



24 August 2021

ASX Announcement

Financial Highlights for year ended 30th June 2021

- **Positive operating cash flow of \$332k, up from an operating outflow of \$1.02M (FY20)**
- **Star Combo contract manufacturing division increased Gross Profit to \$2.5M (FY20: \$2.4M)**
- **Negative Covid-19 impact on earnings of \$7.8M**
 - **\$6.3M non-cash asset write down of Austoyou and Koala Mall**
 - **\$1.5M loss margin on reduced revenue**
- **Strong cash position of \$17.3M**
- **\$7.2m investment in Smithfield manufacturing facilities on track**
- **Outlook for FY22 positive as OEM business continues to gather momentum with strong order book in place. Retail division remains challenging under restricted COVID conditions**

Star Combo Pharma Limited (ASX: S66) (Star Combo) today announced its results for the financial year ended 30 June 2021 (FY21).

Financial update

During the year Star Combo saw continued growth in the OEM division as it continued to win new OEM customers and remained resilient despite the impacts of the COVID pandemic. The division now delivers 29% of total revenue up from 19% in the previous year. The OEM division delivered a gross profit of \$2.5M, up from \$2.4M in FY20.

Star Combo generated positive operating cash flow of \$0.33M, up from an operating outflow of \$1.02M in FY20 due to improved receivables collection. Star Combo ended the quarter and financial year at 30 June 2021 with a strong cash balance of \$17.3M.

Star Combo revenue was \$26.7M for the year, down 31% (FY20: \$38.8M) as the retail division (online platform business Austoyou.com and Koala Mall retail stores) continued to be impacted by the COVID pandemic. The retail division was affected by international border closures, decreased tourism and logistics. The retail division revenue totaled \$14.2M for the year compared with \$25.4M in FY20.

Star Combo recorded a non-operating impairment loss of \$6.3M. This is a non-cash reduction to the carrying value of the investment in Austoyou and Koala Mall due to the short-term outlook for the retail division following the impact of the COVID pandemic on the business. While this impairment is a “non-cash” reduction to the carrying value of the asset, it is the main reason for Star Combo's loss before tax this year.

Business and operational update

The OEM division continued to gather momentum during the year as the company exceeded growth expectations through its predominantly domestic driven contract manufacturing business.

\$7.2M has been invested in the acquisition of 13 new production lines along with a substantial upgrade of the existing manufacturing facility at 171 Woodpark Road. This investment underpins Star Combo's growth strategy to become a leading Australian contract manufacturer of vitamins and health supplements.

Star Combo won its first manufacturing contract with Chemist Warehouse and the relationship has continued to strengthen with a second round of orders received, exceeding \$1 million in revenue. The relationship is expected to make a growing contribution to revenue and is indicative of the momentum Star Combo is achieving in selling its enhanced contract manufacturing offering to an expanded customer base.

Star Combo also renewed its exclusive supply agreement with Terry White Chemmart for their 450 stores. It is through this distribution arrangement that Star Combo sells its wholly owned and manufactured Living Healthy brand in Australia.

Star Combo has expanded into new markets overseas this year, winning its first OEM contract with a New Zealand customer for the production of 1m Lecithin 1200mg soft gel capsules with the first order completing in April and a second order expected to be completed in August.

Star Combo also won its first contract in Russia in the fourth quarter of 2021. Star Combo has entered into an agreement with a Russian distributor for the distribution of its Living Healthy range across the country. Products include Vitamin C, multivitamins, calcium and CoQ10. This is an exciting development for Star Combo as it marks its entry into the country and has the potential to create further supply opportunities in the future.

Star Combo has commissioned a new powder production facility in the fourth quarter of FY21. Initial orders to produce whey protein powder are under way with further opportunities to expand the product range under the Living Healthy brand.

Star Combo's launch on Tmall.com (Tmall) in April started strongly, with a liver tonic product being sold out in just two months. This is a record result for the product with positive feedback from customers regarding the brands on the site. Star Combo's Tmall customers are growing rapidly with 1,372 visitors to the site in April and 3,301 visitors in June.

Outlook

Star Combo's CEO, Ms Su Zhang said, "Our OEM business continues to grow, notwithstanding the challenging operating environment. This division remains our main area of strategic focus as we develop new products and expand our network by leveraging value from macro trends such as the growing demand for Australian made health products. The retail division remains challenging in a COVID environment, however we see opportunities emerging in the near term.

-ENDS-

This ASX announcement has been approved by the Star Combo Pharma's 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.