



Star Combo Pharma Ltd

ASX: S66

Oct 16, 2018

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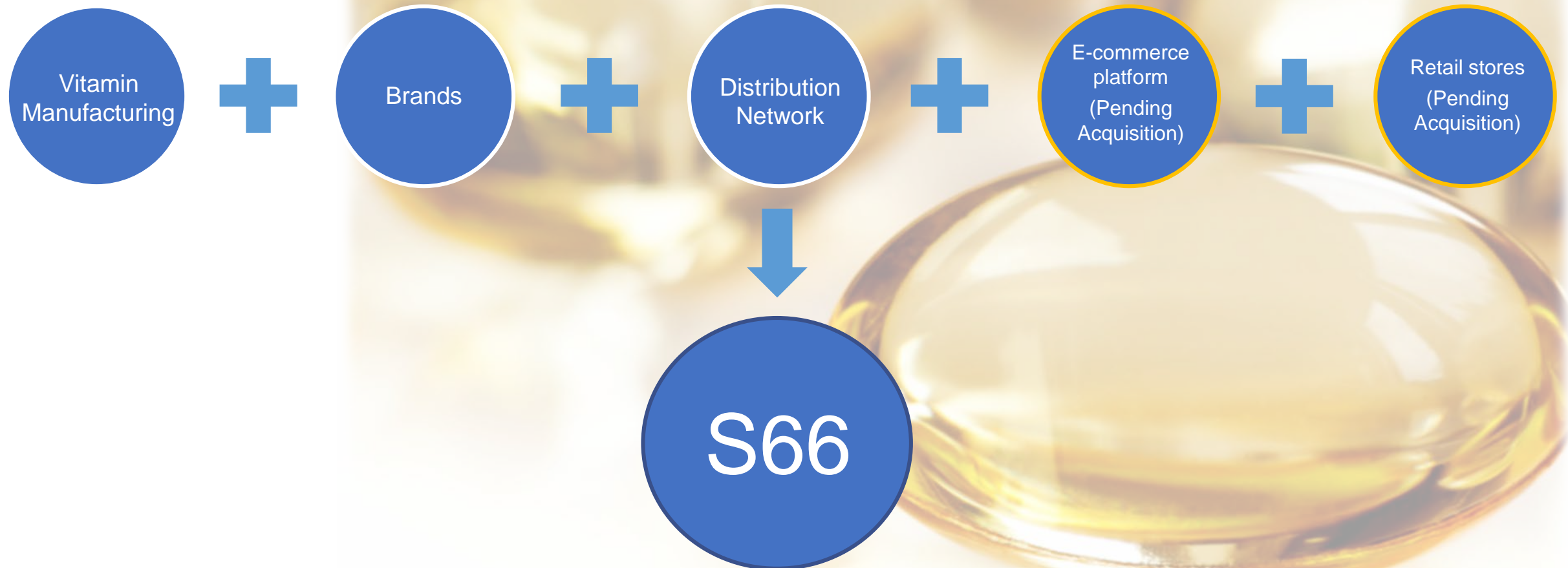
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Key Messages

- Inaugural ASX financial result – record full year revenue of \$10.9million
- Gross Profit is \$4.49million, up 11.2%, with gross margin at 41%
- Record sales of company owned brand products via pharmacies stores to \$0.78million from \$51k in FY17.
- Working capital has increased by 65% to \$13million, reflects the working capital requirement associated with the organic revenue growth.
- Solid balance sheet include \$10.7million in cash and no debt.
- Normalised profit of \$2.17million with add back of one off expenses
- One off expenses represent investment in building company's brand awareness and strengthening relationships with business partners
- Strong organic growth and business acquisition targets in the pipeline

Corporate Structure

S66 –a complete integrated healthcare company



ASX Listed (ASX: S66)

- Listed on ASX in May 2018
- Total shares on issue: 79,555,486
- Share price: \$0.740 (Oct 15,2018)

| Top 5 Shareholders | | |
|---|----------------------|-------------------|
| Substantial holders | # of ordinary shares | % of total shares |
| Jinxing (star) Zhang | 38,165,510 | 48.03 |
| Su Zhang | 11,448,980 | 14.41 |
| Lepu Medical (Europe) Cooperatief U.A. | 11,000,000 | 13.84 |
| AET CT Pty Ltd <Richlink High-Tech Invest> | 6,360,170 | 8.00 |
| Eureka Technology Innovation & Investment Pty Ltd | 1,003,000 | 1.26 |
| TOTAL | 67,977,660 | 85.54 |

