

## PRESS RELEASE

# Cordlife's FY2014 core net profit grew 13% to S\$7.6 million

- ***Revenue surged 41.5% as increased client deliveries from India, Indonesia and the Philippines offset lower Hong Kong contributions due to ban on mainland Chinese mothers' deliveries***
- ***Recommend final dividend of 1.0 cent in addition to interim dividend of 1.0 cent; total dividend of 2.0 cents***
- ***Capitalising on economies of scale and scope as a consumer healthcare company catering to the mother and child segment, driven by strong growth from new geographies and new products***

Singapore, 25 August 2014 – Cordlife Group Limited (“Cordlife”, and together with its subsidiaries, the “Group”), a consumer healthcare company catering to the mother and child segment, reported that its net profit for the full year ended 30 June 2014 (“FY2014”) increased 125.3% to S\$30.4 million year-on-year on the back of strong revenue growth, healthy margins, a S\$1.2 million increase in other operating income, a S\$18.7 million fair value gain on financial asset designated as fair value through profit or loss and a gain on transfer of investment in associate to financial asset designated as fair value through profit or loss of S\$6.3 million. Revenue grew 41.5% in FY2014, up from S\$34.7 million for the full year ended 30 June 2013 (“FY2013”) to S\$49.1 million for FY2014 due to increased client deliveries from the Philippines, India and Indonesia.

Excluding non-core and one-off items<sup>1</sup>, the Group's core net profit would have been S\$7.6 million for FY2014, representing an approximate 13.0% growth from S\$6.7 million for FY2013. This is mainly attributable to the inclusion of results from the Group's Philippines, Indian and Indonesian operations and the Group's efforts in ramping up educational and marketing activities in these countries to further promote customers' awareness of the Group's existing and new products and services so that the Group can establish a leadership position in these countries. In addition, the Group also incurred expenses in relation to restructuring of the Group's Indian and Philippines subsidiaries subsequent to the acquisition in June 2013. Such one-off costs were incurred in order to align these entities as part of the Group.

<sup>1</sup> These include the following: In FY2014, the Group's fair value gain on financial asset designated as fair value through profit or loss of S\$18.7 million, a gain on transfer of investment in associate to financial asset designated as fair value through profit or loss of S\$6.3 million, share of results in associate of S\$2.4 million and fair value gain on investment properties of S\$0.1 million; and in FY2013, the Group's gain on disposal of associate of S\$2.7 million, share of results in associate of S\$2.8 million, fair value gain on investment properties of S\$1.1 million and negative goodwill on acquisition of associate of S\$0.1 million.

The Hong Kong government's moratorium on mainland Chinese mothers giving birth at private hospitals in Hong Kong, which came into effect beginning of 2013, had impacted on the Group's FY2014 revenue. Notwithstanding this, the Group's revenue grew 41.5% over the same period, up from S\$34.7 million to S\$49.1 million as strong contributions from India, Indonesia and the Philippines markets offset the lower contribution from Hong Kong.

While it remains unclear when the moratorium on mothers from mainland China giving birth at private hospitals in Hong Kong will be lifted, Deloitte researchers project the penetration rate for Hong Kong mothers to reach 25% by 2015, which still represents a sizable pool of potential customers for the private cord blood banking services. Moreover, according to Economist Intelligence Unit's forecast mentioned in the Deloitte report<sup>2</sup>, the birth rate in Hong Kong is expected to increase slightly from 0.74% in 2011 to 0.76% in 2015.

Based on the strong performance, the Group has proposed a final, 1-tier tax exempt dividend of 1.0 cents, payable on November 7, 2014. This is in addition to the interim dividend of 1.0 cents that was distributed on April 4, 2014.

Mr Jeremy Yee, Executive Director and Chief Executive Officer of Cordlife said: "We continued to maintain both strong revenue growth and a high, consistent level of gross profit margins in FY2014. Our newly-acquired operations in India, the Philippines, and Indonesia continue to contribute positively to the Group's bottom line, reflecting the rising penetration rates in these developing markets. We also remain focused on the long-term revenue and cost synergies between our associated company, StemLife Berhad. Going forward, Cordlife remains well-positioned to capitalise on the tremendous growth opportunities in Asia driven by rising affluence and greater health awareness."

