

# CORPORATE PRESENTATION

October 2014



**cordlife** – A Consumer Healthcare Company, listed on the Mainboard of SGX-ST.



Cordlife Singapore, Hong Kong & India are  
**BB Accredited**

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Singapore | Hong Kong | India  
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# INTRODUCTION

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one chance, one choice.



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# Company overview

The first cord blood bank to be set up in Singapore and amongst the first in Asia, Cordlife has more than 13 years of cord blood banking experience as well as a successful track record of cord blood releases for transplants and therapeutic applications

## 3 products and services offering

### Core product: Cord Blood Banking



- Collection at birth, processing, testing, cryopreservation and storage of stem cells from the umbilical cord blood

### Umbilical Cord Lining Banking



- Collection, processing, testing, cryopreservation and storage of the umbilical cord lining

### MetaScreen Metabolic Screening



- Catered for newborns, MetaScreen detects as many as 110 metabolic disorders
- Non-invasive and advanced technology testing on urine samples

## 7 key markets



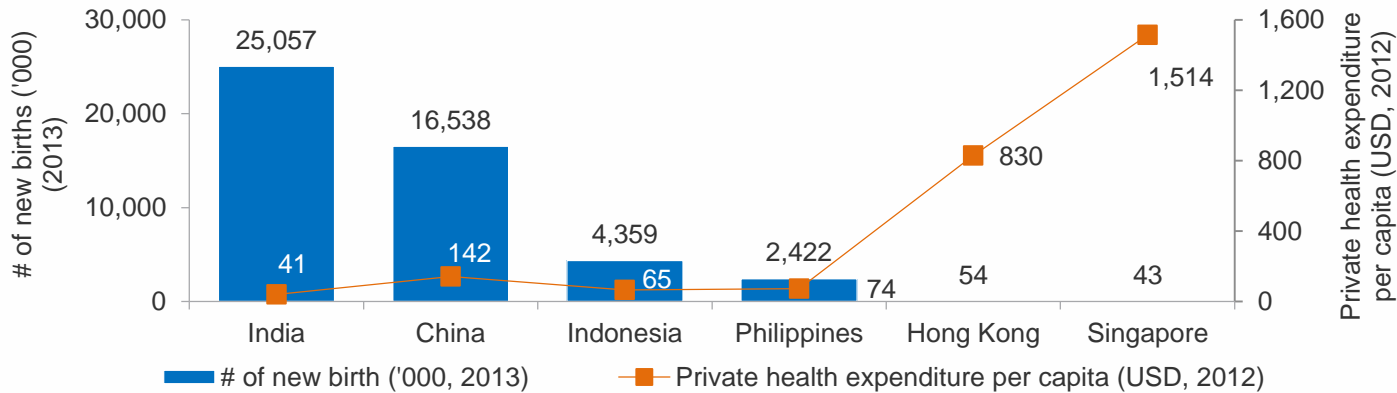
● Mature markets ● Growth markets # Market share

# Positioned to capture Asian growth



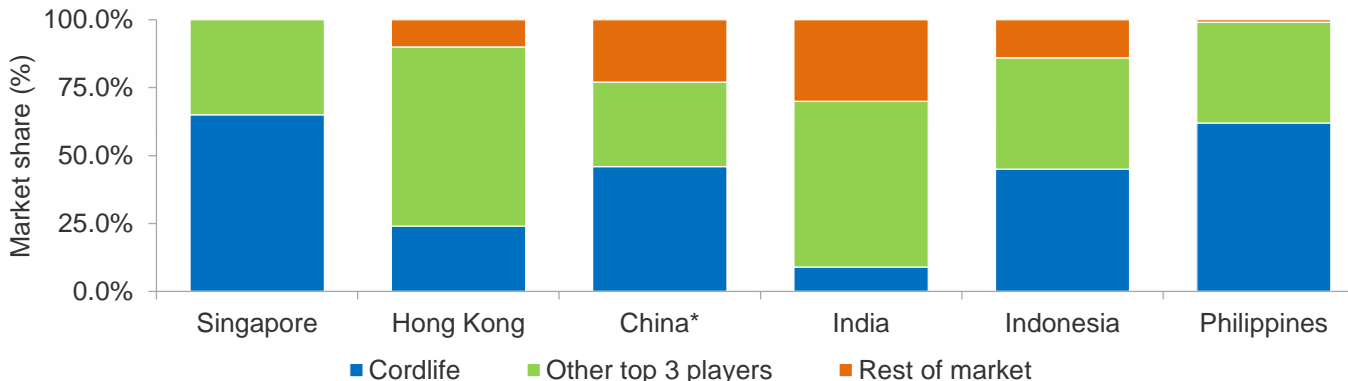
Cordlife occupies dominant positions in markets where industry concentration is high, and is well-positioned to capture growth in the Asian consumer healthcare sector

