



**Clover Corporation Limited**

ABN 85 003 622 866

**ASX ANNOUNCEMENT**

**23 November 2023**

**Trading update**

Clover Corporation Ltd (ASX:CLV) provides an update to trading performance since its release of the full year results for the year ended 31 July 2023.

Demand for Clover's products remains robust. The legislated increase in DHA and ARA inclusion in infant formula provides a significant opportunity for further growth globally.

Demand has been impacted in the short term, particularly in China.

China, constituting 50% of global infant formula demand in both volume and value, witnessed a significant drop in the birth rate to 6.77 million in 2022, marking a 35% decline over the past three years. This extended decrease in demand has affected all stages of infant formula for ages 0 to 36 months. Imports of internationally manufactured infant formula into China have seen a corresponding 36% decrease from July to September 2024 compared to the previous year, with sales through China Mom & Baby stores and modern trade down by 17% year-on-year.

The introduction of the new GB standard in February 2023 mandated infant formula brands to obtain a license for retail channel sales. Manufacturers anticipated this change by building up inventory before the introduction, enabling them to continue sales while applying for their GB license. This inventory buildup, coupled with slower demand due to the reduced birth rate, has resulted in diminished demand for Clover's microencapsulated powders.

There are positive signs ahead:

- Many international and Chinese manufacturers have now acquired their GB licenses, initiating the production and sale of the new GB product. In November, infant formula brands engaged in substantial discounting, particularly during the traditional 11/11 sales event, to clear older inventories.
- The new GB license stipulates that infant formula sold in the retail channel of China must contain 15mg of DHA, representing a doubling of DHA use in domestically produced products. Clover has successfully qualified with multiple Chinese brands to supply the DHA component.
- Current infant formula inventory levels in China are anticipated to decrease due to the November sales events and product shelf life.

- Looking ahead to 2024, the Year of the Dragon traditionally signifies an increase in the Chinese birth rate.
- The 2020 EU regulation to increase the level of DHA in infant formula has benefited Clover with sales to the EU/ME increasing from circa \$6m (2019) to \$25m (2023). Although the adoption of the regulation has been gradual, it continues to present opportunities. The Company is encountering similar delays that we experienced with the new China GB regulation for DHA and ARA levels.
- Clover's non-infant formula business has grown globally, driven by the introduction of solutions aiding new product development. The Gelporm product, facilitating the fortification of UHT drinks, has been successfully incorporated into a recently launched non-dairy UHT drink in the USA. Trials are currently underway with customers in both Asia and the USA.
- The Company is currently pursuing the registration of its Medical Food product Premneo, clinically proven to improve the IQ of pre-term infants.
- Other R&D projects covering the microencapsulation of Choline, Probiotics and other Bioactives are targeted to deliver new markets and opportunities for the future.
- BASF, one of Clover's competitors, has declared the discontinuation of powdered fish oil (DHA) products, creating a strategic opening for Clover to gain market share.

### **Looking Forward**

Whilst there are these positive signs ahead, in the short term, due to the uncertainty surrounding the normalisation of demand in China, Clover anticipates full-year revenues for FY24 to be circa \$70 million.

#### **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](http://www.clovercorp.com.au)