"We are also pleased that we are growing our presence in some of Asia's most populous countries such as India and China. An increase in client deliveries in India has contributed significantly to our strong top line growth in the past year. At the same time, the Group's proposed acquisition of the CCBC convertible note announced today potentially provides an opportunity for the Group to further increase its shareholding interest in CCBC, which is the largest cord blood banking operator in China. With respect to economies of scope, the Group is evolving into a consumer healthcare company catering to the mother and child segment. We continue to witness a strong increase in take-up rates in our umbilical cord

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<sup>2</sup> Source : Deloitte & Touche Financial Advisory Services Limited report, 10 April 2013

lining banking service and have also received our maiden contribution to other operating income of S\$680,000 derived from the licensing agreement signed with StemLife in April 2014. Since April 2014, Metascreen, an advanced non-invasive metabolic screening service designed for newborn babies, also became available in Hong Kong and the Philippines for parents looking for more comprehensive screening of metabolic disorders for their children. Looking ahead, Cordlife has plans to introduce Metascreen to other entities in the Group and also develop new products and services catering to the mother and child segment.”

### **Financial Review**

Revenue increased by 41.5% or S\$14.4 million from S\$34.7 million in FY2013 to S\$49.1 million in FY2014. The increase in revenue was due mainly to an increase in the number of client deliveries, from approximately 7,700 in FY2013 to 15,880 in FY2014. This was contributed by the client deliveries from the Philippines, India and Indonesia, resulting from the acquisition in June 2013.

The increase in revenue arising from the client deliveries from the Philippines, India and Indonesia is offset by a drop in revenue from the Group’s Hong Kong subsidiary. This was due to a moratorium by the Hong Kong government on mainland Chinese mothers giving birth at private hospitals in Hong Kong commencing in 2013.

Gross profit increased by 37.6% or S\$9.5 million due to the increase in new client deliveries. Gross profit margin remained stable above 70% in FY2014 as compared to 73% in FY2013.

Other operating income increased by approximately S\$1.2 million in FY2014, which comprises a grant income of \$253,000 from SPRING Singapore, S\$58,000 received under the Wage Credit Scheme and Productivity and Innovation Credit Scheme, rental income of S\$109,000 from Cordlife’s investment properties and recognition of upfront fees of S\$680,000 for providing training and know how transfer services to StemLife under the licensing agreement signed in April 2014. There were no such grant income, rental income and upfront fees in FY2013.

Selling and marketing expenses increased by approximately 55.8% and administrative expenses increased by approximately 46.8% respectively in FY2014, mainly due to the

inclusion of expenditure on the Group's Philippines and Indian subsidiaries and Indonesian assets which were acquired in June 2013.

As at 30 June 2014, the Group maintained a strong balance sheet, with cash and cash equivalents of S\$45.4 million and a low gearing of 0.09 times. Net asset value per ordinary share increased by 60.4% to 53.50 cents as at 30 June 2014, as compared to 33.36 cents as at 30 June 2013.

The increase in cash and cash equivalents was due to net proceeds of S\$32.9 million from the issue of new shares from a private placement completed on 14 October 2013. The increase is offset by payment of dividends, final payment for the acquisition of Australia-listed Life Corporation Limited's cord blood and cord lining banking businesses and assets, payment for the acquisition of a 31.81% interest in StemLife and purchase of treasury shares. The Group also generated positive cash flows from operating activities for FY2014. Overall, the Group has a net cash position of S\$32.6 million.

### **Industry prospects**

According to the latest government statistics, the total number of births in Singapore was 39,720 in 2013, representing a 6.9% decrease from the 42,663 births in 2012. Total fertility rate decreased from 1.29 to 1.19 over the same period<sup>3</sup>. Given the Singapore government's push to encourage Singaporeans to marry and have children, analysts expect a pick-up in birth rates from 2014, which could benefit Cordlife<sup>4</sup>. Key initiatives in the S\$2 billion Marriage & Parenthood Package rolled out in January 2013 include enhanced support for medical costs related to childbirth, such as an increase in the Baby Bonus cash scheme and extension of the Child Development Account (CDA), which many of Cordlife's clients tap into to pay for its services. To mark the Golden Jubilee, the 50th anniversary of Singapore's independence, the National Population and Talent Division announced<sup>5</sup> on 27 June 2014 that parents of Singapore's Jubilee babies born in 2015 can look forward to the Jubilee Baby

