



02 November 2020

ASX Announcement

## Star Combo Pharma Quarterly Business Update Contract manufacturing expansion strategy on-track

- **Strategy to grow contract manufacturing business on-track; OEM revenues contributing 23% to Group revenue in Q1 FY21, up from 19% in FY20**
- **Successful TGA licence extension to cover manufacture of liquids: full spectrum health supplement manufacturer**
- **Milk Powder Facility audit from NSW Department of Primary Industries Food Authority received A-grade rating**
- **Supply agreement with Chemist Warehouse executed and first purchase order received**
- **Expansion of Smithfield manufacturing facility project commenced & on-track**
- **Q1 FY21 cash receipts of \$7.4M, +2.5% from Q4 FY20**
- **Outlook for FY21 remains resilient with continued transition to contract manufacturing focus**

**Star Combo Pharma Limited** (ASX: S66) announced today a business update for the quarter ended 30 September 2020 (Q1 FY21).

### Business & cash flow update

During Q1 FY21, Star Combo continue to progress its contract manufacturing (OEM) expansion strategy, delivering a solid revenue performance. For the quarter, the contract manufacturing segment delivered 23% of Star Combo's revenue (up from 19% at FY20), continued to win new OEM customers and has remained resilient in the face of COVID-19 challenges.

To further support growth of its contract manufacturing segment, Star Combo also successfully extended its TGA manufacturing licence to cover the production of liquids, a growing form of health supplements for many brand owners. This now allows Star Combo to offer a full-service manufacturing offering to its clients and is expected to open up new market opportunities. Additionally during Q1 FY21, Star Combo received an A-grade rating for its Milk Powder Facility from the NSW Department of Primary Industries Food Authority, an important operational and marketing feature for new customers.

Star Combo's facility expansion and plant upgrade project commenced in September and this project is on-track and has progressed within expected timelines. When complete (forecast for September 2022), this is expected to allow a 100+% increase in Star Combo's production capacity.

Subsequent to the quarter, Star Combo successfully won a new manufacturing contract with Chemist Warehouse. While this contract is not of a significant size in the initial stages, it is expected to make a growing financial contribution to Star Combo's revenue from H2 FY21 and beyond. It is also indicative of the momentum Star Combo is having in selling its enhanced contract manufacturing offering to an expanded customer base.

The Company's retail division (Austoyou.com and Koala Mall) has been affected by the COVID-19 environment, and its impact on customer behavior and supply chains. Retail revenues have however begun to rebuild in September 2020 as "COVID-normal" practices support greater consumer confidence and the restoration of traditional sales channels, particularly into China. The medium-term industry demand outlook for dietary and vitamin supplements remains strong.

Cash receipts in Q1 FY21 were \$7.4M, an increase of 2.5% over Q4 FY20. Operating cash flow for the period was \$(0.1)M, an improvement from \$(0.4)M in Q4 FY20 and nearing operating cash flow break-even as the contract manufacturing segment continues to make a greater contribution to the Group.

Star Combo's closing cash balance as at 30 September 2020 was \$20M, with significant capacity to fund growth initiatives, such as the increased manufacturing capacity and plant upgrade at Smithfield NSW.

## **Outlook**

Star Combo's business strategy in FY21 remains focused on growing its contract manufacturing operations and achieving ongoing operational efficiencies in its retail division.

Star Combo CEO Ms Su Zhang said, "Despite the on-going impact of COVID-19 we are pleased to have delivered a resilient performance across our business segments in Q1 FY21. Our pipeline of contract manufacturing customers has continued to grow, and with an expanded production offering we are confident we will continue to win new contracts. We remain committed to our strategic focus to grow this higher margin segment and invest in production capacity".

**-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.