Key Management Personnel

Founder, Managing Director



Jinxing (Star) Zhang

BS(Biochem)

- 10 years experience at a medical research company in China
- Pioneered the extraction and purification of hyaluronic acid
- Director - Antoine International Pty Ltd

Chairman, Non-executive Director

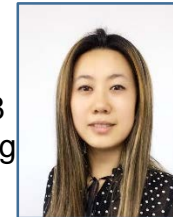


Richard Allely

MBA, DipCM, CertAcc&Com

- Appointed with Star Combo on 2 Feb 2018
- Chairman - Australasian Medical Publishing Co
- Non-executive - Perisher Blue, Australian Property Monitors and Source Financial
- Managing Director and CEO - PMP
- Senior executive - Tenix, John Fairfax Holdings, Boral Ltd, James Hardie Industries Ltd and Fanner-PLP.

CEO



Su Zhang

MBA, GradCertComm, BPharm

- Commenced employment with Star Combo in 2009
- 10 years experience in pharmaceutical industry
- Worked with Terry White Chemists
- Senior Drug Safety Associate and Asia Pacific Regional Manager - Abbott Australia

Non-executive Director



Craig Bottomley

- Appointed with Star Combo on 17 April 2018
- Executive Chairman and founder - Building Interactive
- Former Founder and Director - ASX listed company Mayne Pharma Group and BWX Ltd

