



26 August 2020

ASX Announcement

Financial Year 2020 Results Commentary

Highlights

- Full year revenue of \$38.8M representing a growth of 81%
- Successfully completed \$33.32M private placement with strategic investor and partner Goldenmax
- Reduced loss after tax to \$0.3M (down from \$1.7M loss in FY19)
- Transition and implementation of strategy towards contract manufacturing

Star Combo Pharma Limited (ASX: S66, 'The Company') today announced its operating results for the financial year ended 30 June 2020.

Operational Update

During the FY20 financial year, Star Combo Pharma transitioned into its strategy to become a leading contract manufacturer in the local vitamin and health supplements sector.

In terms of its contract manufacturing division, the ongoing COVID-19 pandemic has put health and wellness on the forefront of the minds of customers, both domestically and abroad. As a result, the Company has seen strong demand from customers seeking contract manufacturing, particularly in the final quarter of the financial year. This includes orders from new clients as well as increased orders from existing clients. During the year, revenues from this division was \$13.4 million (FY19: \$11.3 million).

The Company's retail division (Austoyou.com and Koala Mall) was stable in terms of revenue, with total revenue from the division totaling \$25.4 million (FY19: \$10.1 million from February 2019 acquired by Star Combo, or proforma revenue of \$25.9 million). This was mostly due to consumer demand for health and wellness products and bulk orders which were made on the onset of the pandemic both in Australia and China.

During the year, the Company successfully completed a \$33.32 million private placement with Goldenmax, a strategic investor and partner based in China. The funds will be used to increase the current production capacity and help build a new R&D facility adjacent to the existing Smithfield site in New South Wales, as well as significantly improve price competitiveness in target markets.

As a Shenzhen-listed company with a market capitalisation of over CNY ¥6 billion, Goldenmax has a pharmaceutical materials division in China and provides Star Combo Pharma with access to their sales and marketing expertise and an extensive distribution network to support future growth opportunities in the key Chinese market.

Minimal COVID-19 impact on operations

From the onset of the COVID-19 pandemic, Star Combo Pharma enacted its strict infection control measures to ensure a COVID-safe environment for all its staff, and ensured its products and manufacturing lines were not adversely affected. Throughout this time, the Company has maintained continuous operations and its manufacturing staff continue to work on-site in accordance with strict health and safety guidelines.