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<sup>3</sup> Source: Department of Statistics, Singapore Web Site. [http://www.singstat.gov.sg/statistics/latest\\_data.html#16](http://www.singstat.gov.sg/statistics/latest_data.html#16). Accessed May 6, 2014

<sup>4</sup> Source: The Straits Times, January 21, 2013, "White Paper 'to benefit property, transport'"

<sup>5</sup> Source: Media Release by the National Population and Talent Division, 27 June 2014, <http://www.heybaby.sg/jubilee/files/press-release-final-jbg-items.pdf>

Gift, as a welcome for every Singaporean baby born in 2015. We are cautiously optimistic that the Golden Jubilee will be positive for childbirth rates in Singapore in 2015.

In a report dated 10 April 2013 (the “Deloitte Report”) by Deloitte & Touche Financial Advisory Services Limited (“Deloitte”), Singapore and Hong Kong are shown to have high penetration rates of private cord blood banking at approximately 19% in 2011. In Singapore, the projected penetration level is expected to reach 26% by 2015, mainly driven by effective marketing activities by established companies, and increasing public awareness and acceptance levels. The private cord blood banking segment’s incremental cord blood storage is projected to grow at a Compound Annual Growth Rate (CAGR) of 9% from 2011 to 2015.

According to the Deloitte Report, the 2007–2011 CAGR of annual incremental storage units for private cord blood banks in Indonesia, the Philippines and India are at 38% for Indonesia, and 35% for the Philippines and India respectively. The cord blood and cord lining banking operations in India, the Philippines and Indonesia have developed rapidly, on the back of the fast-rising middle class in these countries seeking better healthcare options for their children.

In China, the penetration rate of private cord blood banking is still low at 2.2% in 2011, indicating much room to grow for the sector, which is expected to do so at a forecast CAGR of 23% by 2015, according to the Deloitte Report. The China’s middle-class population is estimated to grow from 290 million in 2011 to a projected 590 million by 2025, which means a progressively larger customer pool for cord blood bank operations.

### **A Focused Growth-Path through Economies of scale and scope**

To derive economies of scale, the Group is riding on the growth story of emerging Asian nations by expanding its geographical footprint for cord blood and umbilical cord lining banking business as well as other newly-introduced products catering to the mother and child segment. Initiatives under this strategy in FY2014 include:

- On 3 March 2014, the Group announced that it has extended its strategic alliance and co-operation with CordLabs Asia Pte. Ltd. (“CAP”) and NYSE-listed China Cord Blood Corporation (“CCBC”), in relation to the provision of human postnatal umbilical cord lining storage services to certain territories in the People’s Republic of China (the “PRC”).

- On 9 December 2013, the Group announced that it has acquired a further 11.89% interest (“Additional Acquisition”) in StemLife, an associated company of Cordlife listed on the ACE Market of the Bursa Malaysia, for a cash payment of approximately RM17.66 million. Following the Additional Acquisition, Cordlife holds approximately 31.81% of the issued and paid-up share capital in StemLife. The consideration for the Additional Acquisition was satisfied by the Group fully in cash funded through a combination of borrowings and IPO proceeds. Prior to this, the Group announced on 4 October 2013 that it had completed the acquisition of an initial 19.92% interest in StemLife.
- On 11 November 2013, the Group announced that it has signed a non-binding term sheet with CCBC, to jointly explore and develop new services based on cellular technologies. This collaboration will enable the Group to capitalise on economies of scale by expanding its geographical reach via CCBC’s local networks.
- On 28 June 2013, the Group announced that it has completed the acquisition of Australia-listed Life Corporation Limited’s (previously known as Cordlife Limited) cord blood and umbilical cord lining banking businesses and assets in India, the Philippines, Hong Kong and Indonesia for an aggregate consideration of A\$5.5 million.

