

## **Clover Corporation Ltd: 20 November 2020 AGM Chairman's Address**

During the FY2020 Australia, the world and Clover faced incredible hardship with bushfires, COVID-19, and regulatory challenges. I am heartened by the resilience of the global community and the outstanding performance of the Company.

Clover focused on managing the health and safety of its staff as its priority during the COVID-19 pandemic, while continuing to ensure that its customers' requirements continued to be met. The Company implemented a COVID-19 safety plan in March to reduce the possibility of staff infection and the impact on the business, should an infection occur. The Managing Director, Peter Davey, and his management team are to be congratulated on their rapid establishment of plans for the business, their excellent communication of these plans to staff and the minimal disruption to the business activities of Clover through this difficult period. Clover did not seek, nor did they receive, any government support such as Jobkeeper.

Over the 12 months ending 31 July 2020, your Company achieved Statutory NPAT of \$12.5m, 23.6% higher than the prior year. Diluted earnings per share grew 22.7% to 7.45 cps.

We believe that Q3 and Q4 results have been boosted by our customers building their inventories due to uncertainties on the potential impact of the COVID-19 pandemic on areas such as the sourcing of their raw materials and the ability of their suppliers to manufacture and export ingredients essential to their finished products. At the same time, pantry stacking by some retail customers has increased sales of our customers' finished products.

Our balance sheet remains strong with cash of \$9.2m and net debt of \$5.4m, which places the business well to support growth opportunities and service existing debt. Debt is being used to fund the purchase of our factory and head office in Altona, Victoria and for our investment in the recently established new spray drying facility at Melody Dairies in New Zealand.

A fully franked final dividend for FY20 of 2.5 cent per share was paid to shareholders, which was a 5% increase on the prior year total dividend.

The company has benefited from years of research and development work and business development activity, with additional customers, and new and improved products added during the financial year. The increasing scientific evidence and awareness of the health benefits of Omega 3 fatty acids continue to open a range of new product opportunities for the Company outside of our traditional focus on the infant formula market.

Whilst we believe that the underlying fundamentals for demand in the infant formula market remain strong, in our update announcement to ASX on 20th October we notified the market that we had experienced reduced orders to forecast from IF manufacturers for the first quarter FY21. The uncertainty around supply chain issues and COVID-19 continue, and we reiterate our previous advice that revenues for the first half FY2021 to be down 15% to 25% on the first half of FY2020.

Clover maintains its strong market position and continues to pursue several growth opportunities.

As shareholders would be aware there have been changes to the Board. Marilyn Sleigh and Cheryl Hayman, who have been Non-Executive Directors for the past 12 years, have stood down from the Board. On behalf of the Company I would like to express our appreciation and thanks to them for their valuable contributions to the development of Clover as it grew through the expansion of its commercial base and its sales, particularly to international markets.

I would like to acknowledge Peter, the senior leadership team, our employees and my fellow Directors for their continued commitment, diligence, and work ethic to the progress the potential of this important company.

Finally, thank you to our shareholders for your continued support and interest in the Company.