Non-executive Director

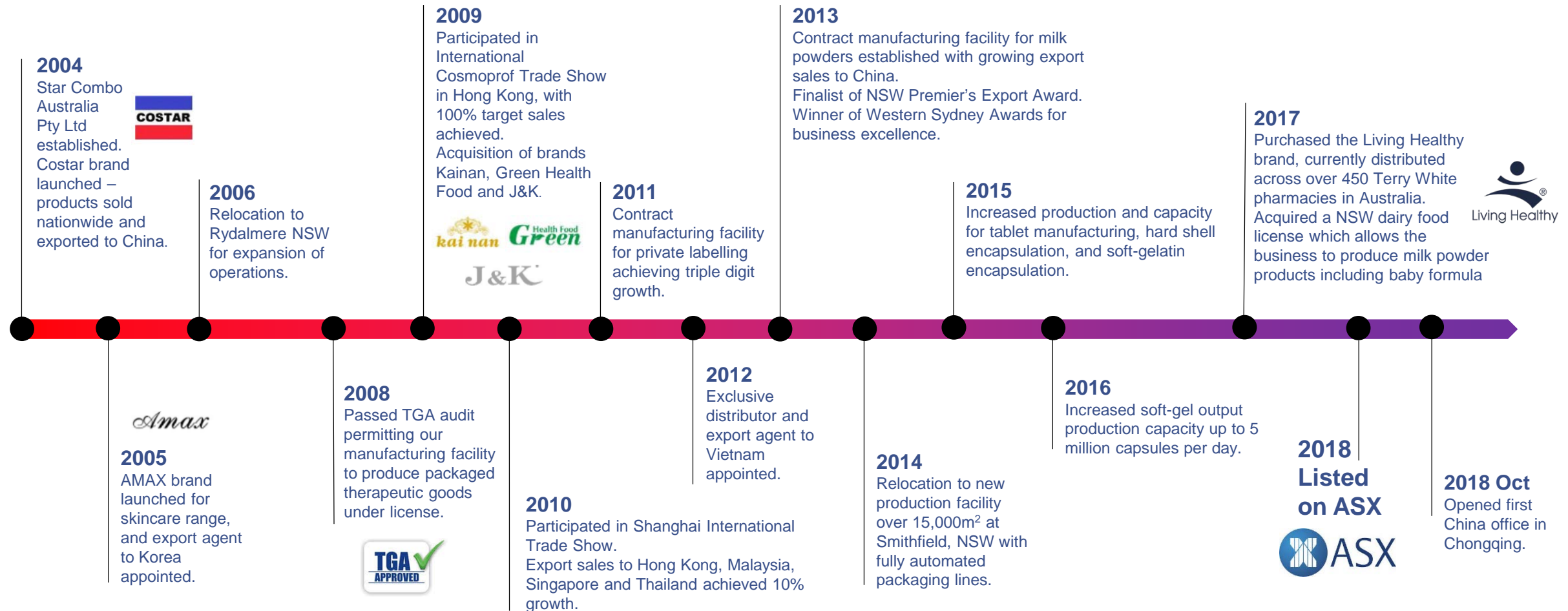


Ziye Sui

MD, PhD

- Appointed with Star Combo on 21 Jun 2018
- VP - Lepu Medical Technology (Beijing)
- Board Director - Hainan MSD Pharmaceutical
- CTO - Comed BV
- CEO - Lepu Hushengtang Internet Technology
- Managed to build up a B2C platform of homecare medical devices and healthcare products, which could be helpful for Costar products introduction in Chinese market.

Company History



FY18 Detailed Financial Results

Commentary

| | 2018 | 2017 |
|--|--------------------|------------------|
| | \$ | \$ |
| Revenue and other income | 10,902,233 | 9,841,893 |
| Cost of sales | (6,403,320) | (5,797,735) |
| Bad debt expense | (101,839) | (47,947) |
| Distribution and commission expense | (124,470) | - |
| Marketing and selling costs | (1,465,994) | (170,020) |
| Administrative expenses | (4,247,221) | (1,254,132) |
| Finance costs | (104,164) | (105,676) |
| Foreign exchange gain/(loss) | 134,010 | (122,289) |
| IPO costs | (761,720) | - |
| (Loss)/profit before income tax | (2,172,485) | 2,344,094 |
| Income tax expense | 199,148 | (708,940) |
| (Loss)/profit for the year | (1,973,337) | 1,635,154 |

- Revenue growth via increase sales in pharmacies contributed strongly by Living Healthy brand sale.

- COGS margin and Gross Profit Margins are in line to budget and forecast.

- Increased spending and investment in brand, product and marketing

- Administrative expenses

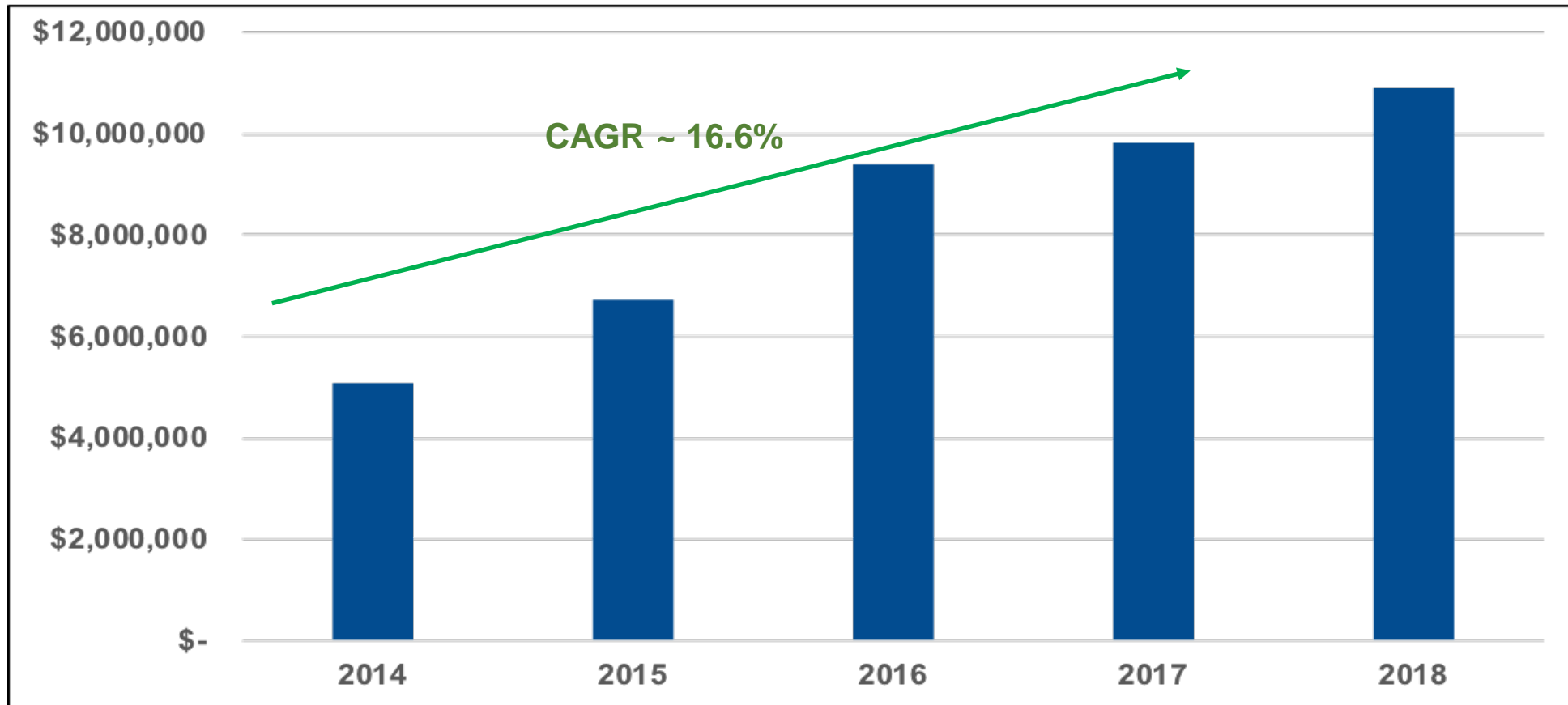
- 1)Non-cash share based payments (Share Options) to incentivize key personnel and reward loyalty, interest alignment between management/employees and shareholders
- 2)increase staff resources