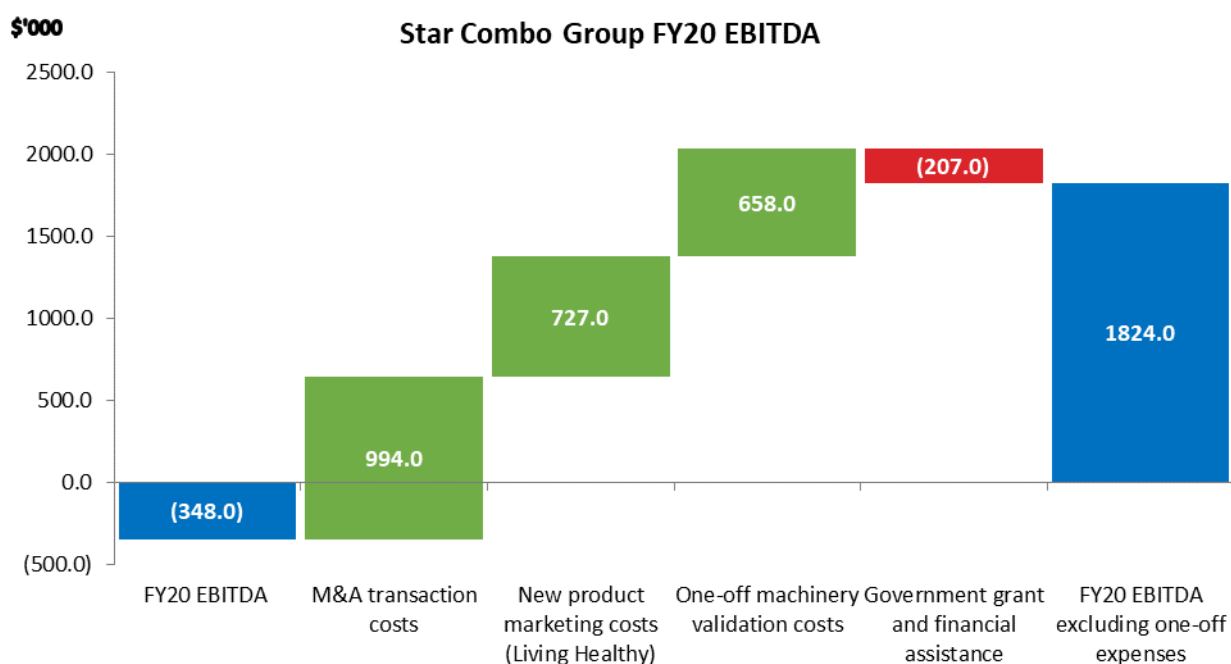
Other recent activities

While lying outside the financial year, the Company recently expanded its manufacturing capabilities with a Milk Powder 'Blend and Pack' facility, which has already received its first orders from an existing client. The facility complements Star Combo Pharma's vertically-integrated business model, allowing clients to manufacture and distribute products via the Company's multiple retail touchpoints.

In addition to the milk powder facility, the Company will invest in the upgrade of the manufacturing capability at 171 Woodpark Road in Smithfield and also recently purchased 165 Woodpark Road, Smithfield in New South Wales, which it intends to build an R&D facility and test laboratory centre. This is expected to further enhance Star Combo Pharma's service offering and supports both existing and new OEM customers with a value-added service.

Financial update

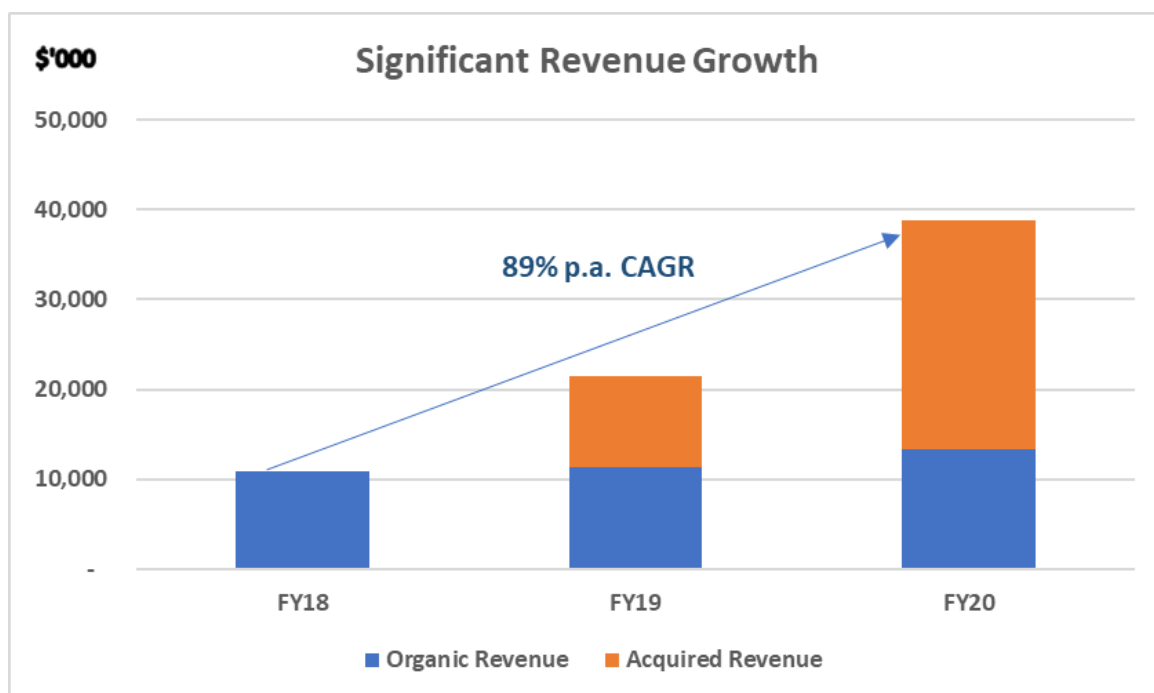
EBITDA for FY20 after excluding significant one-off costs was \$1.8 million (FY19: \$0.3 million) as seen in the graph below.



