



Clover Corporation Limited

ABN 85 003 622 866

ASX ANNOUNCEMENT

20 May 2020

COVID-19 & Trading update

- One off events creating unexpected forecast demand
- Experiencing strong demand from customers globally
- Favourable exchange rates
- Drawing from historical inventory position
- Protecting our people, customers, and suppliers

Clover Corporation Ltd (ASX: CLV) provides an update to its response to COVID-19 and trading performance since its release of results for the half year ended 31 January 2020.

Following the first half results, Clover Corporation has experienced strong demand from customers globally, with an increase in forecast demand coming in the fourth quarter from infant formula manufacturers.

The forecast demand is above expectations which the company believes is primarily driven by the market's reaction to COVID-19. It is believed consumers are buying additional products which has depleted the pipeline fill into distribution warehouses and retail outlets. This is likely to have been exacerbated by company and country isolation activities.

The company has also benefited from favourable movements in the exchange rate with most of the company's sales transacted in US dollars. The translation into Australian dollars has provided a short-term gain in margin. Whilst purchases are also made in US dollars, the high inventory position at half year has reduced the need to purchase large volumes of oils which are a key input for the company's products. The majority of the higher than usual inventory position will be worked through in the second half of the financial year and therefore provides a one-off benefit to cost of sales.

Clover Corporation has provided support to all customers; maintaining order fill supported by a strong inventory position, excellent supply partners and the efforts of staff during a difficult time.

The company has enacted policies to protect our people, customers, and suppliers during the COVID-19 pandemic. Only essential staff operate from the facility with split shifts, inter-shift cleaning and heightened hygiene, whilst administration staff operate from home office or in isolation with adherence to all government directives. The key during this time has been constant communication internally and externally to maintain the business and ensure our people are safe.

Looking forward

Clover believes that much of the increased demand reflects China re-filling a depleted pipeline post the COVID-19 impact, as well as other countries experiencing higher demand as end consumers stockpile product during isolation. It is too early to state the full impact of the above market movements as the current forecast-to-order placement is very fluid. The situation driven by COVID-19, the depreciation of the Australian dollar and high existing Clover inventories are mostly one-off events, and we expect demand patterns will return to a more normalized pattern in the next financial year.

Previously, the company had indicated that performance in the second half of FY20 would be similar to the results in the second half of FY19 (which is seasonally stronger than the first half). The Board now expects a stronger second half FY20 performance, assuming forecast demand results in fulfilled orders and the global situation remains in the current state.

The Board will consider reinstating company dividends at the end of the financial year in line with results.

For further information, please contact:

Mr Rupert Harrington – Chairman, Clover Corporation +61 3 8347 5000

Mr 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 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