

ASX: S66

28 FEB 2019



INVESTMENT PRESENTATION AND 1H19 FINANCIAL HIGHLIGHTS

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COMPANY OVERVIEW

Star Combo Pharma Limited is a vertically integrated brand owner, manufacturer and distributor of vitamins, health and beauty products

- Founded in 2004, with 40 employees in Australia and China
- 5 key brands with over 150 products
- 3 established distribution channels with a focus on Chinese consumer demand for “Australian Made” products
 - Online – Austoyou.com.au (wholly owned), JDMall, Alibaba
 - China – in-country office, agents and access to over 3,000 pharmacies
 - Domestic – Terry White 450 pharmacy outlets
- All products manufactured in purpose built TGA licensed facility located in Sydney
- Factory at ~30% utilisation – excess capacity for future growth
- Also manufactures soft capsules, vitamins for well known large Australian brands
- In-house R&D capability to develop new products quickly at low cost
- Vertically integrated model designed to maximise margins



INVESTMENT HIGHLIGHTS

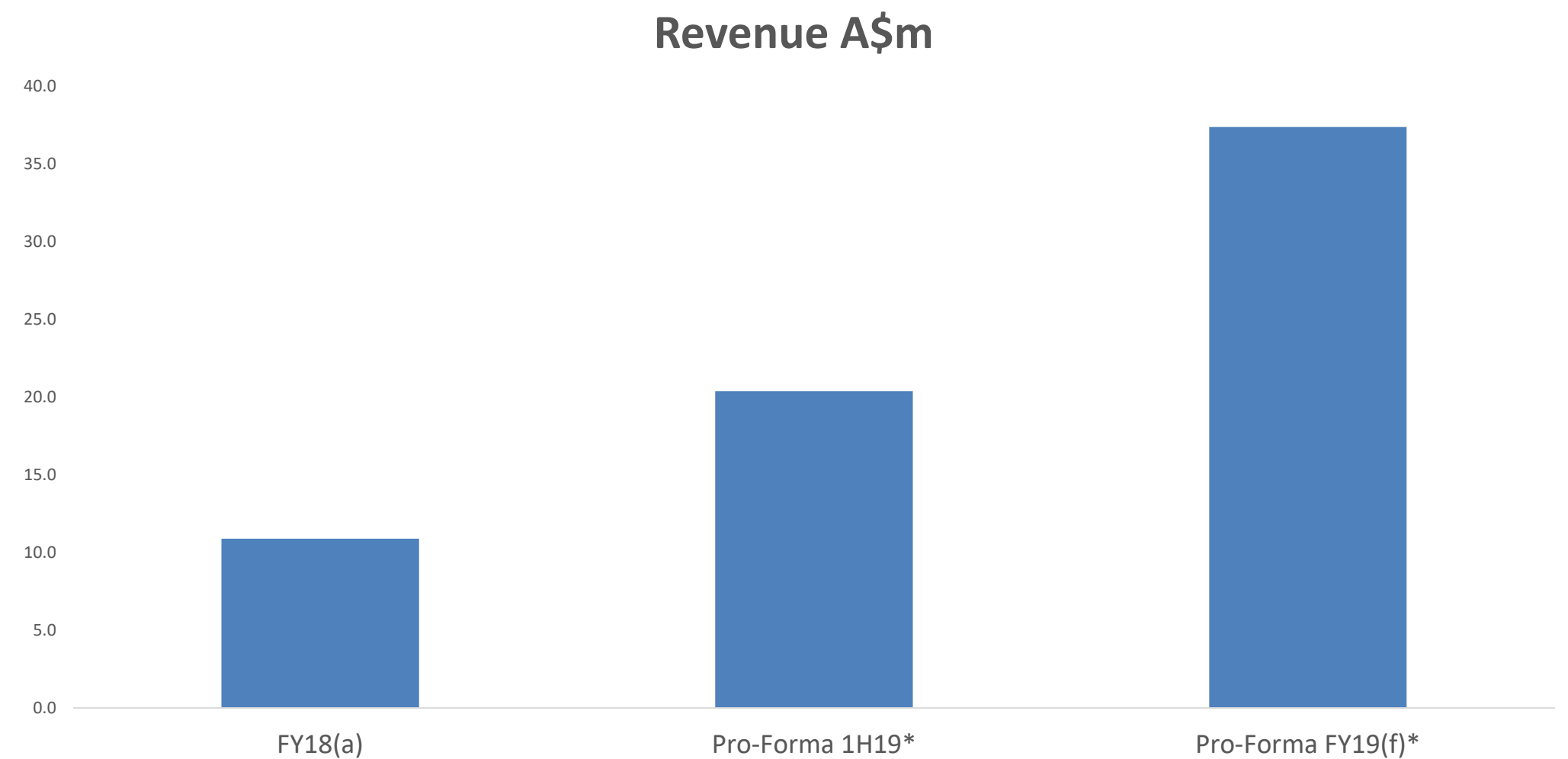
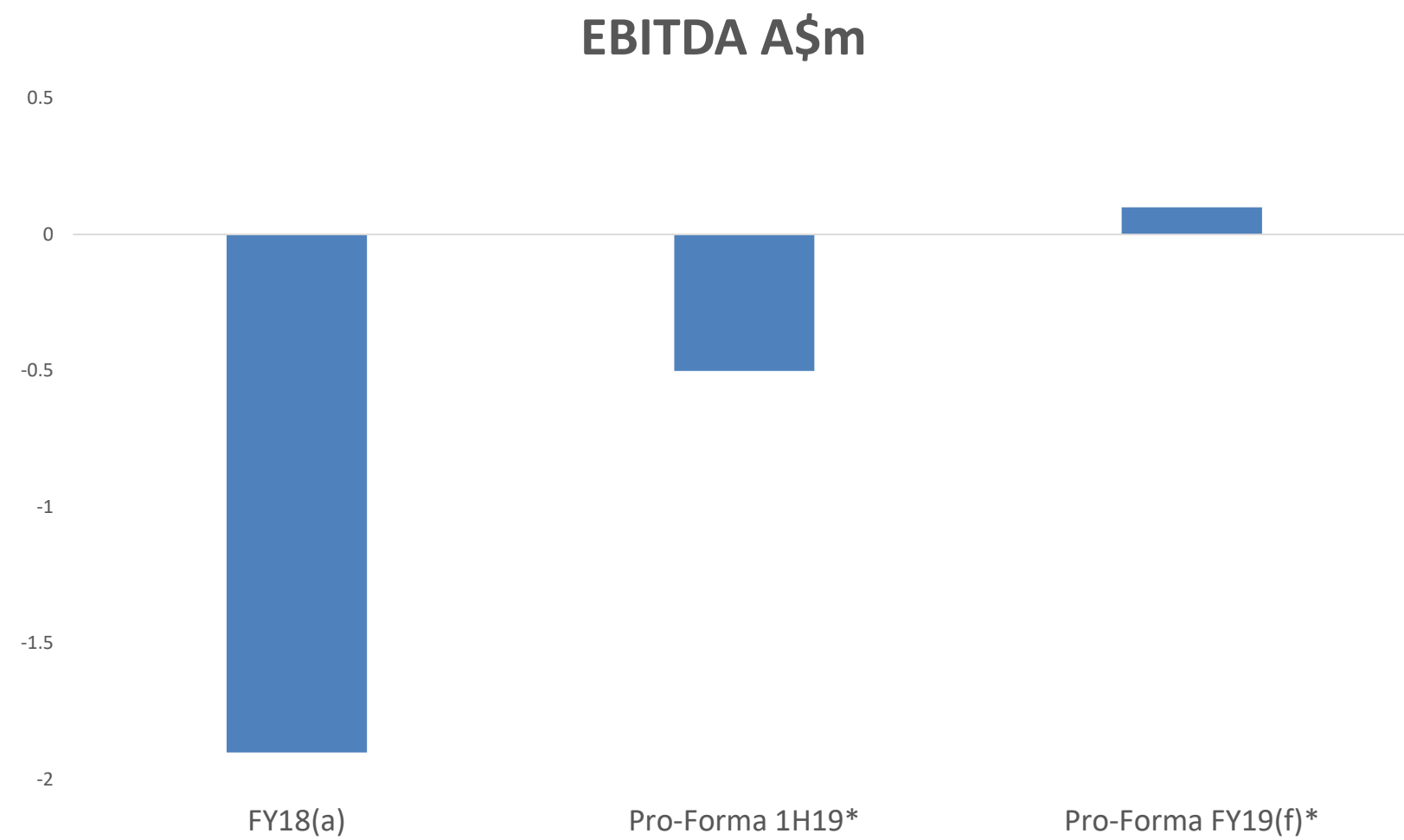
1H19 revenue growth of 22.9% vs previous corresponding period. EBITDA profitability expected for FY19