To benefit from economies of scope, the Group is also transitioning into a consumer healthcare company catering to the mother and child segment. In addition to providing cord blood and umbilical cord lining banking services, the Group is looking to provide other complementary products and services that cater to the mother and child segment. Initiatives under this strategy in FY2014 include:

- On 30 April 2014, the Group announced that Cordlife had entered into a licensing agreement with StemLife, to jointly explore and develop umbilical cord lining related new services based on cellular technology in Malaysia.
- In October 2013, the Group’s Indian subsidiary, Cordlife Services (India) Pvt. Ltd., introduced an advanced non-invasive metabolic screening service known as MetaScreen. MetaScreen is a comprehensive set of metabolic screening test specially designed for both newborn babies and adults. The service can detect as many as 110 inborn errors of metabolism from urine samples.

Mr Yee continued: “We remain focused on our plans to expand our geographical footprint (economies of scale), as well as increase the scope of products and services that we will be providing (economies of scope), as a Pan-Asian consumer healthcare company catering to the mother & child. Going forward, the Group is cautiously optimistic that its strong market position and brand equity, coupled with favourable industry factors, will benefit the Group in the next 12 months. Barring any unforeseen circumstances, the Group expects to remain profitable for FY2015.”

- The End -

## **ABOUT CORDLIFE GROUP LIMITED (Bloomberg stock code: CLGL)**

Incorporated in May 2001, Cordlife Group Limited (“Cordlife”, and together with its subsidiaries, the “Group”), is a consumer healthcare company catering to the mother and child segment and a leading cord blood and umbilical cord lining banking services provider. Amongst the first private cord blood banks in Asia, Cordlife has established a dominant market leader position in Singapore<sup>2</sup>. Today, it has the larger market share of the only two private cord blood banks in Singapore. In Hong Kong, it is amongst the three market leaders for private cord blood banks. Cordlife completed the acquisition of the cord blood and umbilical cord lining banking businesses and assets in India, the Philippines and Indonesia from Australia-listed Life Corporation Limited (formerly known as Cordlife Limited) in June 2013.

Cordlife, through its collaborative relationships or arrangements with major private hospitals and clinics such as Thomson Medical and Parkway East Hospital, has continued to increase public awareness of its cord blood banking services in Singapore. Overseas, the Group has a 10% direct stake in China Cord Blood Corporation – a top cord blood bank operator in China holding majority shares in the Beijing, Guangdong and Zhejiang Cord Blood Banks, and an approximately 24% share in Shandong Cord Blood Bank. In October 2013, Cordlife also acquired a 19.92% stake, which was subsequently increased to approximately 31.81% in December 2013, in StemLife Berhad. StemLife Berhad is a fully licensed cord blood banking facility with the Ministry of Health Malaysia currently listed on the ACE Market of Bursa Malaysia.

Cordlife has been accredited since 2005 by AABB (formerly known as the American Association of Blood Banks), an association involved in the field of transfusion medicine and cellular therapies. The Group is one of the first private cord blood banks in Singapore and amongst the first in Hong Kong to have released cord blood units for transplants and other therapeutic use. In Singapore, Cordlife was the first private cord blood bank to release cord blood units for the treatment of cerebral palsy.

Cordlife’s track record has won the Group many accolades and awards, including: Best Medical Service Award 2010 by Capital CEO Supreme Brand Awards; Top Pregnant/Baby Products Award 2011 by Pregnancy Magazine; Outstanding Financial Strength Cord Blood Bank 2012 by Quamnet Outstanding Enterprise Awards; Most Popular Brand Award 2010 – The Most Popular Cord Blood Bank by TVB Weekly; U-Choice Lifestyle Brand Award 2010 by Metroinfo FM99.7; Baby & Kid Brands Awards year 2013, “My Favourite Cord Blood Bank” by Hong Kong Economic Times; and Baby Kingdom Top 10 Family Brand Award 2012<sup>6</sup>. In October 2012, Cordlife was awarded the prestigious SIAS Investors’ Choice Awards as runner-up in the “Most Transparent Company Award 2012” New Issues Category. In August 2013, we were presented with Merit Award for the Singapore Corporate Awards 2013, “Best Investor Relations Award”. In November 2013, Cordlife was named the “Most Transparent Company 2013” in the Retail & Household Goods Category and Mainboard Small Caps Category at the 14<sup>th</sup> SIAS Investors’ Choice Awards.

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<sup>6</sup> Awarded to Cordlife (Hong Kong) Limited

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