



Clover Corporation Limited

ABN 85 003 622 866

ASX ANNOUNCEMENT

20 September 2017

Clover Chairman hands over business with strong profit result

- Net Profit After Tax in FY2017 was \$3.6m (2016: \$2.2m) an increase of 64%
- Sales revenue in FY2017 was \$47.9m (2016: \$42.9m) an increase of 11.5%
- Infant formula demand in China has increased in the second half of the year
- Clover R&D delivers enhanced product portfolio
- Balance Sheet remains strong with cash at \$5.9m
- The appointment of new distributors develops new opportunities
- Clover declares a fully franked final dividend of 0.75 cent per share, up 50% on prior year final dividend

Clover Corporation Ltd (ASX:CLV) today announced its results for the year ended 31 July 2017. The Company has maintained strong sales growth and has reported improved profitability.

Clover Corporation also announces that its non-executive Chairman Mr. Peter Robinson has retired from the Board effective September 21, 2017 and that Mr. Rupert Harrington will be appointed as Chairman from September 21, 2017.

The Board thanks Mr. Robinson for his 25 years of service in executive and non-executive director roles at Clover.

Mr. Harrington joined the Clover board as non-executive Director in 2016 serving on the Audit, Remuneration and Nomination Committees. Rupert is an experienced company director having served as chairman or director of a number of private equity backed companies over the last 30 years.

Clover's revenue for the year was \$47.9m (2016: \$42.9m). A combination of increased product sales and improved customer mix has delivered improved Net Profit After Tax for FY17 of \$3.6m, a 64% increase on 2016 Net Profit After Tax of \$2.2m.

Operating expenses have been managed in line with revenue growth during FY17 to \$6.1m (2016 \$5.8m), as the Company continues to invest in people, strengthening its commercial and R&D teams. Increased demand in the second half of the year has required additional investment in working capital. Clover maintains a strong balance sheet including a positive cash balance of \$5.9m at year end, positioning the company well to pursue other investments and operate out of its cash reserves.

Dividend

Based on the company's profitability and cash position, Directors have declared a fully franked final dividend for FY17 of 0.75 cent per share. The record date for this dividend will be 30 October 2017, with payment due on 20 November 2017. This delivers shareholders a full year fully franked dividend of 1.00 cent per share, a 33% improvement as compared to FY16 full year dividend.

The Market

The infant formula market demand slowed in the first half of the year driven by uncertainty around new infant formula regulations in China. Following an announcement by the Chinese regulators in March confirming that the CBEC (Cross Border Electronic Commerce) channel would remain in place, demand improved markedly in the second half, delivering 47% higher revenue in the second half year of \$28.5m as compared to the first half year revenue of \$19.4m.

Clover Developments in FY17

CEO, Peter Davey said "Clover has worked hard across the past twelve months to increase its exposure to more customers and market segments with distributors in Europe, China and the USA helping facilitate the market entry of new products. These include the 60% oil loaded high concentrated DHA (docosahexaenoic acid) powder targeting the sports nutrition market, and the Hypoallergenic encapsulated DHA or ARA powder for non-bovine infant formula and medical applications. I have been pleased by our continued growth in the traditional infant formula market as well as the prospects for growth in new segments, which lays a solid platform for the future".

Clover has broadened its oil sourcing to reduce supply risk and strengthened its manufacturing base with the New Zealand facility now operating on a monthly batch manufacturing basis. The land and buildings housing our key oil refinery in Altona, Victoria is in the process of being acquired by the company, ensuring this facility is retained as a core productive asset for the future.

The company has converted much of its invoicing to USD denominated sales over the past two years, which provides a natural hedge for its USD denominated raw material purchases and more certainty around costs in the business. At the time of closing the accounts for year-end, within Other Income an unrealised loss of \$0.5m was reported in converting the USD balances to AUD balances.

Clover continues to develop opportunities via product and market expansion and has presented at the Supply Side West show in the USA, Vita Foods exhibition in Europe, Food Ingredients exhibition in China and Foodpro in Australia.

The Clover Business Development and Research & Development teams have worked closely to develop a very technical sales process, which often requires 12 to 24 months to complete, as potential customers take Clover's products through formulation development and qualification. The company currently has several of its existing and new products on trial with customers across the globe.

The company resourced the Research and Development team with a benchtop spray dryer during the year which has accelerated the development of new products. This combined with continued support by the CSIRO for larger pilot trials has allowed Clover to develop its product portfolio. Clover

applied for a patent on new technology in April 2017, allowing phospholipids (lipids in a more bioavailable form to increase the take up in the human body) from krill and tuna to be encapsulated.

Looking forward

In FY18, Clover expects the improved clarity regarding the Chinese infant formula regulations and the recent round of China licensing for infant formula manufacturers will maintain the demand momentum seen in the last six months. The company has developed opportunities for new market segments through working closely with distributors and end users in Europe and North America, and whilst new products require formulation development, qualification and market testing, these opportunities have the potential to improve demand in the future. The company continues to work on a pipeline of new products which will provide further opportunities in the future.

The outlook for FY18 remains positive, with order patterns for the first quarter consistent with the second half of last year and business development activities in new markets and segments delivering positive testing results.

For further information, please contact:

Peter Davey – MD & CEO Clover Corporation +61 3 8347 5000

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 of our 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



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