors in Europe and the USA to focus on the sports nutrition market. The infant formula market remains a key growth opportunity, as new customers are presented with Clover's product range. The introduction of regulations in Europe specifying increased levels of DHA ingredient will present new and exciting opportunities for Clover. We expect to see continued upward demand from China and other Asian markets.

China

Demand from China for infant formula continues to increase with Chinese consumers demanding imported product. This has moved Clover's customer base into new markets in Europe, Australia, New Zealand and South America. Chinese regulatory change announced on October 1 requires manufacturers to only provide three brands of infant formula with three distinctly different formulations within each brand. The majority of Clover's current customers are well positioned to be ready for the change in regulations which take effect from January 1, 2018. The regulatory change provides the potential for DHA to be used as a differentiator in the formula changes. The Chinese market has shown signs of weakness in demand over the last quarter as it works to adjust to the new regulations, which may see as many as 2400 brands removed from the market. The weakness has been driven by uncertainty amongst the Chinese

distributors, and the move to sell off inventory which will not achieve a licence under the new regulations.

Europe

The EU released new infant formula regulations in February requiring that all infant formula sold in the EU must contain a minimum of 20mg of DHA per serve, an increase from the previous requirement (average of ~10%), by the year 2020. EU customers are now preparing for the change which represents an opportunity for Clover, as its key products are DHA encapsulated powders and DHA oils suitable for high dosage inclusion in infant formula.

Australia & New Zealand

Clover has commenced manufacturing its alternative algae product at the New Zealand Waikato facility, in which the company has invested over the past two years. This market opportunity will be explored further when competitor patents run-off early next year.

Both Australia and New Zealand have benefited from increased demand from China for imported infant formula product. New Zealand in particular has experienced significant Chinese investment into new facilities and joint ventures, with Clover working to develop these customer relationships for future growth.

Americas

Clover has appointed a new distributor in the USA to develop opportunities into the growing sports nutrition, food and wellbeing markets. The launch of a new concentrated Omega3 powder targeted at this market positions the business for growth in the future.

Dividend

Given the performance of Clover in FY16 the Directors declared a fully franked final dividend for FY16 of 0.50 cent per share, which was paid this week. This takes full year dividends to 0.75 cent per share, an increase of 50% over last year.

Outlook

The first half of FY17 has been impacted by lower demand driven by the market adjusting to regulatory change in China. We remain optimistic that as the new Chinese and EU regulations take effect, Clover's existing and new customers will benefit from an increasing market share which will be positive for Clover in the medium term.

Managing Director's Report 12 Months to 31 July 2016

25 November 2016



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, children and to the medical food markets.

Full Year Performance Highlights

- ✓ Total Revenue **\$42.9m** up **43%**
driven by improved demand
- ✓ Net Profit **\$2.2m** up
on 2015 \$0.1m
- ✓ Operating expenses **\$5.8m** down **5%** on
previous year
- ✓ Strong **growth** in
non-traditional accounts &
pipeline of new
opportunities
- ✓ Inventory managed at
\$13.6m down **4%**
on prior year
- ✓ Balance Sheet remains
strong with no debt and
cash of **\$8.2m**

Full Year 2016 Results

AUD million	4E Reported 31 Jul 2016	4E Reported 31 Jul 2015
Revenue	\$42.9	\$29.9
EBITDA	\$3.3	\$0.6
EBIT	\$2.8	(\$0.1)
NPBT	\$3.1	nil
Tax	(\$0.9)	\$0.1
NPAT	\$2.2	\$0.1
EPS	1.34 cps	0.06 cps
ROE (annualised)	7.4%	0.3%

- ♣ 43% year on year revenue growth
- ♣ Increased sales to EU, ANZ and new customers
- ♣ EBIT \$2.8m (PCP -\$0.1m)
- ♣ Fixed costs managed \$5.8m (PCP \$6.1m)
- ♣ NPAT result \$2.2m (PCP \$0.1m)

Balance Sheet 31 July 2016

AUD million	Reported 31 July 2016	Reported 31 July 2015	Movement
Cash	\$8.2	\$9.6	1.4 ↓
Trade Receivables	\$10.9	\$5.5	5.4 ↑
Inventories	\$13.6	\$14.2	0.6 ↓
Total Current Assets	\$33.1	\$29.5	3.6 ↑
PPE/Intangible Assets	\$6.7	\$7.1	0.4 ↓
Total Assets	\$39.8	\$36.6	3.2 ↑
Trade Payables	(\$8.5)	(\$6.3)	2.2 ↑
Total Current Liabilities	(\$9.5)	(\$7.0)	1.5 ↑
Total Liabilities	(\$9.6)	(\$7.2)	2.4 ↑
Net Assets	\$30.2	\$29.4	0.8 ↑

- ♣ Cash balance strong \$8.2m
- ♣ Trade receivables & payables reflect the increased sales activity
- ♣ Inventory levels managed to expectations
- ♣ FYR16 dividend payment of 0.75c per share an increase of 50% on last year

