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8 July 2019

ASX Announcement

Star Combo to acquire natural health, food and beauty products company Bio-E

Key Points:

- **Star Combo has entered into an agreement to acquire 100% of the shares in Bio-E for upfront consideration of A\$60m, representing a 4.1 times multiple of forecast FY19 EBITDA of A\$14.7m**
- **Bio-E is a fast growing natural health, food and beauty products business based in Melbourne**
 - **Gross margins in excess of 80%**
 - **Revenue growth of 180%p.a FY17 to FY19 (forecast)**
 - **EBITDA growth of 240%p.a FY17 to FY19 (forecast)**
- **Significant pipeline of future product launches to drive growth in FY20**
- **Complimentary skill sets – combining Star Combo's R&D and manufacturing capabilities with Bio-E's marketing and distribution expertise**
- **Upfront consideration comprises a cash payment of A\$42m plus the issue of 30m Star Combo shares at A\$0.60 per share**
- **Cash consideration to be funded via a capital raising of A\$51m, comprising a A\$50m placement at A\$0.55 per share and A\$1m Share Purchase Plan (SPP) at A\$0.56 per share**
- **Directors to participate in placement and subscribe for A\$2.7m**
- **Placement and issue of shares to vendors is subject to approval at a general meeting of shareholders on or around 6 August 2019**

Sydney, Australia. Star Combo Pharma Limited (ASX: S66, Star Combo, the Company) is pleased to announce that it has entered into a Share Sale Agreement (**SSA**) to acquire 100% of the shares in Australian natural health, food and beauty products company Bio-E Australia Pty Limited (**Bio-E**) for A\$60 million plus a potential earn out. The initial consideration of \$60 million will comprise a combination of cash (A\$42 million) and Star Combo shares (30 million) at an issue price of A\$0.60 per share. The potential earn out payable to the vendors of Bio-E will be based on a multiple of 5.5 times the EBITDA growth in Bio-E above A\$15m million in each of FY20 and FY21.

Bio-E

Bio-E is an Australian owned company based in Melbourne, which provides locally sourced natural health, food and beauty products to consumers. Key products include fermented or probiotic drinks,



pure Australian honey, natural skincare and health supplements. Bio-E's core competency is recognising consumer trends, developing new products and bringing them to market quickly with first mover advantage. This has driven strong profitable growth, with EBITDA up 800% from A\$1.2 million in FY17 to FY19 forecast of A\$14.7 million.

Acquisition Rationale

The acquisition of Bio-E is consistent with Star Combo's strategy to grow its branded sales and product development capability, and provides an opportunity to combine the strong (TGA licenced) manufacturing and product development capability of Star Combo and the marketing and distribution expertise of Bio-E. The acquisition of Bio-E provides Star Combo with the capability to quickly develop, commercialise, market and sell new products. Star Combo and Bio-E have already collaborated to develop and commercialise 'Sleep Diet', a new pill aimed at improving sleep and weight loss, with forward orders of over A\$10 million since its launch in May 2019.

Star Combo Chairman Richard Allely commented, *"This is a transformational acquisition for Star Combo and accelerates our transition from a contract manufacturing business to a fast growth, high margin, branded business. We first met Bio-E when we developed and formulated the new Sleep Diet product for them. Both companies quickly recognised the significant synergies by combining our business and bringing our complimentary skill sets together."*

We are excited about the significant growth opportunities that both businesses have going into FY20. Star Combo's Living Healthy brand is gaining traction in Australia and is now on shelves in China. Likewise, Bio-E new product Sleep Diet has generated over A\$10 million in new orders since its launch in May this year and we are expecting to launch up to 5 new products in FY20".

Capital Raising

Star Combo is undertaking a capital raising of up to A\$51 million to fund the cash component of the consideration payable under the SSA, transaction costs and working capital.

The capital raising comprises:

- a A\$50 million placement to professional and sophisticated investors at A\$0.55 per share (**Placement**); and
- a share purchase plan to raise up to A\$1 million at A\$0.56 per share to existing in Australia and New Zealand shareholders (**SPP**).