Birth rates vs private health care expenditure per capita



Significant room for private health expenditure to increase in growth markets where birth rates are high but healthcare spend is relatively low

Cord Blood Banking – Top Three Companies’ Market Share in Private Sector (2013)



Top 3 players of each market enjoys at least 70.0% of the market share

Source: Deloitte & Touche Financial Advisory Services Limited report, October 2014  
 Note: Industry concentration is defined by the total market share of top 3 players  
 \* Cordlife’s market share represented by China Cord Blood Corporation’s market share

# Our Vision



New product offerings

Strategic acquisitions / partnerships



Increase penetration

Where are we now?

Top 3 private cord blood bank player in each key market

*Investments and marketing expenses necessary to:*

- Increase penetration rates
- Capitalise on first mover advantage

Our target

**No.1**

consumer healthcare player in Asia

- ✓ Market share leadership in each jurisdiction
- ✓ Strong recurring cashflows from high penetration rates in each market
- ✓ Higher profit margins from economies of scale
- ✓ Multiple product offerings utilizing the same platform

# OPERATIONAL HIGHLIGHTS

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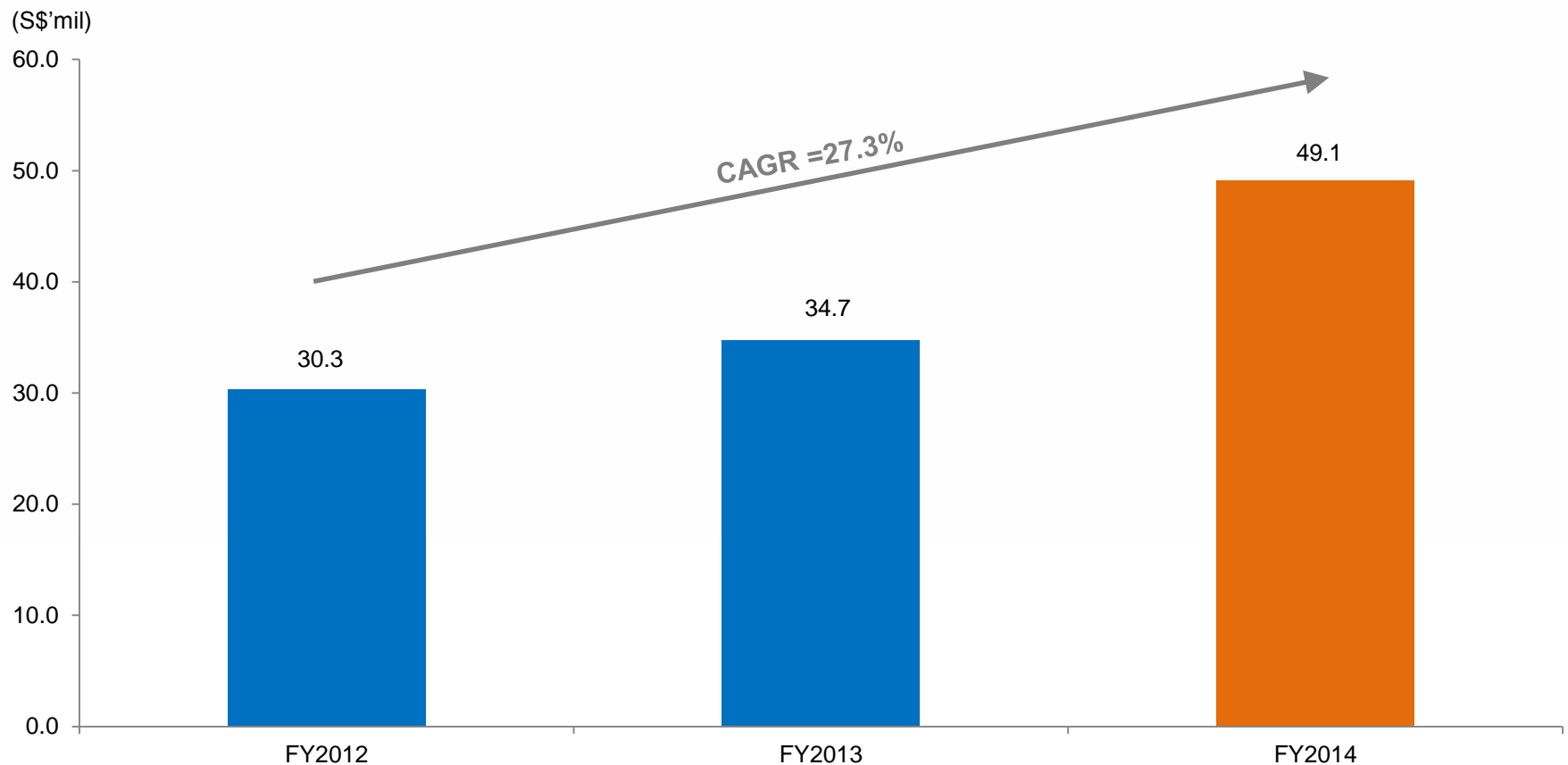