- ✓ **Vertically integrated** – Can maximise margins and control supply
- ✓ **Favourable industry dynamics** – Chinese Vitamin and Dietary Supplement demand forecast >US\$22 billion by 2020*
- ✓ **Experienced management team** – deep understanding of China market and distribution network
- ✓ **Wholly owned online distribution platform** – 5,000 product lines, real-time demand trend analysis
- ✓ **State of the art manufacturing facility** – TGA licensed with excess capacity for anticipated growth
- ✓ **Pipeline of accretive acquisitions** – looking to acquire more profitable brands that can leverage existing manufacturing facility and overseas distribution networks
- ✓ **Growing pipeline of own products, 9 with China Inspection and Quarantine certification (CIQ) and expecting CIQ for 5 new products**
- ✓ **Experience and knowledge of CIQ registration process**
- ✓ **Ability to innovate** – In-house R&D team has the ability to analyse demand, create and bring products to market quickly
- ✓ **No debt** – 1H19 closing net cash of A\$7.8m

* Daxue Consulting

FINANCIAL HIGHLIGHTS

FY19 is a transformative year for Star Combo. The company is forecasting to be EBITDA profitable for the full year despite ~\$1.5m of additional cost base to support future growth in FY20 and beyond

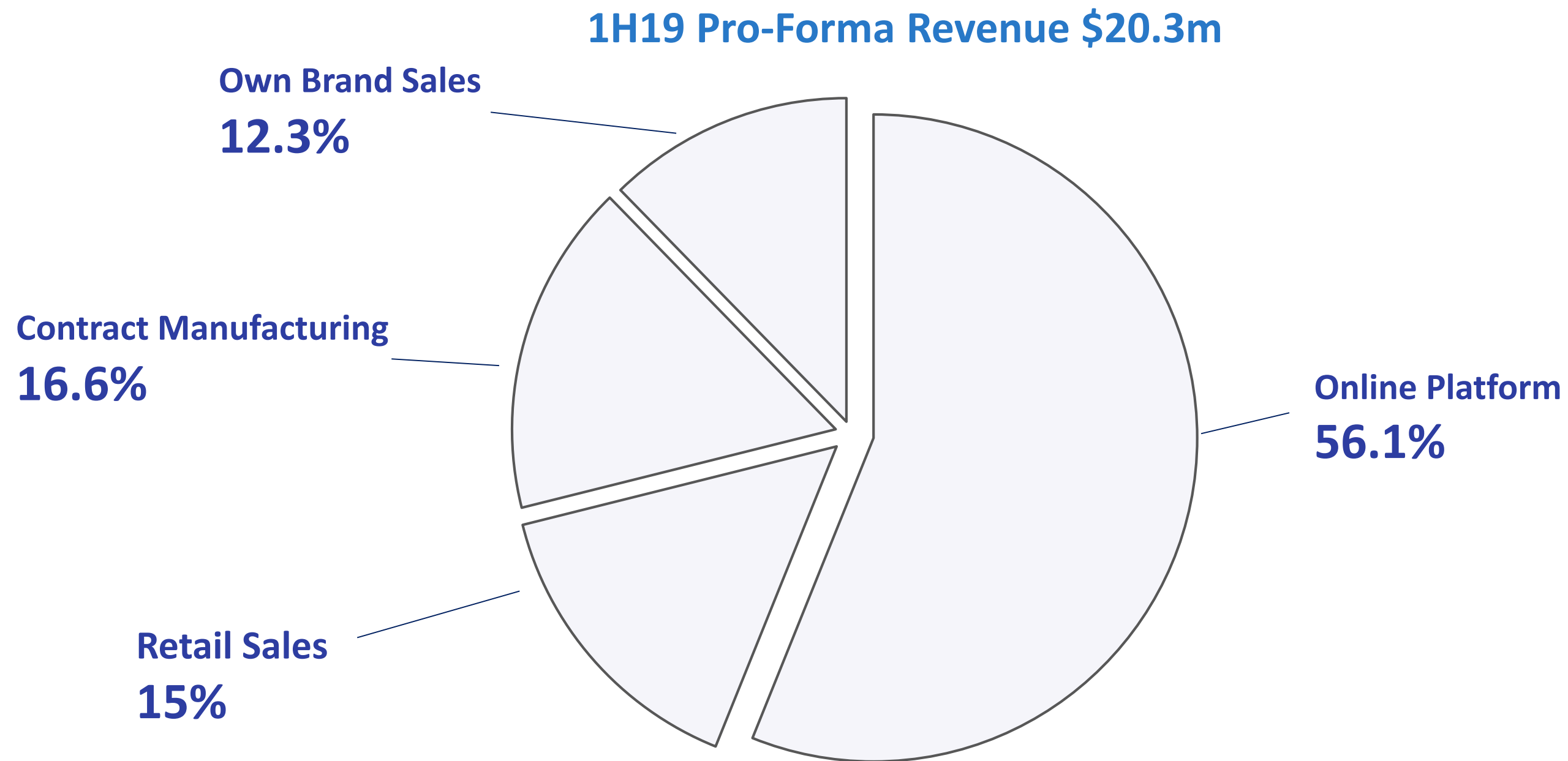


Notes

- Pro-forma includes contribution from recently acquired Austoyou online platform

