



**26 November 2019**

**ASX Announcement**

**Star Combo 2019 AGM – Chairman and CEO Presentation**

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Attached, please find the presentation to be delivered by the Chairman and CEO at the Star Combo Pharma Limited Annual General Meeting held on 26 November 2019.

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**About Star Combo Pharma**

Star Combo Pharm (ASX: S66) is a leading distributor and manufacturer of branded premium health and natural beauty products. Based in Sydney, our products are distributed to both local Australians and to overseas markets. Star Combo has offices and distribution agreements in China and currently supplies Australian pharmacy lines as well as distribution to over 450 Terry White and Symbion Chemists and wholesale customers in Australia and China. Directed by pharmacists and experts in health supplement manufacturing, Star Combo's vision is to curate health products made from natural ingredients with scientific R&D and manufacturing practices. Since its establishment in 2004, Star Combo has demonstrated strong product and business development and continues its vision to expand our current operations to serve our loyal business partners, customers and employees.



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### **Star Combo 2019 AGM – Chairman's Address**

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On behalf of the Directors, I'd like to welcome our shareholders, staff and key stakeholders to the 2019 Annual General Meeting of Star Combo Pharm Ltd.

FY19 was Star Combo's first full financial year as an ASX listed company and I'm pleased to report we have made significant progress against all of our key objectives listed in the prospectus. To recap, the company had three key goals upon listing:

1. Grow its branded product segment;
2. Expand its factory utilisation; and
3. Sell its products into new sales channels.

Having substantially progressed all of the above objectives, our business is now well placed to achieve the benefits of economic scale. We are able to add significant new revenue to our existing cost base without material changes.

While we have achieved acceptable organic sales and earnings growth in FY19 we are confident that the acquisitions we made this year will deliver both revenue and earnings growth in the year ahead. Our CEO will add more information on those specific actions in a few minutes.

It's important to note that we remain intensely active in our search for target acquisitions that will strengthen our market participation, particularly in relation to our branded products in terms of distribution channels and new product development.

As many of you would be aware we engaged this year in a substantial capital raising to acquire the business of BIO-E Australia Pty Ltd. While the acquisition did not proceed due to the Board view that it would not be in the shareholders interest in the medium to longer term, I was particularly pleased with the significant institutional support for the company, with an over subscription in support of the transaction. Access to capital markets remains critical to Star Combo's growth ambitions and I'd like to thank the many institutions for their ongoing interest.

Star Combo's overall growth, notwithstanding sound organic growth, is likely to come as step change through acquisitions. From this vantage point it is a true competitive advantage that our founder and major shareholder Star Zhang, has been freed up from the day-to-day running of the business. With the build out of the management team, including a new CFO with big 4 experience, brand and marketing experts and a head of country in China, Mr Zhang is able to dedicate his time towards strategic business development, including finding new and exciting



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acquisition opportunities that continue our objective to grow our branded products and create new and innovative distribution channels into our target markets.

Our TGA facility in Sydney remains a key strategic advantage for Star Combo's growth initiatives, and I'm pleased to inform you that we have continued to invest in people and systems over the past 18 months in order to underpin our quality and performance standards. Our international customers, particularly Chinese nationals, place a premium on Australian TGA approved products for good reason. The requisite standards are world leading and Australia's expertise and innovation in this area continues to see strong demand for the products from all corner of the globe.

During the year we regrettably received a resignation from Mr Craig Bottomley (Non-Executive Director) due to personal reasons. I would like to extend my sincere thanks to Craig for his support and contribution to the company and I wish him well in the future.

On behalf of all the Directors, I wish to take this opportunity to extend our sincere thanks to our entire management team for their commitment, contribution and customer focus during another exciting and challenging year for Star Combo.

I would also like to thank our customers and investors for their ongoing support.