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# Revenue growth

Consistent revenue growth since IPO\* as we increase penetration and make inroads into new markets



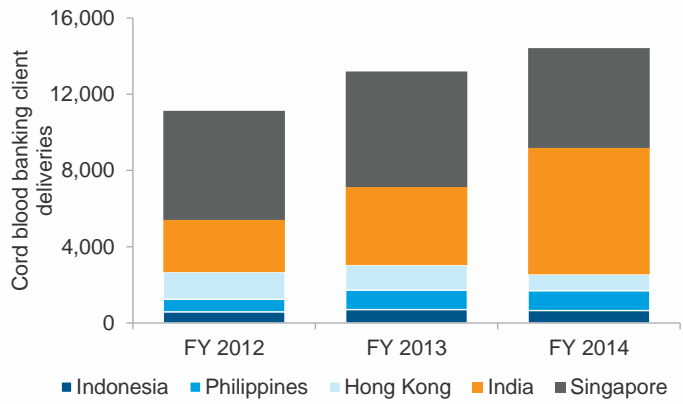
\*Cordlife was listed on the Mainboard of SGX-ST on 29 March 2012.

# Operational overview – existing products

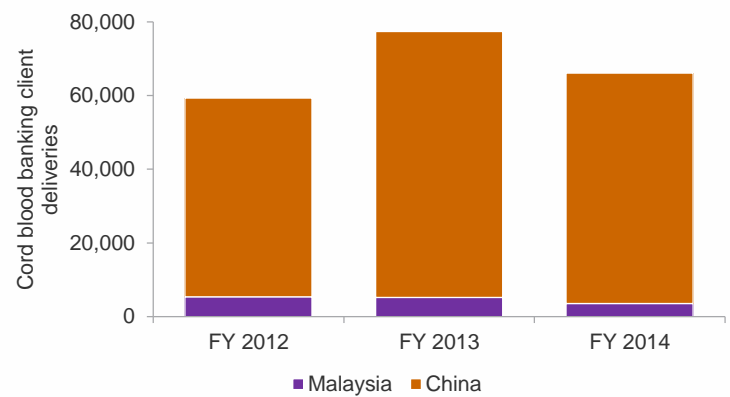


## Cord Blood Banking client deliveries (Y-o-Y comparison)

### Markets of key subsidiaries

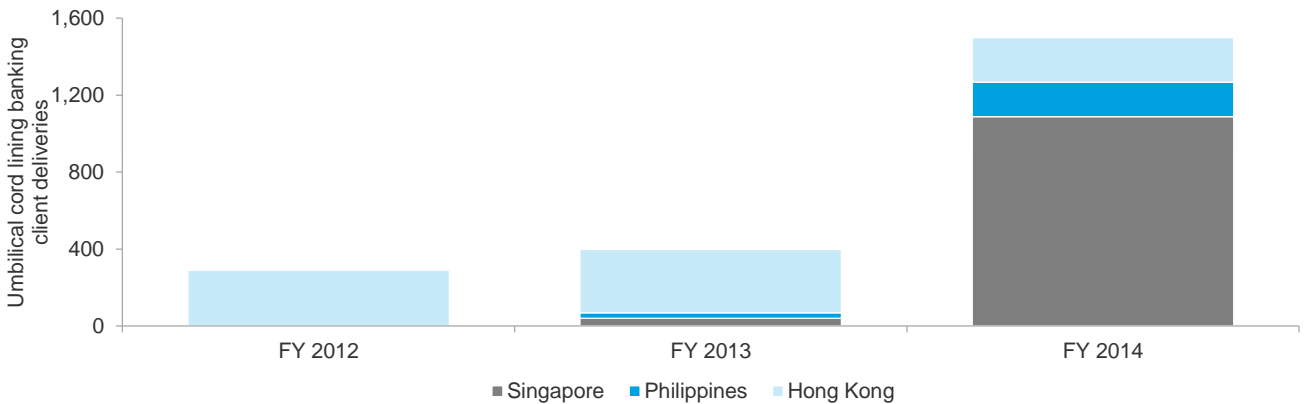


### Investment markets



**Total cord blood banking revenues in FY2014: 90.0% of total revenues**

## Umbilical Cord Lining Banking client deliveries (Y-o-Y comparison)



**Total umbilical cord lining banking revenues in FY2014: 9.0% of total revenues**

\* Cord blood and umbilical cord lining banking are bundled for clients in India.  
 Note: Malaysia is represented through Cordlife's 31.8% ownership in StemLife Berhad and China through Cordlife's 10.0% ownership in China Cord Blood Corporation



# New product offerings

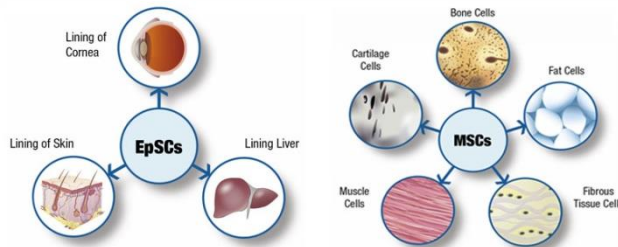
In-roads made thus far from 2 new product offerings will enhance strategy going forward

## Umbilical Cord Lining Banking

*Boost recurring income streams*

### What is it?

- Option to bank a section of the actual tissue that makes up the umbilical cord have shown immense potential in aiding the repair of injured tissues and organs and the treatment of various diseases