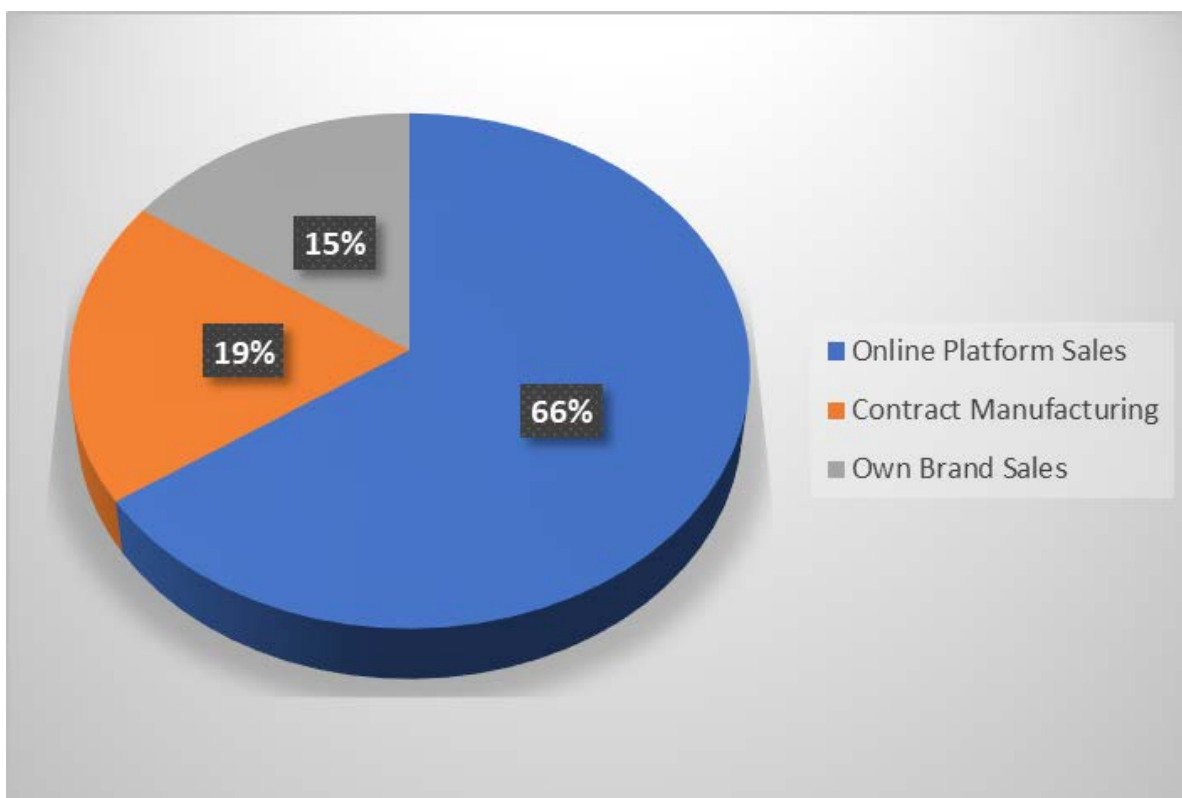
The main highlights during the financial year include:

The significant improvement on profitability is in line with the strong revenue growth and the costs and expenses control initiatives implemented by the Group in FY20.

Acquired business unit revenue continues to grow in both sales and volume and organic growth remains stable and profitable.



The e-commerce platform and stores (Austoyou & Koala Mall) accounted for 66% of revenue, with OEM manufacturing revenue at 19% and brand sales 15% of the Group's FY20 total revenue.



Outlook

Looking ahead into the FY21 financial year, Star Combo Pharma will continue to execute its strategy to become a leading contract manufacturer in the local vitamin and health supplements sector.

This will be supported via the expanded production capabilities, such as the recent milk powder facility and other activities, which will help the Company to achieve better economies of scale and allow it to offer value-added services, such as innovative manufacturing processes and product development.

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This ASX announcement has been approved by the Star Combo Pharma Limited Board of Directors.

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About Star Combo Pharma

Star Combo Pharma Ltd (ASX: S66) is a Sydney based contract manufacturer of vitamins, health and beauty products with a portfolio of own brands and distribution capabilities. Our products are made from natural ingredients with scientific R&D and adheres to the highest manufacturing practices governed by the Therapeutic Goods Administration. Star Combo has offices in China and currently supplies the Australian pharmacy network through 450 Terry White Chemmart stores as well as wholesale customers in Australia and China. Directed by pharmacist and experts in health supplement manufacturing, Star Combo's vision is to be the leading manufacturer of premium vitamins and dietary supplements in Australia. Since its establishment in 2004, Star Combo has demonstrated strong product and business development and continues to expand our current operations to serve our loyal business partners, customers and employees.