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29 August 2023

ASX Announcement

Financial Highlights for year ended 30th June 2023

- **Strong Revenue Growth in OEM and Own Brands**
- **Retail business losses curtailed**
- **October 2022 fire damage has little impact on current manufacturing capacity.**
- **Land assets revaluation provides \$1.6m net uplift**
- **Outlook for FY2024 is positive**

Star Combo Pharma Limited (ASX: S66) (Star Combo) today announced its results for the financial year ended 30 June 2023 (FY2023).

Financial update

The following table summarises the most significant financial results for the Star Combo group in FY 2023.

		FY 2023 \$000's	FY 2022 \$000's	+/- Year on Year
Revenue	OEM and Own Brands	\$20,753	\$16,208	28.0%
	Retail	\$3,947	\$6,673	(40.8)%
	Total Revenue	\$24,700	\$22,880	7.95%
Sector Operating Profit / (Loss) Note 1	OEM and Own Brands	\$1,179	\$1,037	13.7%
	Retail	\$(221)	\$(659)	66.5%
	Total Operating Profit	\$958	\$378	153.5%
(Loss) / Profit Before tax	Total Group	\$(3,455)	\$(1,082)	
	Less Asset Impairment / Write Down Note 2	\$(4,412)	\$(1,459)	
	Operating Profit without Asset Write downs	\$958	\$378	153.5%

Note 1 – Excludes asset impairment, write downs and revaluations

Note 2 – FY 2022 Retail Sector intangibles impairment – FY 2023 Fire damaged assets

OEM and Own Brands Division

During FY 2023 the Group continued its focus on implementing and transitioning its strategy to become a leading contract manufacturer in Australia for the vitamin and health supplements sector. The Group have recently received a license to manufacture pet supplements from the Australian Pesticides and Veterinary Medicines Authority (APVMA) which will deliver new revenue streams in FY 2024.

Star Combo's core OEM and Own Brands business continued to grow during the year, with record manufacturing output as the Company executed its order book, benefiting from improved supply chain dynamics coupled with intermittent 24 hour manufacturing capabilities to increase production.

Revenue has grown by 28.0% year on year (yoy) following growth of 5.0% in FY 2022 over FY 2021. This revenue growth is a reflection of strengthening relations with a number of industry partners in Australia including Terry White Chemmart along with growing sales via our Vietnam distributor (appointed in August 2021). The segment profit has also grown by 13.7% yoy.

Retail Division (Austoyou & Koala Mall)

Lingering impacts of Covid-19 and lower demand from China for products available through the Group's Austoyou online platform and the closure of Koala Mall retail shops has driven the overall decline in revenue for the Retail Division of 40.8% from FY 2022 revenue, as indicated in the above table.

This significant decline in revenue necessitated a restructure of the business model. To that end, we were successful in introducing a Chinese based partner in FY 2023 who now has minority interest of 49% in the business. This restructure has seen a significant improvement in the business performance which has now reported small profits in each of the last five months of the financial year. The business made a loss of \$221k in FY 2023 but this is a significant improvement over the loss of \$659k in FY 2022.

Notwithstanding the improved result and consistent small profits, the Group continues to assess the most effective and appropriate strategy to support the business in the short to medium term.

October 2022 Factory Fire

As noted in the December 2022 FY 2023 Half Year Report, during the year the Group suffered the impact of a factory fire at its premises at 171 Woodpark Road, which caused substantial damage to property and equipment. The fire occurred on 16th October 2022 and as it was isolated to building 2, it did not impact the operations of buildings 1 and 3, nor the other Star Combo premises at 165 Woodpark Road. It now remains the subject of an insurance claim however we are fortunate that there were no injuries on the site and the Group was able to continue its manufacturing operations as "Business as Usual". While the insurance claim remains pending, the Group has booked an asset write down of \$4.4m in FY 2023.

Land Revaluation

In FY 2021 the Group completed the strategic acquisition of Land at 165 Woodpark Road, Smithfield. The premises are adjacent to the Group manufacturing and warehouse and office premises at 171 Woodpark Road Smithfield.

The acquisition was completed for an amount of \$3,908k.

During the FY 2023 year the Land was independently revalued to the market value of \$6,050k. The valuation increment of \$2,142k (\$1,607k net of tax) is shown in the Statement of Profit and Loss as Other Comprehensive Income.

-ENDS-

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

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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 currently supplies the Australian pharmacy network through 450 Terry White Chemmart stores as well as wholesale customers in Australia, Vietnam 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.