- One off direct IPO expenses

- Expect profitability in FY19

Revenue Growth

Revenue growth consistent over the last three years



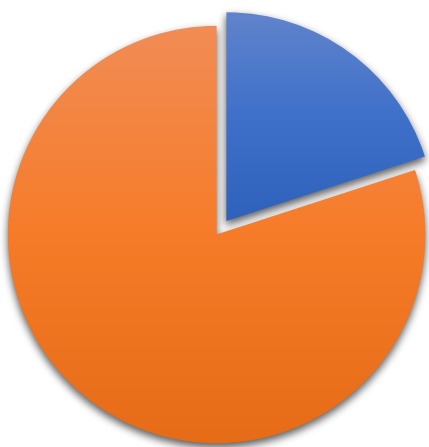
OEM vs Branded Products

Total Sales FY18 - Current



■ OEM ■ Brand

Total Sales - Future



■ OEM ■ Brand

| | % of sales | Total Customers |
|-------|------------|-----------------|
| OEM | 60.4 | 46 |
| Brand | 39.6 | 119 |

The background of the slide features a dense pattern of yellow, oval-shaped capsules on a white surface. On the right side, there is a large, dark blue circular graphic with concentric, slightly offset rings.

Growth Strategy

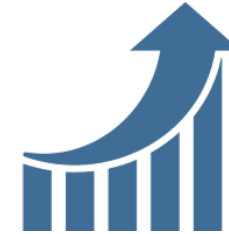
Our Growth Strategy and Outlook



To obtain product permits from Chinese authorities for select products to enable them to be sold over the counter in pharmacies in China.
(currently 7 SKU received)



To invest in the research and development of new effective and innovative product and commercialisation of these product lines



To Invest heavily in marketing and promotional activities to improve the brand and product image within Australia and target overseas markets



To enter main stream supermarkets and pharmacies in Australia and compete with competitors in the market.



Acquisition of synergistic companies or business to achieve greater economies of scale and operational efficiency.



Domestic retail, export distribution and sales channel partners in Australia and China.

Living Healthy Marketing Strategy

Improving social awareness and exposure

- Social network: WeChat, Facebook & Instagram
- TV
- Outdoor Billboards
- Digital Advertisement
- Events Sponsor
- Exhibit
- DaiGou training session



