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23 February 2022

ASX Announcement

### Star Combo Pharma 1H22 Result

#### Highlights

- **1H22 Manufacturing Revenue of \$7.5M (1H21 \$6.1M), up 22.8% as division performed ahead of expectations and retail division continued to be impacted by COVID-19**
- **Operating Cash Flow of \$1.6M, with \$15.2M in customer receipts in the half**
- **Strongest order book to date in place**
- **TGA license extended at 171-177 Woodpark Road, Smithfield. Expansion and development of manufacturing facilities expected to be completed in coming months**
- **Development approval received for R&D facilities at 165 Woodpark Road, Smithfield**
- **2HFY22 outlook positive for Manufacturing division with a strong order book in place. Site upgrade at Smithfield nearly complete which will at least double manufacturing capacity and output.**

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**Star Combo Pharma Limited** (ASX: S66) (Star Combo) is pleased to provide an update to the market for the first half of the financial year 2022.

Star Combo has remained focused on growing its contract manufacturing business during the first half of 2022, securing new clients and expanding existing relationships. The company has a strong order book in place and is poised to extend its manufacturing capability as its site upgrade at 171-177 Woodpark Road, Smithfield is completed in the coming months. The company expects to at least double production capacity in the first half of 2023.

Group revenue was \$12.4M for the half (1H21 \$15.9M). The manufacturing division performed well and aligned to expectations. Manufacturing revenue totaled \$7.5M in 1H22 up 22.8% compared to \$6.1M in 1H21. The retail division of the business (online platform business Austoyou.com and retail stores Koala Mall) continued to be impacted by the COVID-19 pandemic with significant supply chain and customer behavioral challenges. In response, the company has taken steps to reduce operating costs within the division during the half and continues to investigate strategies for this business .

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 grow. 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 a leading Vietnamese distributor as market opportunities opened-up overseas. The agreement is for the sale and distribution of the Company's proprietary health supplement product line, Costar, throughout Vietnam.

In September, Star Combo received approval from the Cumberland City council for its Development Application at 165 Woodpark Road, Smithfield. The site will accommodate a new multi-level complex and purpose-built R&D and Test Laboratory Facility. Once complete, the facility will enable Star Combo to extend its service offering and support their existing OEM customers, significantly enhancing the Company's capability to develop new and innovative products.

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 to increase the company's production capacity. TGA approval was granted in late November after a rigorous inspection process.

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 1H22 were \$15.2M with operating cash flow in the quarter being \$1.6M. The company invested in facilities improvements amounting to \$5.1M in the half.

Star Combo ended the financial half year with a strong cash balance of \$3.6M and \$10.1M cash term deposit at 31 December 2021.

## **Outlook**

Star Combo CEO, Ms Su Zhang said, "We have navigated the operational challenges associated with COVID-19 during the half. Our core contract manufacturing business continues to strengthen and we are excited about the opportunities our site upgrade presents, which will allow us to increase production in the first half of FY23. Our reputation as a leading contract manufacturer of health and beauty products continues to grow and our order book strengthens. We are excited about the opportunities that will emerge for the company in 2H22."

**-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.