



**Clover Corporation Limited**

ABN 85 003 622 866

**ASX ANNOUNCEMENT**

**18 September 2020**

**Clover delivers 23.6% profit growth with new products, customers and markets**

- Sales revenue in FY2020 was \$88.3m (2019: \$76.7m) an increase of 15.1%
- Net Profit After Tax in FY2020 was \$12.5m (2019: \$10.1m) an increase of 23.6%
- Sales of new products fuels growth and profitability
- Clover's focus on expanding sales into new territories delivers
- Pantry stacking of infant formula provides additional short term sales boost
- The Balance Sheet remains strong with net debt of \$5.4m (FY19: \$5.2m)
- Clover declares final dividend of 2.5 cent per share

Clover's revenue for the year ended 31 July 2020 was \$88.3 million (2019: \$76.7 million), an increase of 15.1% on the prior year. The improved results were delivered principally by new customers, new products and territorial expansion, whilst maintaining the base of the business. Net Profit After Tax for the year ended 31 July 2020 at \$12.5 million (2018: \$10.1 million).

COVID-19 has focused Clover on the health and safety of its staff. COVID-19 plans were executed in March and remain in place. All customer demand has been met with additional care to maintain safety and higher inventory added to provide a buffer. Clover's FY20 result has been positively impacted by COVID-19 with increased demand through Q3 & Q4 from customers supplying additional infant formula to retail channels depleted by pantry stacking.

Clover has not sought or received any government assistance through the pandemic. New customer development has been curtailed due to the inability to travel, perform audits or attend trade shows. Demand in the USA for new product development has been stifled as resources have been focused on other activities and their investment in new product development has been reduced. Clover has added to its business development team overseas to service new and existing customers.

During FY20 Clover has experienced revenue growth across all markets. The Australian, New Zealand and Asian markets have continued to grow, driven by infant formula demand, and increased interest in the health benefits of Omega 3 fatty acids resulting in new customers creating new products for the food, and nutraceutical sectors. The European Union market has grown substantially as new and

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existing infant formula manufacturers adjust their formulations to meet the new EU standard for infant formula of 20mg/100Kcal of DHA since February 2020. The USA has shown promising growth, with many projects on hold due to COVID-19.

Clover invested in a new company 'Melody Dairies' in 2019 which has built a new Nutritional Spray Dryer in Hamilton New Zealand during 2020. Clover owns 42% of the dryer and has access to 42% of its capacity to manufacture its products. The construction of the spray dryer is complete with qualification trials progressing well. Customer audits have been impacted by COVID-19 preventing travel, and this will slow production volume initially. The Melody Dairies dryer adds much needed capacity and risk reduction which will complement Clover's existing manufacturing in Australia and provide capacity to maintain growth.

Clover maintains three key growth focus areas: new products, infant formula and new market development.

#### **New products driving future growth**

- Research & Development has a range of new products that have been created to fulfil customer requirements that will continue to deliver growth in the future.
- Clover's concentrated DHA powders have won additional business in a range of new applications covering bread, yogurt, health bars and sport nutrition.
- Clover has participated in clinical trial work to prove the bioavailability of its products and the health benefits of DHA, adding to the credibility of product use and applications.

#### **Infant formula maintains growth**

- EU legislation has taken effect, requiring a minimum of 20mg/100Kcal of DHA, positively impacting EU sales.
- China business has continued to grow, providing many customers with improved results and demand for Clover's ingredients.
- China's DRAFT legislation requiring infant formula to contain a min 15mg/100Kcal of DHA and ARA has opened discussion for manufacturers to trial Clover product as a solution.

#### **New market development**

- Clover has grown sales across all markets, increasing exposure to food segments and applications.
- The company is selling into Asia, EU and USA a "stick pack" ready to drink DHA-containing formula and high DHA gummies are in production in all markets.

To maintain business development the company has embarked on a virtual training program for customers to assist product development and solution selling as well as adding staff in Europe, China and the USA to develop new opportunities and service existing customers.

The Company maintains a strong balance sheet, recording positive cashflow for the year, with minimal existing net debt levels, positioning it well for future investments. Overall operating expenses have been contained during 2020 at \$11.4 million (2019 \$10.6 million) maintaining our overhead cost base at a rate of \$0.13 (FY19 \$0.134) per dollar of revenue as production has expanded. Clover continues to benefit from improved economies of scale, with greater utilisation of our facilities as production levels have increased.

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## **Dividend**

Based on the company's profit and cash position, Directors have declared a fully franked final dividend for FY20 of 2.5 cent per share, an improvement as compared to FY19 (2.375 cent per share). Relevant dates for the dividend are as follows:

Ex-dividend Date: Tuesday 27 October 2020

Record Date: Wednesday 28 October 2020

Payment Date: Wednesday 18 November 2020

## **Looking forward**

Uncertainty from COVID-19 has the potential to impact demand both positively and negatively.

The higher retail demand for infant formula in Q3 & Q4 FY20 may have been a "one-off", with possibly reduced demand in 1H FY21. Clover continues to engage with its customers to maintain its market position with orders for first half FY2021 at this point expected to be consistent with those of first half FY2020.

## **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 our customers to deliver consistent, high quality nutritional products to consumers.

For more information about Clover visit [www.clovercorp.com.au](http://www.clovercorp.com.au)

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