

MARKET RELEASE (ASX: CTE)

Chairman's Address to Shareholders

23 November 2023 - Cryosite Ltd (**Cryosite**) attaches a copy of the Chairman's address to be made today at its Annual General Meeting.

ENDS

This announcement has been authorised for release by the Board of Directors of Cryosite Ltd.

CHAIR'S ADDRESS

I am pleased to present Cryosite Limited's Chair's report, which is for the year ended 30 June 2023.

The record financial results for the year ended 30 June 2023 (FY2023) exceeds the previous record financial result for the year ended 30 June 2022 (prior year), continuing to build on the business turnaround of recent years.

There has been a return of year-on-year positive business momentum at Cryosite in the second half of FY2023, due in part to revenue growth from a new commercial product that the Company is contracted to store and distribute, and in part due to other customer's trading patterns emerging from the aftermath of the pandemic.

The Review of operations in the Annual Report for FY2023 outlined a strong financial result for Cryosite.

Dividend

- An unfranked final dividend of 1.5 cents per share was declared and paid in October, an increase of 50% over the 1 cent declared and paid in the previous year.

Revenue

- Total revenue from ordinary activities increased by 1.5% to \$11.935 million.

Profit

- Net profit of \$1,409 million increased 3.3% on prior year.
- Earnings per share were 2.89 cents, an increase of 3.3% on a fully diluted basis on prior year.
- Although revenue and net profit enjoyed growth in FY2023, revenue growth was not sufficiently strong to overcome a spike in inflationary pressures within both CTE's cost of goods and operating expenses, leading to a 13% fall in pre-tax profitability in FY2023 and a contraction in our operating margin structure. This pattern was particularly true in the 1H of FY2023, with as reported previously, the business regaining ground in the 2H as trading momentum rebuilt post Covid.

Cash

The company retained \$4.731 million of cash and cash equivalents with an additional \$1 million in a longer duration term deposit at 30 June 2023. Combined this is an increase of \$390,000 over the cash and cash equivalents held at 30 June 2022.

The Group has no bank borrowings.

Net cash from operations of \$1.408 million decreased by 44% from the record \$2.5424 million in FY2022.

Net tangible asset backing per share increased to 5.9 cents at 30 June 2023 up from 4.0 cents at 30 June 2022.

Segment performance

Clinical trials and biological storage

This segment includes specialist temperature-controlled storage, sourcing, labelling, status management, secondary packaging, scheduled medicine distribution, destruction, returns and biological services.

Trading remains buoyant in this segment with strong monthly demand through our facility in FY2023.

Revenue increased to \$9,599,000 in FY2023, up \$302,000 over prior year. Revenue growth was driven by existing customers increasing their clinical trial activities, new products from existing customers, and on-boarding of new customers.

The cost of providing services increased to \$5,376,000 in FY2023, up 2% over prior year. This was due to inflationary pressures on operational expenses such as the cost of liquid nitrogen, and continuing labour market pressures along with a need to retain workers with in-demand professional and scientific skills.

Net profit before tax increased to \$4,223,000 in FY2023, an increase of 5% over prior year. The growth in profit is primarily driven by volume growth and improved efficiencies. These helped offset increases in operational expenses driven by inflation.

Cord blood and tissue storage

This segment includes storage for cord blood and tissue samples. The Company securely stores approximately 17,000 cords, of which the large majority are under long-term contracts.

Total revenue from cord blood and tissue storage was \$2,336,000 in FY2023, a decrease of \$123,000 or 5% from prior year. Of the \$2,336,000, \$397,000 was revenue generated in FY2023, and \$1,939,000 related to revenue recognised from historical long-term contracts.

As revenue recognition from historical contracts will continue to fall, our focus is on tight operational control and increased automation of processes until revenue generation from new storage contracts, offered on expiry of historical contracts, achieves scale. Profit before tax from the segment fell 13% to \$655,000.

Current trading conditions

The FY2023 results exceeded the record Covid-driven result of FY2022, positioning Cryosite for future growth.

It is pleasing that the positive business momentum that we experienced in the second half of FY2023 has continued into the first four trading months of FY2024, based on unaudited figures. The resulting revenue growth, combined with tight cost control and increased use of automation, in this ongoing inflationary environment, is helping CTE stabilise operating margins and enjoy pre-tax profit growth in the first four months of FY2024, again on an unaudited basis. Demand for distribution and other services has increased, while storage of biological materials continues to grow strongly, albeit off a small base.

The company continues to invest in automation, our facilities and people, driving high standards of quality and compliance to support the needs and ambitions of our customers to embrace growth opportunities in new medical developments that require ultra-cold storage and distribution.

Cash at the bank at the end of October 2023 stood at \$4.79 million (June 2023: \$4.73 million) after the payment of the dividend (\$732,000) in October 2023. In addition, as was also the case at the end of June 2023, CTE has a further \$1 million invested in a long-term deposit.

Conclusion

The Board thanks all the Group's stakeholders, including our customers and clients, our employees, our suppliers and partners, and our shareholders for their continuing support of Cryosite.