Richard Allely  
Star Combo, Chairman



## 2019 AGM PRESENTATION

26 November 2019

ASX: S66



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STAR COMBO

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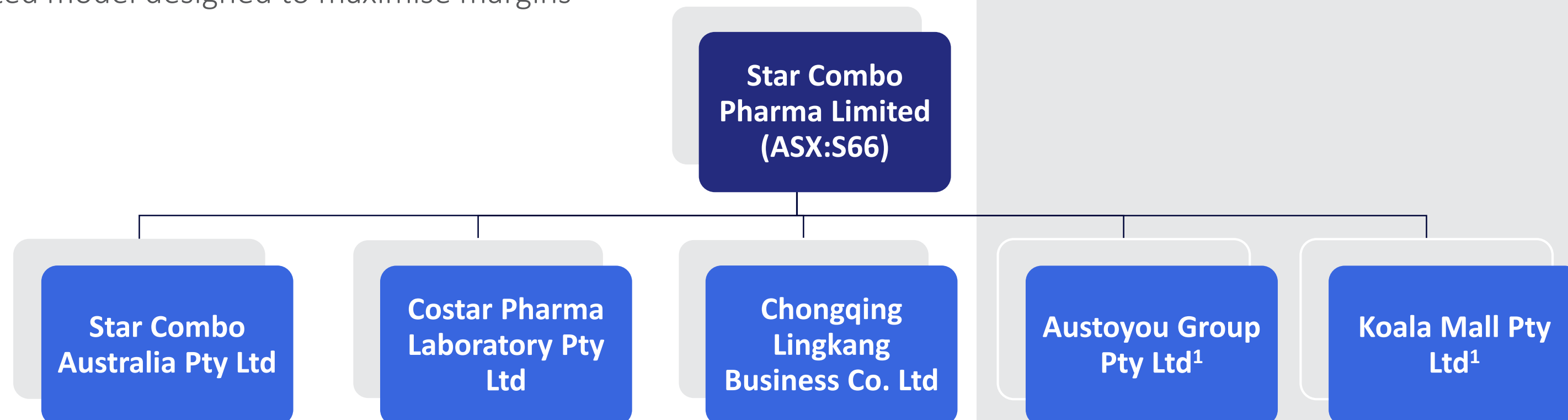
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# COMPANY OVERVIEW

STARCOMBO

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

- Founded in 2004, with 53 employees in Australia and China
- 5 key brands with over 150 products
- All products manufactured in purpose built TGA licensed facility located in Sydney
- Factory at ~47% utilisation – excess capacity for future growth
- In-house R&D capability to develop new products quickly at low cost
- Online sales platform Austoyou with retail presence through Koala Mall stores based in Sydney
- Vertically integrated model designed to maximise margins





## A very busy year...

- FY19 revenue growth of 98% vs previous corresponding period.
- EBITDA profitability achieved for FY19 adjusted for one-off costs
- Completed the integration of the Austoyou and Koala Mall business
- Increased sale of 20% branded product portfolio
- Increased 94% of the FY19 revenue growth through wholly owned online distribution platform Austoyou – 5,000 product lines, real-time demand trend analysis
- Further extension to the TGA licensed manufacturing plant with powder filling capability
- Growing pipeline of own products, 9 products with China Inspection and Quarantine certification (CIQ) and expecting CIQ for 5 new products
- Pipeline of accretive acquisitions with the most recent completion of the Inature deal