1H19 REVENUE BREAKDOWN

Continuing to diversify towards higher margin own brand and online platform sales



GROWTH STRATEGY

Organic growth from existing business

- Little Koala range in early stage of distribution, high demand infant supplements
- Chinese registrations (CIQ) imminent on 5 new products
- Selling existing product range on newly acquired online platform
- Multiple marketing channels and events

Move from contract manufacturing to own high margin products

Future acquisitions – looking at further acquisitions of profitable brands in the next year that have:

- Ability to put through Star Combo existing distribution network to increase sales
- Ability to manufacture at Star Combo facility to improve margins



Little Koala calcium chewables range

BOARD AND MANAGEMENT

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



Blended Australian pharma experience and Chinese market knowledge

CHAIRMAN, NON-EXECUTIVE DIRECTOR

Richard Allely MBA, DipCM, FCPA, FAICD

- 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



NON-EXECUTIVE DIRECTOR

Craig Bottomley

- Executive Chairman and founder - Building Interactive
- Former Founder and Director - ASX listed Mayne Pharma Group and BWX Ltd



NON-EXECUTIVE DIRECTOR

Ziye Sui MD, PhD

- VP - Lepu Medical Technology (Beijing)
- Board Director - Hainan MSD Pharmaceutical
- CTO - Comed BV
- CEO - Lepu Hushengtang Internet Technology
- B2C e-commerce development and operational background



