

ASX RELEASE

8th December 2021

**Chairman's Address to Shareholders at the Annual Meeting of Members held on
10.00am Wednesday 8th December 2021**

Good morning, ladies and gentlemen and welcome to the 2021 Annual General Meeting of shareholders of Cryosite Limited. My name is Bryan Dulhunty, the Chairman of Cryosite.

I am pleased to say that once again I can stand before shareholders and say "It has been a positive start to the current financial year which continues on the significant momentum and growth that we have shown over the prior 2 years".

Before I discuss the strong 2021 financial results let me provide an update on the strong trading results of the first 5 months of the 2022 financial year.

Unaudited financial numbers for the five months ended 30 November 2021 show:**Revenue – Strong sales growth**

- Revenue from clinical trials, logistics and biological services is up 20% on the prior corresponding period (pcp) to \$3.7m.
- Total revenue is up 14% on the pcp to \$4.7m

Cash – Strong cash generation

- Operating cash inflows of \$1.1m (pcp \$229k)
- Cash on hand of \$4.8m up \$900k from the 30 June 2021 balance. The cash holding represents a cash backing of 9.7 cents per share. The Company has no debt facilities.

Capital Expenditure

- The Company is on budget to meet the timelines and costs on the forecast Capital expenditure budget of \$760k. At the end of November 2021, \$271k of cash had been paid for capital items.

Trading Conditions

- At the time of writing, trading conditions remain strong but remain subject to the vagaries imposed by Covid. On behalf of the Board, I would like to thank the CEO and all staff for their efforts in achieving these strong trading results. The capital the company has spent in the past 2 years on infrastructure has enabled the company to respond quickly and efficiently to the challenges imposed by Covid. It is noted that Cryosite's facilities are based in the western area of Sydney which is in the heart of the main Sydney Covid outbreak. While many staff were able to work from home, Cryosite's main operating business involves the physical movement of goods so many of Cryosite's staff had to come to work every day during Sydney's lockdown. The Company wants to thank those staff in particular for their efforts.



Now before I discuss the results for the 12 months ended 30 June 2021 there are 2 items that have occurred since the signing of the annual report that I will mention.

- The appointment of a non-executive director. The Company has operated in the past few years with a board of 3. This is unusual for a listed company but has proved to be effective in a turnaround situation. As we now have an established growth strategy in place it was timely to appoint an additional director to complement the current skill set. I welcome Mr. Steven Waller B.Pharm (Sydney), M.B.A. (Macq), G.A.I.C.D to the board. Mr Waller's background is set out on the ASX release of 19th November
- New Share issue. On the 6th September 2021 the Company issued 1,950,000 ordinary shares on the exercised of unlisted options (Chairman 1,300,000, CEO 650,000). This increased the share capital to 48,809,563 ordinary shares

2021 Results

Now let me discuss the results for the 12 months ended 30 June 2021.

As set out in the Review of Operations in the Annual Report the results for the year ended 30 June 2021 evidence the continued turnaround of Cryosite over the past 3 years with

Revenue

- clinical trials, logistics and biological services revenue grew by 20% to \$7.5m
- Total revenue continued its year-on-year growth increasing by 12% to \$10m.

Profit

- Net Profit before tax continued its year-on-year growth. Net profit before tax of \$1.120m increased by \$314k (39%) from the prior year \$807k (excluding \$959k one-off legal claim).

Cash

- Cash funds remained strong with a cash balance at financial year end of \$3.9m, with no debt facilities.
- During the year, there were cash inflows from operations of \$489k, Investing outflows of (\$374k) and financing outflows of (\$296k). These combined resulted in a net \$181k reduction in cash on hand.
- Cash inflow from operations continues to grow year on year. Cash inflows from operations of \$489k increased by \$132k from the prior year inflows of \$357k (excluding the one-off legal settlement inflow of \$958k in the prior year) whilst supporting a significant growth in operating working capital.

These trading results reflect the strategy that began to be implemented in 2018 to refocus, reinvest in and revitalize the business. This continued growth is best demonstrated by the CEO comment in the 2021 Annual report " the Company also entered into a number of new sales contracts with new clients during 2021. To fulfil the needs of these contracts the company expects to spend \$760k on further capital expenditure in the 2022 financial year. While this expenditure will not add significantly to sales in the coming financial year, they are expected to add to significant sales volume increase in the following years".



Cord Blood

I will take this opportunity to discuss the cord blood segment of the business as its long term outlook is looking more promising.

As you will know from prior year Annual Reports, Cryosite exited the cord blood collection and processing part of the cord blood business in 2017. It continues to securely store approximately 18,000 cords of which the large majority are under long term contract.

When these historical cord blood collection, processing and storage contracts were entered into these were structured as 18-25 year contracts. The accounting of these long-term contracts is somewhat complex but essentially the contract revenue and associated costs arising when entering into the contract are treated as deferred revenue and deferred costs. Each year we book to the profit and loss a portion of the deferred revenue and costs reflecting one year's portion of the contract. Over time as the contracts expire and are not replaced the deferred revenue and costs being recognized will naturally decline. In prior year annual reports this cord blood revenue has been described as being in decline due to the run off period of the contracts.

It is important to note that the annual recognition of deferred revenue and deferred costs are book entries only and do not impact on cash flows as cash, for the contracts was received on the original signing of the contract.

In the 2021 accounts, we booked \$2.5m of cord blood revenue. Of this \$2.5m of revenue \$2.1m was the recognition of deferred revenue and \$0.4m was the receipt of money from payment plans, annual storage contracts and our new annual storage extension contracts.

However, as set out in the 2021 annual report we commenced offering annual storage **extension** contracts to those people whose initial 18 year contracts were expiring. As at 30 June 2021 these contracts are only small in number as the first of the original contracts only expired in 2020. At this stage, we are highly encouraged with the high take up rate of this ongoing annual offering. If take up rates continue at current levels, annual storage extension contracts may grow over time to be a significant contributor to cord blood revenue, profits and cashflow. To provide an assessment of the significance of this product offering we are currently growing this extension contract revenue (and cash) at the rate of approximately \$100k a year. We are hopeful of further growth as it is likely that clients who enter into new annual storage extension contracts will continue to renew in following years – and be joined by further annual storage extension clients as their long term contracts expire.

The effect of this is while the total reported cord blood revenue and profits may show a decline, for some time, albeit a slower one, in fact the cash being generated by the cord blood segment will grow. It should be noted that the cord blood database of 18,000 customers has no carrying value in the balanced sheet.

I thank you for your time today. The Board and Management are grateful for the continuing support and interest in the company by the shareholders.

Bryan Dulhunty
Chairman