Sales by geography & product

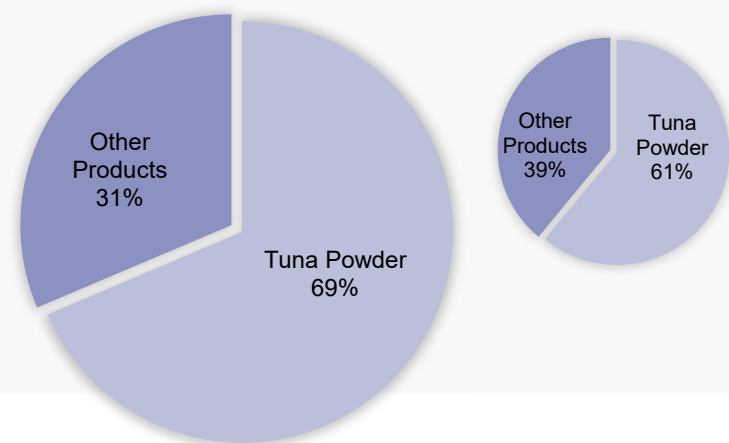
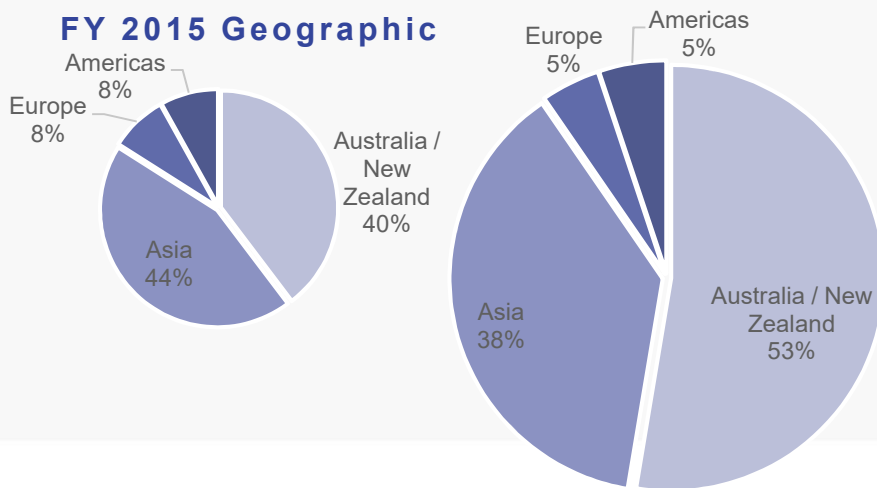
- ♣ Asia, Australia & New Zealand have grown during 2016.
- ♣ European and American markets provide new opportunities
- ♣ Encapsulated Tuna oil leads sales revenue with encapsulated Algal oils and other oils represented in other products

FY 2016 Geographic

FY 2016 Product

FY 2015 Geographic

FY 2015 Product



An Update on Growth Platforms



Growth Platform

Continued focus on the infant formula market

- ♣ New Chinese Infant Formula regulations were released on October 1 requiring manufacturers to re-license and have a maximum of three brands with three scientifically different formulations in each brand by January 1 2018.
- ♣ The change targets non-licensed brands which are trying to sell out prior to the Jan 1, 2018 deadline.
- ♣ The initial impact of the regulatory change has been a slowdown of sales, as many infant formula companies are being cautious with raw material orders and inventories.

Focus on
infant
formula
customers
and market



Growth Platform

Continued focus on the infant formula market

- ♣ New European regulations requiring the inclusion of a minimum 20mg DHA dosage in all infant formula by 2020 has Clover working with existing and new customers to achieve the higher dosage levels.
- ♣ Most EU manufacturers currently add DHA via a direct injection spray drying method, the new regulation requires up to the doubling of DHA oil. This presents an opportunity for Clover as its unique Nu-Mega 'Driphorm' DHA powder provides stability and sensory advantages allowing manufacturers to meet the higher DHA dosage levels.

Focus on
infant
formula
customers
and market



Growth Platform

Developing new markets

- ♣ Clover has appointed a new distributor in the EU market focused on achieving sales in the second tier Infant formula market, food, sport nutrition and nutraceuticals.
- ♣ Clover has appointed a distributor in the USA market targeting the sports nutrition, food and nutraceutical markets.
- ♣ Clover has added two Phd. qualified scientists; Dr. Samaneh Ghasemi Fard is a nutritionist and Dr. Bo Wang is an expert in the field of encapsulation positioning the business well for its future R&D development

Products and
Market
Development



Growth Platform

Research & Development Strengthened

- ♣ Clover has developed a new product which was launched at the Supply Side West show in Las Vegas, the product is a encapsulated powder containing 60% oil, which is a GRAS approved concentrate targeting the Sports Nutrition market.
- ♣ Clover has achieved NASAA Organic Ingredients status which allows the business to sell as a qualified input for organic products in Australia.
- ♣ Clover is developing other product and process technology in conjunction with customers.

Research &
Development



FY2017 Outlook & Priorities

- ♣ **Market development into the EU taking advantage of new regulations**
- ♣ **Develop new product applications into sports nutrition and nutraceutical market segments**
- ♣ **Maintaining growth in Oceania, Asia and Europe**
- ♣ **Research & Development in collaboration with customers**
- ♣ **Continue to establish expert distribution partners**
- ♣ **Continue to improve efficiencies and reduce costs**
- ♣ **Add value through strategic acquisition and/or partnership**

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