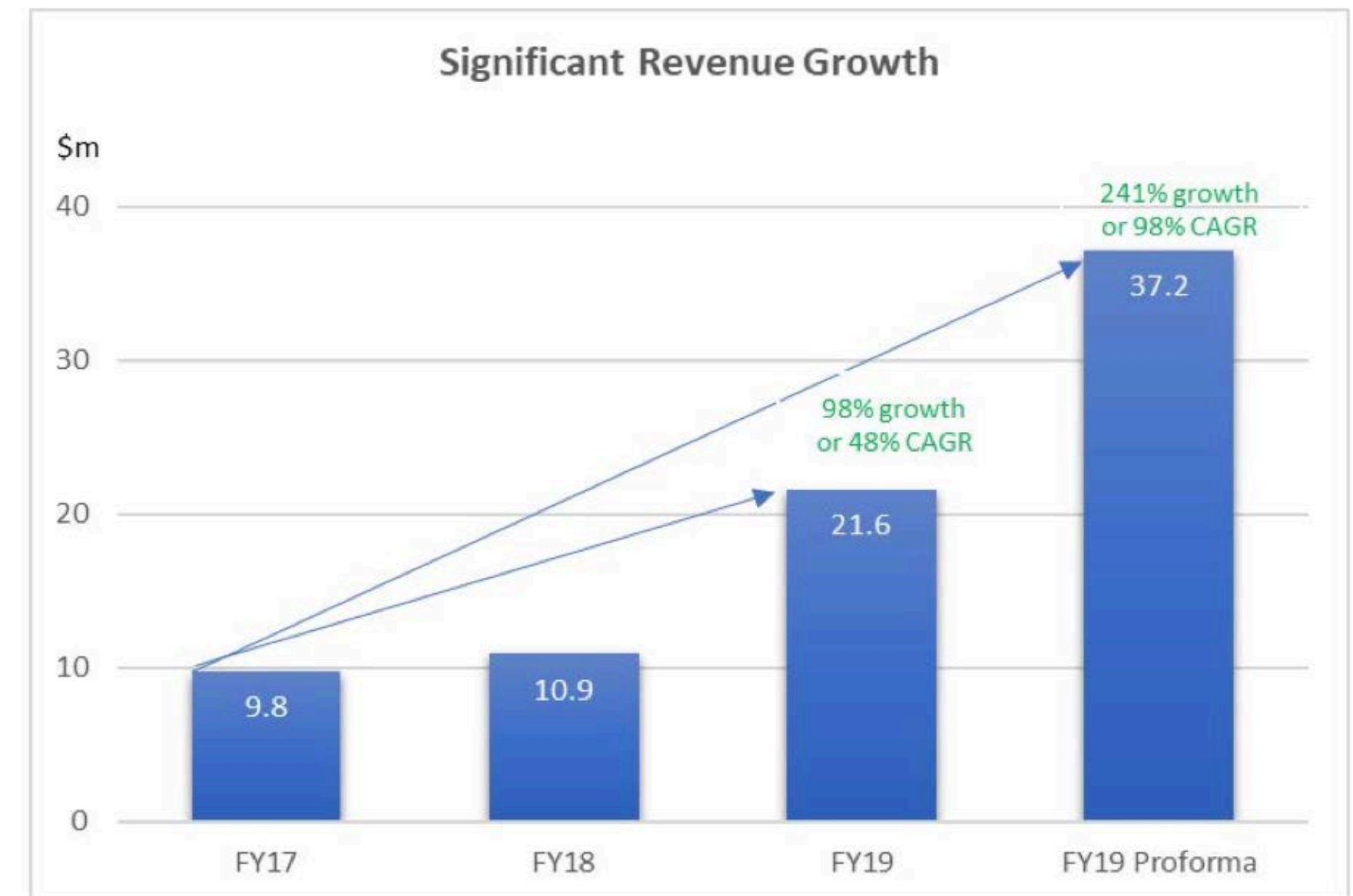
