



Clover Corporation Limited

ABN 85 003 622 866

ASX ANNOUNCEMENT

20 March 2024

Clover Announces its 1H FY24 Results

- Development of new customers and products remains a core focus

- Net Sales Revenue in 1H FY2024 of \$27.3m (1H 2023: \$44.4m) a decrease of 39% against the record half result of the prior year, although essentially in line with 1H FY22.
- Net Profit/(Loss) after Tax 1H FY2024 (\$0.6m) (1H 2023: \$3.6m)
- Excluding market development costs (\$0.4m) & Melody Dairies (\$0.3m), the underlying business would have generated a break-even result.
- New customers and products remain a focus.

Clover Corporation Ltd (ASX: CLV) today released its results for the half year ended 31 January 2024.

Net Sales Revenue for the half year was \$27.3 million (2023: \$44.4 million), a decrease of 39% on the prior year, although essentially in line with 1H FY22 sales revenue of \$29.7m. Decreased volumes, with a continued drive for sales growth in new products and markets with higher overheads and R&D focus, have contributed to an operating loss after tax for the half year to 31 January 2024 of \$0.6 million (2023: \$3.6 million).

In Clover Corporation's recent 'Trading Update' on November 23, 2023, the Company reported ongoing challenges in its infant formula segment. A combination of factors, including declining global birth rates, a shift in Chinese manufacturing preferences towards Algae DHA over fish DHA, and intensified competition in a shrinking market, has led to continued sluggish demand for infant formula products.

While Clover has diversified its revenue streams by expanding into non-infant formula products and supplying certain infant formula manufacturers who have managed to recover their volumes in mainland China, the overall decline in the infant formula market persists across various regions. Globally, birth rates in 2023 have declined by 1.15% per 1000 people, with significant drops observed in the EU (5.9%) * and China (2.3%) continuing the 5-year trend. Consequently, all stages of infant formula production, from birth to growing up milks, have declined.

* Reference - www.macrotrends.net/global-metrics/countries

The introduction of the requirement to hold a license to sell Infant formula in China, has reduced the number of manufacturers, intensifying competition among ingredient suppliers. This competitive landscape has pressured Clover's margins.

The Chinese Government advised infant formula manufacturers that they should reconsider the use of tuna oil in infant formula post the release of waters from the Fukushima nuclear incident.

Consequently, orders from China over the last 6 months for Clover's tuna DHA powders have reduced. This requires the qualification of Clover's Algae DHA products. Manufacturers have demonstrated an eagerness to expedite this process to ensure future supply.

Responding to this period of softer demand, management has sought to reduce operating costs where appropriate in preserving cash and reducing inventory holdings of crude oils and powder stocks reflective of this lower demand,

Despite these challenges, Clover remains committed to diversifying its customer base and exploring new markets and products. Initiatives include advancing encapsulated Choline for dry mix applications, scaling up microencapsulated probiotics to enhance usability, progressing regulatory approvals for Premneo, an emulsion that boosts the IQ of preterm infants, and investing in facilities for fish oil sourcing to address the shortage of Anchovy oil.

Dividend

After careful consideration of the Company's short-term cash requirements and capital management priorities, the Board is not declaring an interim dividend. This cash is to be used in supporting the new product commercialisation which will add greater shareholder value over time.

The Board expects a stronger second-half FY24 performance assuming current forecast demand and the global conditions remain stable. The Board will consider reinstating company dividends at the end of the financial year in line with the status of key projects and operating results.

Looking Forward

Looking to the full-year result, uncertainty persists regarding the recovery of Clover's infant formula segment and the market acceptance timeline for new products. Based on existing customer forecasts, Clover anticipates FY2024 revenue to range between \$60m to \$70m.

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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