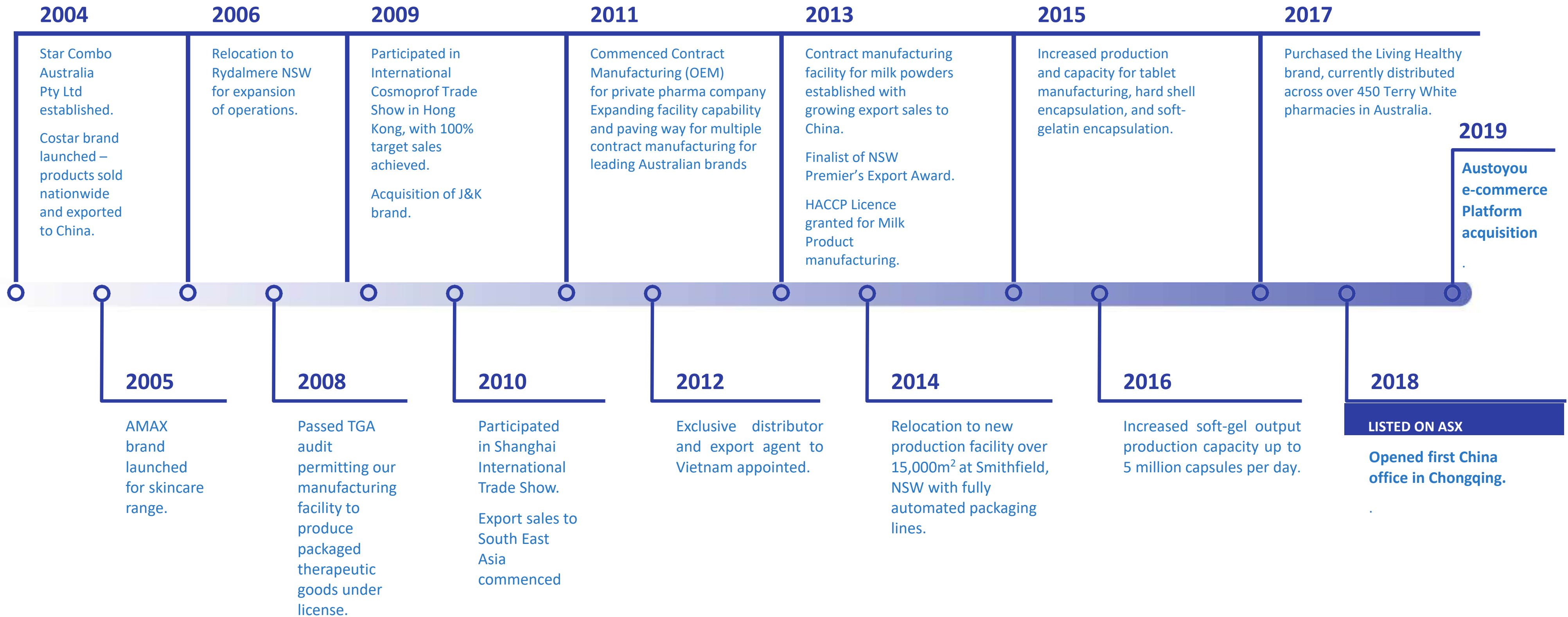
CHIEF EXECUTIVE OFFICER

Su Zhang MBA, GradCertComm, BPharm

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



BUSINESS HISTORY




PRODUCT OVERVIEW

COSTAR

- COSTAR brand established in 2004
- Distributed and sold throughout Australia via Terry White pharmacies
- Broad range of vitamins and health supplements



YOUR HEALTH , OUR PRIORITY



Australia's **1st** Transparent Manufacturer

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PRODUCT OVERVIEW

Amax, J&K Skin Care and Beauty Products

- Amax brand established in 2005
- Amax uses natural ingredients with skin enriching properties
- J & K Beauty acquired in 2009
- J & K offers a vibrant line of skincare products for daily skin toning



PRODUCT OVERVIEW

Living Healthy

- Living Healthy Brand was acquired in 2017
- Recently commenced investment in the brand and marketing expected to generate returns in FY20 and beyond
- Distributed and sold throughout Australia via Terry White pharmacies
- Broad range of vitamins and health supplements

Living Healthy  苓康尔



AVAILABLE AT


60 YEARS DEDICATED TO PROVIDING OUTSTANDING CARE FOR AUSTRALIAN FAMILIES.

MANUFACTURING / R&D FACILITY

Research and Development and Manufacture at Smithfield facility

- Established in 2004 and located in Smithfield, NSW, capacity to expand production significantly
- TGA Licence for Non Sterile Medicine Manufacture of Tablets, Hard Shell Capsules, Soft Gel Capsules, Powders and Granules
- Certificate for GMP Compliance of a Manufacturer
- NSW Food Authority for FSANZ Food Standards Code for the manufacture of Process Pasteurised Dairy Products
- OEM manufacture for well-known vitamin supplement majors
- List of products they have the ability to manufacture gel, tablets etc
- 15,000m² purpose built and regulated facility, extensive expansion capacity



DISTRIBUTION NETWORK

Multiple Direct to Consumer and Wholesale Market Networks in Australia and Offshore

- Multiple avenues to market; Australian retail, offshore retail, Chinese distributors and Daigou channels
- Terry White provides access to over 400 pharmacies in Australia and Lepu Medical 80,000 pharmacies in China
- Star Combo's Austoyou e-commerce platform will enable rapid response to retail demand trends analysed by R&D team
- Star Combo utilises a range of e-commerce platforms including Ali Baba's T-Mall which provides exposure to over 500 million consumers per month
- China's online shopping market totalled 6.1 trillion yuan (US\$953 billion) in 2017, rising 29.6% from a year earlier and showing a pick-up in growth, according to the latest data from iResearch



CHINA OFFICE

Official Star Combo Pharma office based in China (Chongqing) opened in October 2018

- Now incorporated in China as a wholly foreign-owned enterprise
- This is a significant step in alignment to the group's overall strategy targeting China as a major market contributing to the future company growth
- Currently there are 5 products preparing for submission for CIQ certification, bringing to total 14 approved products for sale in China
- The office will improve sales support directly into China and provides a strong base to further open up new business opportunities



MARKET OPPORTUNITY “THE FOURTH MEAL”

So popular is the daily intake of dietary supplements in China that it has been coined “The Fourth Meal”

- Supplements and multivitamins are now part of a trend to include in everyday dietary routines. Driving this high consumption of supplements is recognition that the majority of the Chinese population have imbalanced diets
- Health experts widely acknowledge that many consumers are now lacking crucial nutrients, vitamins and minerals in their diet. Increased intake of processed food and insufficient availability of fresh and natural fruits and vegetables also attributes to this issue, as food consumption rates in China soar
- Additional driver for health supplements markets is the increased focus on health by the younger generation. Generations X and Y are placing a greater importance on nutrition and show willingness to spend money for premium health products
- According to, Chinese customers are likely to spend 30% or more for healthy and high-quality foods and products. Looking ahead, the Chinese healthcare market is predicted to grow at double-digit rates to reach US\$80 billion in 2020 (*Beijing Daily*)

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