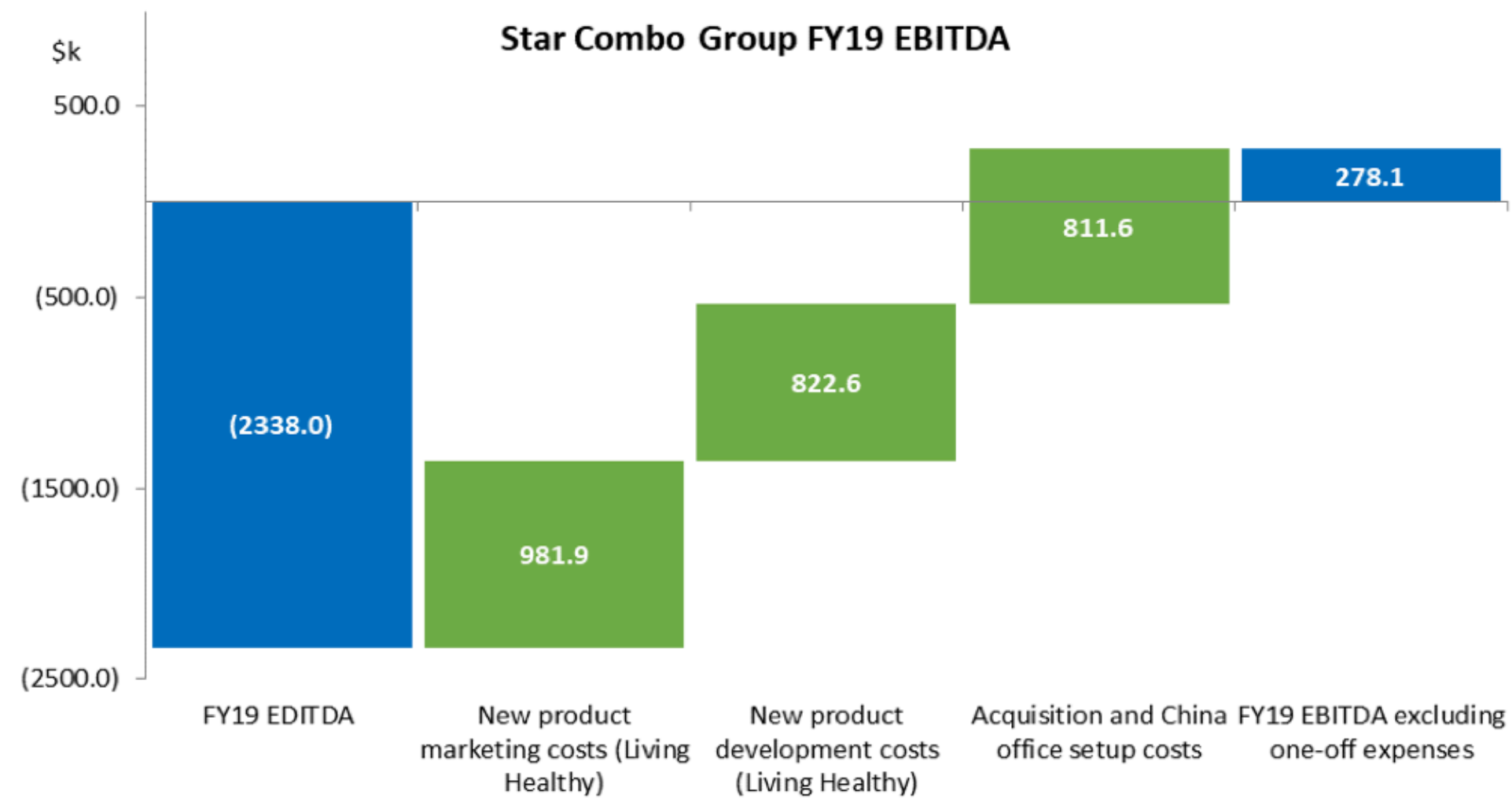




