



Clover Corporation Limited

ABN 85 003 622 866

ASX ANNOUNCEMENT

15 March 2023

Clover announces a record result for 1H23

- Growth in revenue with new customers and products

- Net Sales Revenue in 1H FY2023 of \$44.4m (1H 2022: \$29.7m) an increase of 49.5%.
- Net Profit after Tax 1H FY2023 \$3.6m (1H 2022: \$2.0m) an increase of 81.1%
- New customers and products delivering growth.
- Clover declares dividend of 0.75 cent per share.

Clover Corporation Ltd (ASX: CLV) today released its results for the half year ended 31 January 2023. Net Sales Revenue for the half year was \$44.4 million (2022: \$29.7 million), an increase of 49.5% on the prior year. Increased volume and improved trading conditions have delivered an improved Net Profit after Tax for the half year to 31 January 2023 of \$3.6 million (2022: \$2.0 million), an increase of 81.1%.

The Company has grown revenue in the Europe & Middle East 76%, Asia 36% and ANZ 76% with new customers in infant formula and food applications, further diversifying the customer base.

Clover has stabilised its gross margin position by managing supply chain inputs and price positions under increasing price inflation across people, raw materials and freight.

Clover's first half revenue has been strengthened by winning new customers and existing customers building inventory in preparation for the new China GB standard. The China GB Standard requires infant formula manufacturers to hold a license to sell through the Chinese retail stores from late February 2023. Product manufactured prior to the February deadline can still be sold. Many manufacturers are in the process of achieving a licence and therefore have built inventory to maintain sales during this period.

The Chinese GB standard requires infant formula manufacturers to fortify their product for China retail sales with a minimum of 15mgDHA/100Kcal. Currently most manufacturers use 5mg to 10 mg of DHA. Clover has supported manufacturers in qualifying formulations and submitting license applications over the past three years. Clover's unique Driphorm microencapsulated powder allows customers to achieve a higher DHA loading without sensory issues. Whilst the Chinese retail market requires a GB license, the cross-border or grey market which does not require a license has strengthened as the impacts of COVID-19 have reduced. Our customers have been able to navigate new channels to access this market further improving overall demand.

As customers work through their inventory build and await their GB license we expect volatility in demand in the second half.

During the half year, Clover implemented modifications to the Melody Dairies (NZ) spray dryer in Hamilton which has improved productivity in the manufacture of Clover's products. The outlook for the second half will further improve utilisation and to operate around breakeven. Melody Dairies continues to be a key strategic investment providing diversified manufacturing capacity at low cost.

The Company has launched new products which have achieved sales in the half. Clover's Gelphorm, an emulsion Omega 3 product capable of fortifying UHT products has received its first sales in the USA, whilst other potential customers have the product on trial.

Clover's new product pipeline includes a new proprietary encapsulation technology. Other projects targeting new markets and applications include the microencapsulation of high value bioactive's; probiotics, choline, CoQ10 and folic acid.

Clover announced the successful outcome of the clinical trial with preterm infants and the introduction of a new product called Premneo, targeted to sell via hospital pharmacies. Globally, there are ~2.5m babies born preterm (less than 32 weeks), potentially requiring 300m to 400m doses annually. Our expectations are that meaningful revenue generation may take 18-36 months with requirement for regulatory registrations, and the establishment of manufacturing and distribution capability.

These proprietary innovations have potential to add significant growth in the medium term. To date this has been funded from operational cash flows. As the projects advance, they will require continued investment in R&D and market development.

Dividend

Based on the company's cash position Directors have decided to declare a fully franked final dividend for 1H FY23 of 0.75 cent per share. Relevant dates for the dividend are as follows.

Ex-dividend Date:	Wednesday 5 April 2023
Record Date:	Thursday 6 April 2023
Payment Date:	Thursday 27 April 2023

Looking forward

With market opportunities improving, Clover expects full year revenues for FY23 to be in the range of \$80m to \$90m. The Company remains cautious on full year revenue guidance with ongoing COVID-19 infections, geo-political issues effecting freight and supply and the outcome of the introduction of the Chinese infant formula GB license potential to impact customer demand.

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