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31 January 2022

ASX Announcement

Star Combo Pharma Quarterly Business Update

Highlights

- **Q2 FY22 Revenue of \$6.0M (Q2 FY21 \$7.5M), as OEM division performed ahead of expectations and retail division continued to be impacted by COVID**
- **\$1.0M distribution agreement signed with Vietnam for supply of Costar products, Company's largest distribution agreement to date**
- **\$5.0M order received from a leading Australian health supplement brand, the Company's largest OEM order to date**
- **Chemist Warehouse relationship strengthens with order book value in October at \$1.5M**
- **TGA license at 171 Woodpark Road, Smithfield extended. Expansion and development of manufacturing facilities on track**
- **Q2 FY22 Customer cash receipts of \$6.3M**
- **FY22 outlook positive for OEM with a strong manufacturing order book in place**

Star Combo Pharma Limited (ASX: S66) (Star Combo) announced today a business update for the quarter ended 31 December 2021 (Q2 FY22).

Business and operational update for Q2 FY22

As greater Sydney moved out of lockdown in the quarter, Star Combo left behind the operational challenges associated with the restrictions and is well placed to drive the business forward in pursuit of its contract manufacturing strategy with new opportunities emerging for the Company.

Group revenue was \$6.0M (Q2 FY21 \$7.5M) for the quarter. The OEM division performed well and aligned to expectations. OEM revenue totaled \$3.9M in Q2 FY22, compared to \$3.2M in Q2 FY21.

The retail division of the business (online platform business Austoyou.com and retail stores Koala Mall) continued to be impacted by the COVID pandemic as decreased tourism continued. The opening up of borders is expected to improve trading conditions for the retail division as international travel re-commences.

Star Combo received its largest OEM order to date for \$5.0M from a leading Australian health supplement brand, as the Company's contract manufacturing division continued to gather momentum in the quarter. The order was for the manufacture of approximately 290 million bulk capsules to be completed by the end of the third quarter of the 2022 financial year.

Star Combo signed a 12-month exclusive distribution agreement with leading Vietnamese distributor, Happy Co Ltd as market opportunities opened-up in new territories overseas. The agreement is for the sale and distribution of the Company's proprietary health supplement product line, Costar, throughout Vietnam. The agreement has a minimum order quantity of \$1.0M and provides Star Combo with direct access to the growing Vietnamese market via Happy Co's well established and extensive distribution channels. Vietnam's health supplement market is estimated to be worth circa \$800M and is growing rapidly due to an increasing middle class and an aging population.

Star Combo's relationship with Chemist Warehouse continues to strengthen with a new order received in October for \$0.5M taking the October order book value with Chemist Warehouse to \$1.5M.

As part of Star Combo's contract manufacturing expansion strategy and growing demand for its manufactured products, the Company applied for TGA approval to extend the scope of its existing manufacturing license to cover a second building (building 3), at 171-177 Woodpark Road Smithfield. TGA approval was granted in late November after a rigorous inspection process. The approval means that the building can be used for storage of TGA manufactured products at the site, increasing the company's production capacity.

Star Combo is on track and making good progress on its site update and expansion to its manufacturing facilities at 171 Woodpark Road, Smithfield, New South Wales.

Cash

Cash receipts from customers in Q2 FY22 were \$6.3M with operating cash outflow in the quarter being \$0.1M, with advanced payments to secure supply of raw materials impacting operating cashflow. The company invested in facilities improvements amounting to \$2.3M in the quarter.

Star Combo ended the quarter and financial half year with a strong cash balance of \$13.7M at 31 December 2021.

Outlook

Star Combo CEO, Ms Su Zhang said, "We are pleased with the resilience Star Combo has shown throughout the COVID pandemic. Our brand and contract manufacturing business continues to grow with a strong order book in place which we expect to strengthen further in 2022. As we conclude our manufacturing site upgrade this year and our production capacity increases by more than 100%, Star Combo's output will grow as the business fulfills a backlog of orders. The Company continues to leverage value from macro trends such as the growing demand for Australian made health products and strong demand for preventative health during the ongoing covid pandemic."

-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 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.