# FINANCIAL HIGHLIGHTS

STARCOMBO

**FY19 was a transformative year with significant revenue growth and positive EDITDA\***



## Notes

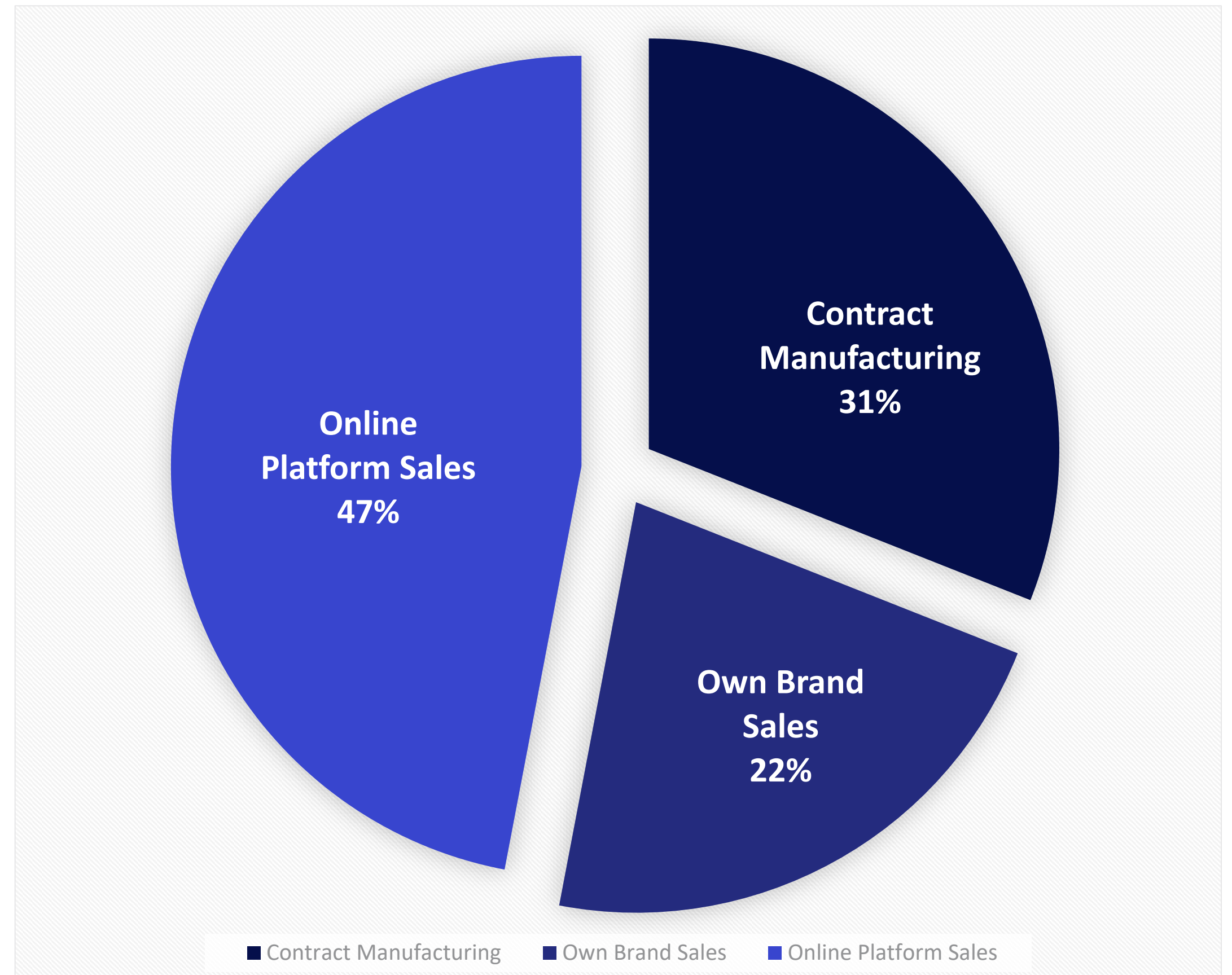
- Pro-forma includes contribution from recently acquired Austoyou online platform
- One off expenses include: Living Healthy new product development and marketing launch costs, China office setup and M&A acquisition and transaction costs.



# FY19 REVENUE BREAKDOWN

STARCOMBO

Continuing to diversify towards high margin,  
own brand and online platform sales



**Add own high-margin, high growth branded products to business mix**  
**Increase TGA factory utilisation with own and contract manufacturing**

**Grow organically:**

- Little Koala range in early stages 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

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

- Synergies and alignment with Star Combo existing distribution network
- Opportunity to be manufactured by Star Combo to improve margins



# BRANDS



## Vitamins

- Living Healthy
- Living Healthy Little Koala
- Costar



YOUR HEALTH , OUR PRIORITY



Australia's **1st** Transparent Manufacturer

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**Little Koala**

100% Australian owned and made to support your little ones

 Living Healthy 

Always read the label and take only as directed





100% Product traceability  
Made In Australia



Living Healthy 

Available Exclusively at





# BRANDS



## Beauty

- Amax
- J&K



## R&D and Manufacturing 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
- 15,000m<sup>2</sup> purpose built and regulated facility, extensive expansion capacity





## 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





## 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”

STARCOMBO

## The daily intake of dietary supplements in China is so popular 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)



- Fast growing
- No debt
- Vertically integrated – end-end control of supply chain
- In-house R&D capability to develop new products quickly at low cost
- State of the art manufacturing facility – TGA licensed with excess capacity for anticipated growth
- Exposure to fast growing natural health and wellness market
- Genuine understanding and access to China market – in country office, ability to get Chinese certifications, use of local brand ambassadors, limited use of Daigou
- Board alignment
- Pipeline of new products to drive growth



A woman with long dark hair tied back, wearing a grey athletic jacket and black leggings, is looking down at a white smartwatch on her left wrist. She is outdoors, with a blurred background of trees and a path.

**Su Zhang – CEO**

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**THANK YOU**