Alibaba E-Commerce Expo



APEC SME Technology Conference and Fair

Terry White Chemmart and Living Healthy

Terry White Chemmart is the first and largest pharmacy franchises in Australia



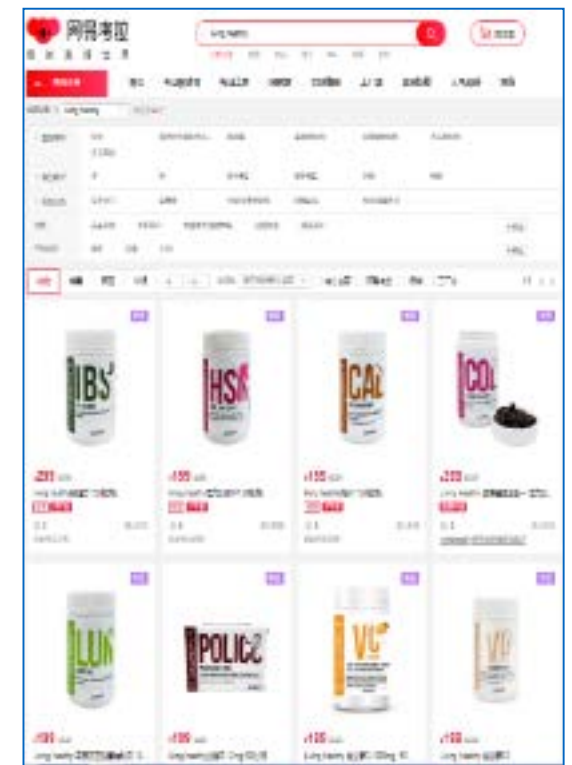
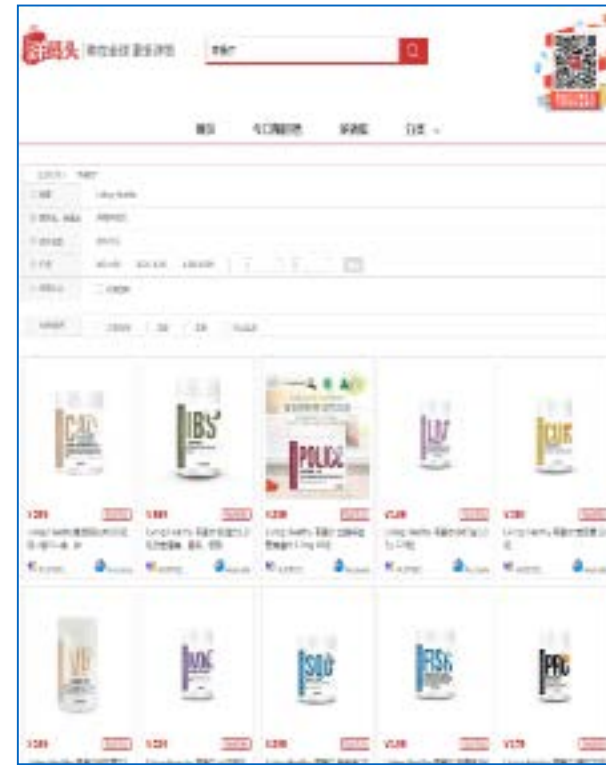
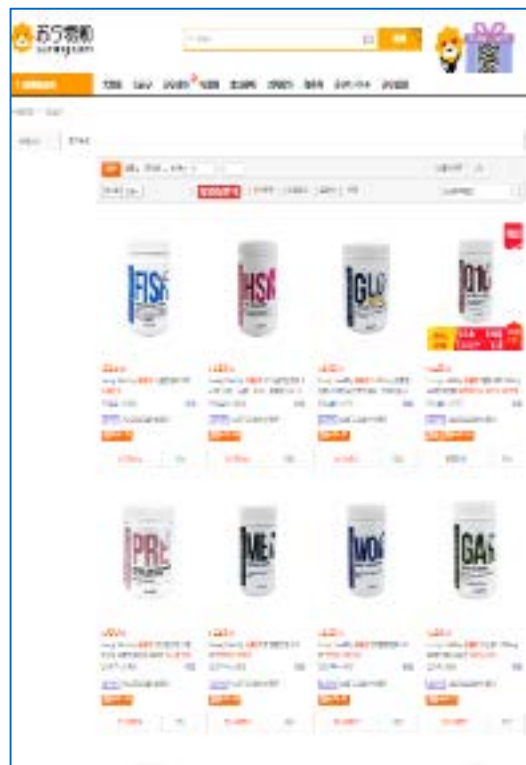
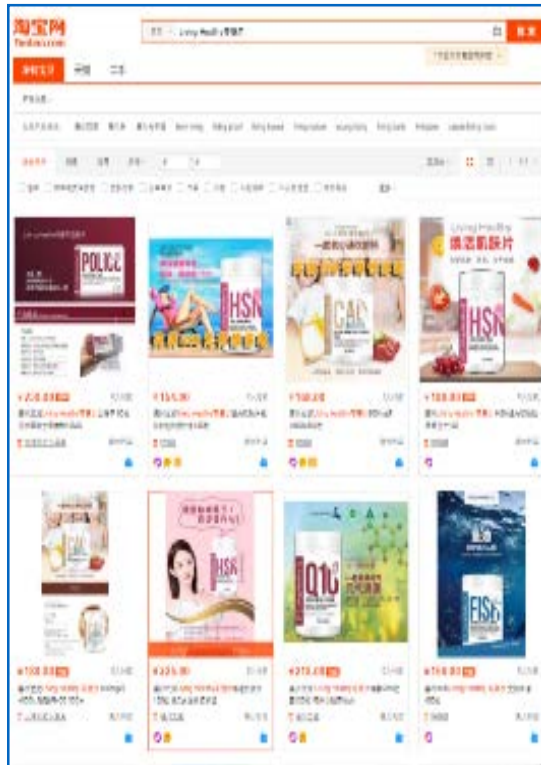
- Network— **450** pharmacies in Australia and New Zealand
- Living Healthy is a brand produced in Australia exclusively for Terry White Chemmart
- Acquisition - Acquired the Living Healthy brand name and TGA Registrations for \$500,000 on 31 August 2017
- Exclusive sales and distributor after acquisition
- Acquisition settled by 30 June 2018
- Marketing costs - \$1.41m in FY18
- Currently ranges 46skus in all pharmacy stores

