



1<sup>st</sup> February 2021

ASX Announcement

## Star Combo Pharma Quarterly Business Update

- A strong second quarter with Group Revenue up by 6% to \$7.5M, a focus on business efficiencies and revenue growth, bringing the business closer to profitability
- Strategy to grow contract manufacturing business progressing positively; revenues in this division totaled \$3.2M in the quarter
- DA submission for 165 Woodpark Road site and expansion of Smithfield manufacturing facility project continues
- Q2 FY21 cash receipts of \$6.9M, positive cash flow from operating activities +590% from Q1 FY21
- Outlook for FY21 remains resilient with strong and growing demand for Australian made + continued transition to contract manufacturing focus

**Star Combo Pharma Limited** (ASX: S66) (Star Combo) announced today a business update for the quarter ended 31 December 2020 (Q2 FY21).

### Business and operational update

Star Combo had a strong second quarter with revenue for the group up 6% to \$7.5M.

The company continued to make positive progress in implementing its contract manufacturing strategy. This business segment saw an increasing demand for Australian manufactured products and revenue totaled \$3.2M in Q2 FY21, up 10% from \$2.9M in Q1 FY21. This was despite the shorter operation period due to the December holiday season. The segment continues to be an important driver of growth, as the company secures more contracts with new and existing clients, and now represents 43% of Star Combo's total revenue

With Star Combo's focus on transitioning to contract manufacturing, the ongoing impact of COVID-19 on the overall business remained minimal. However, the company's retail division (online platform business - Austoyou.com and retail stores - Koala Mall), was affected by international border closures and decreased tourism in Australia, but is showing signs of recovery. The retail division revenue was \$4.3M in Q2 FY21, up 2% from \$4.2M in Q1 FY21. The medium-term industry demand outlook for dietary and vitamin supplements remains strong.

Star Combo also focused on business efficiencies during the quarter, that are aimed at bringing the business back to profitability. The company has focused on improving receivables collections and optimising product sales such as in the contract manufacturing segment.

In relation to the company's new development at 165 Woodpark Road where the Company will construct a modern R&D facility and Test Laboratory Centre, Star Combo has recently submitted a Development Application for the site, with construction expected to begin in late 2021.

Progress on the expansion of Star Combo's existing manufacturing facility at 171 Woodpark Road, remains on track.

Star Combo ended the quarter with a strong cash balance of \$20.1M, with funds allocated to the expansion of the existing facility and 165 Woodpark Road.

Cash receipts in Q2 FY21 were \$6.9M and operating cash flow for the period was \$0.5M, an improvement from \$(0.1)M in Q1 FY21.

### Outlook

Star Combo's corporate strategy remains focused on growing its contract manufacturing operations and achieving ongoing operational efficiencies across its various divisions. The positive cashflow achieved during the quarter demonstrates the company's progress on this front.

Star Combo CEO, Ms Su Zhang said, "The Company has had a strong second quarter as we made positive developments across the business and we expect this to continue. There is a growing demand for Australian made health and beauty products globally and we expect this to provide strong growth opportunities for the company. Our expansion strategy is on track and is set to increase production by 100%, when it is complete, we will have one of the most comprehensive manufacturing capabilities in Australia".

**-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.