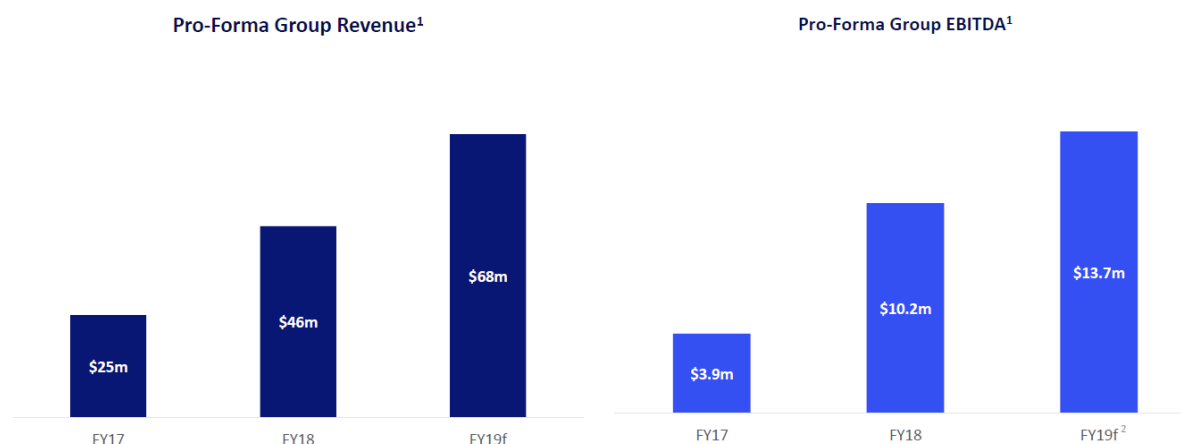
The offer price under the Placement for each new Star Combo share of A\$0.55 represents:

- a 21.4% discount to the last closing share price on 3 July 2019 of A\$0.70 per share
- a 20.9% discount to the 30-day VWAP of the shares

Bell Potter Securities Limited is the sole lead manager to the capital raising.



Pro Forma Financials



1)Includes Bio-E and AustoYou (including Austoyou Group Pty Ltd and Koala Mall Pty Ltd) as if owned by Star Combo as at 1 July 2016

2)Pro-forma EBITDA for FY19f excludes approx. A\$0.4m of acquisition related expenses

General Meeting

The issue of shares under the Placement to professional and sophisticated shareholders and Star Combo directors and the issue of the share consideration to the vendors of Bio-E under the SSA is subject to Star Combo shareholder approval to be sought at a General Meeting of shareholders to be held on 6 August 2019 at Star Combo's office in Smithfield NSW.

FY20 Outlook

Star Combo expects solid growth in FY20 driven by:

- fermented drinks range beginning sales in physical stores in China – recently received full China label and food registration;
- 7 new Bio-E products in concept stage likely to enter market with 2 imminent product launches;
- impact of Sleep Diet - A\$10 million in orders already received that will fall into FY20;
- new Bio-E distributors about to go live;
- Little Koala vitamin range just on shelf in China stores post CIQ registration;
- full impact of new brand ambassador Tamia Liu; and
- improvement in Living Healthy revenue and profitability.

Upcoming Newsflow

- FY19 financial results –end of August
- FY20 guidance – to be provided with FY19 results
- Two imminent product launches to be announced



Indicative Timetable*

Event	Date/Time
Trading halt	Thursday 4 July 2019
Record date for Share Purchase Plan	7.00pm AEST, Friday 5 July 2019
Announcement of acquisition and capital raising Star Combo resumes trading on the ASX	Monday 8 July 2019
Share Purchase Plan opens	Monday 15 July 2019
Share Purchase Plan closes	Friday 2 August 2019
Shareholder meeting to approve Placement	Tuesday 6 August 2019
Placement settlement date	Friday 9 August 2019
Placement allotment date	Monday 12 August 2019

**This timetable is indicative only and the Company reserves the right to alter any of the above dates.*

For more information please see the Investor Presentation released to the ASX or contact:

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This announcement may include forward-looking statements. These forward-looking statements are based on Star Combo's expectations and beliefs concerning future events. Forward looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of Star Combo, which could cause actual results to differ materially from such statements. Star Combo makes no undertaking to subsequently update or revise the forward-looking statements made in this announcement, to reflect the circumstances or events after the date of this announcement.



About Star Combo Pharma

Star Combo Pharma Limited (ASX:S66) is a leading distributor and manufacturer of branded premium health and natural beauty products. Based in Sydney, our products are distributed to both local Australian and overseas markets. Star Combo has offices and distribution agreements in China and currently supplies Australian pharmacy lines as well as distribution to over 450 Terry White and Symbion Chemists and wholesale customers in Australia and China. Directed by pharmacists and experts in health supplement manufacturing, Star Combo's vision is to create health products made from natural ingredients with scientific R&D and manufacturing practices. Since its establishment in 2004, Star Combo has demonstrated strong product and business development and continues its vision to expand our current operations to serve our loyal business partners, customers and employees.