Living Healthy



DEDICATED TO PROVIDING OUTSTANDING CARE FOR AUSTRALIAN FAMILIES.

Living Healthy – Chinese e-commerce platforms



Developing Chinese Market – China Office

- An official office for Star Combo Pharma Ltd based in China (Chongqing) is now incorporated as a wholly foreign-owned enterprise and was open in October 2018.
- The manager in charge has more than 20 years of experience in the marketing of vitamins.
- 7 products already received registration for sale in China.
- 2 products undergoing registration review in China.
- This is a significant structure in alignment to the group's overall strategy targeting China as a major market contributing in the future growth stream.
- This physical presence in China will enable the Company to engage with and respond to its channel partners and customers more effectively.



Developing Chinese Market – Distributor



Guangdong distributor

- First offline distributor contract in China
- New distributor contract will provide significant additional channels to market – 173 Pharmacy stores, 3,000 baby food stores and 200 supermarkets
- 7 Products approved by Chinese authorities for offline sales
- The new distributor has paid CNY ¥20,000 in advance and must maintain minimum annual sales of approx. A\$600k in the first year and growing annually thereafter.

Pending Acquisition

- Acquisition announced on 8 August 2018
- Currently in Due Diligence
- 100% acquisition of the Ausway Group of companies, including
 - *Ausway Pharmaceutical Pty Ltd,*
 - *Austoyou Group Pty Ltd, and*
 - *Koala Mall Pty Ltd*
- Expected to add \$1m after tax profit to the group performance

Ausway Group



- **Business** - supply and distribution of vitamins and dietary supplements both in Australia and overseas
- **E-commerce platform** sells directly into China.
- **Strong performance** – more than \$18m in sales
- Ausway is a significant customer of Star Combo's contract manufacturing division (6th largest client).

Synergies with Ausway Group

Ausway Pharmaceutical

Increases additional product distribution lines for new international markets.

- ⑩ Add more operational efficiency and improved margin to Costar

Austoyou

eCommerce platform with over 5,000 highly demanded product lines, which distributes directly into China.

- ⑩ Strengthen the group with a new sales channel (B2C sales)
- ⑩ Give the group a competitive advantage to respond more effectively

Kaola Mall

Physical retail stores based in Sydney.

- ⑩ Potential to be the first one in Australia to implement Alibaba's new retail model.

Employee Strategy

Employee share options

Star Combo has approved the issue of employee options to certain employees (non-directors) of the Company to recognize their performances and recognize their key position going forward



In FY18, share based payment expense relating to employee options issues is **\$1.92m.**



For further information

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