



Clover Corporation Limited

ABN 85 003 622 866

ASX ANNOUNCEMENT

25 March 2020

Clover announces results for 1H20

- Growth in revenue with expanding markets

- Net Sales Revenue in 1H FY2020 of \$37.6m (1H 2019: \$34.3m) an increase of 9.8%.
- Net Profit after Tax 1H FY2020 \$4.6m (1H 2019: \$4.5m) an increase of 3.4%
- New markets and territories delivering growth
- Clover's investment in Melody Dairies on track for completion in Q4 2020
- Prudent cash preservation – no interim dividend

Clover Corporation Ltd (ASX: CLV) today released its results for the half year ended 31 January 2020. Net Sales Revenue for the half year was \$37.6 million (2019: \$34.3 million), an increase of 9.8% on the prior year. Increased volume and improved trading terms have delivered an improved Net Profit after Tax for the half year to 31 January 2020 of \$4.6 million (2019: \$4.5 million), an increase of 3.4%.

Clover has increased its investment in research, marketing, product and business development across the globe, reflected in higher operating cost across the business.

Clover has grown revenue in the USA and Europe with new customers in infant formula and food applications, further diversifying the customer base. European infant formula manufacturers are required to fortify their product for European sales with a minimum of 20mgDHA/100Kcal from February 2020 and so they have spent the last six months transitioning their stocks to the higher DHA loading. Clover's unique Driphorm microencapsulated powder allows customers to achieve a higher loading without any sensory issues. Clover has experienced excellent revenue growth in the USA of 57% and Europe of 31%.

The infant formula market has remained strong but cautious in the first half. China is reviewing draft legislation which, if introduced, would require infant formula sold in China to contain a minimum of 15mgDHA/100Kcal. The uncertainty about such future requirements means that manufacturers are cautious about building inventory levels. At the same time, China has stated its intent to increase

local brands' share of the market, and there has also been a slow down in issuing of licenses to non-Chinese manufacturers supplying Chinese retail outlets. While this might have had a dampening effect on demand for Clover's products, it has been offset by the opening of additional bonded warehouses which facilitate the "Cross Border E-commerce" (CBEC) market for infant formula, allowing imported brands to access the Chinese market indirectly, without a retail license.

Some movement in sales between ANZ and Asia reflects customers moving production between facilities.

Clover has taken advantage of an opportunity to increase its supply of raw materials which places it in a flexible position to fulfil future demand.

During the half year, Clover increased its shareholding in Melody Dairies New Zealand (NZ) from 35% to 41.9%. Melody Dairies is in the process of building a spray dryer in Hamilton which is on-time and budget. Clover expects to gain access to the dryer in Q4 2020. Following qualification trials to confirm the dryer's production capabilities, Clover expects to start manufacturing at the facility in H12021. The Company's increase in ownership expands its access to manufacturing time in the facility to meet future demand.

Dividend

Clover has taken a prudent approach to its cash management in light of the unprecedented market conditions created by the COVID-19 outbreak and is not declaring an interim dividend.

Looking forward

The COVID-19 outbreak has had no impact on results in H1 2020 and as yet has not affected forward orders for H2. Assuming stability of the Chinese market, the Company currently expects demand patterns from customers to continue in the second half of the year. Third quarter order rates are consistent with second half FY19 sales.

This is our outlook given the current viewpoint and understanding of the COVID-19 issue.

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 customers to maximise and deliver nutrition.

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