- Components of umbilical cord tissue:



## MetaScreen Metabolic Testing

*One-time fee generates larger cashflows*

- Non-invasive, comprehensive metabolic screening test that can detect up to 110 inborn errors of metabolism using urine samples of newborns
- Benefits include early diagnosis and intervention and reduced financial burden from potential long-term complications



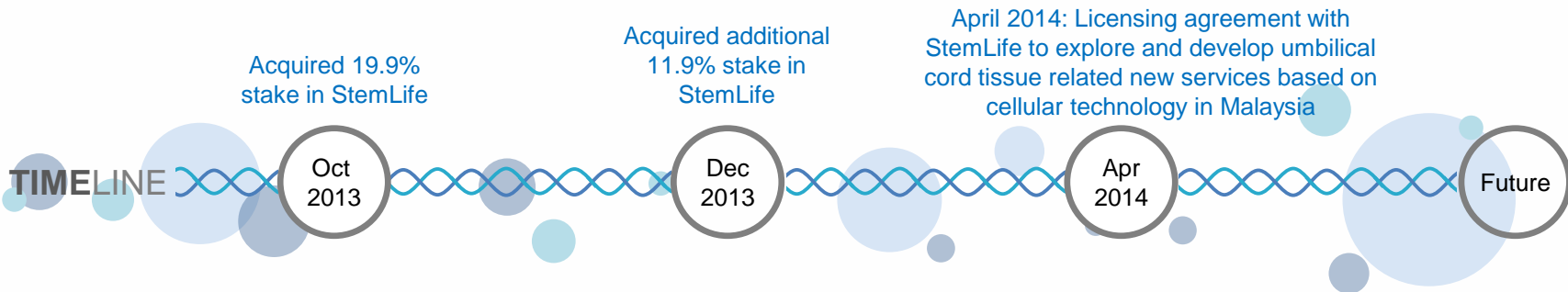
### Progress made

- Launched in Singapore (2013\*), Hong Kong (2011), Philippines (2013) and India (2010)
    - Room for increase in penetration rates in a relatively new product
  - Higher gross margin product than cord blood banking
  - Immediate plans to expand coverage to all remaining markets
- 
- Launched in Philippines (2014), Hong Kong (2014) and India (2013). Launched on Cordlife's existing platform
  - First in Cordlife's pipeline of new product and service offerings whilst transitioning into a multi-product healthcare company catering to the mother and child segment
  - Larger addressable market than cord blood / cord lining, as the service can be offered at birth or after birth / during childhood

\*The storage and banking of umbilical cord lining services provided is currently not licensed by the Ministry of Health, Singapore and this service is provided on a research / clinical trial basis

# Inorganic growth opportunity: Malaysia

## Exciting prospects in Malaysia



- First stem cell banking and therapeutics company in Malaysia
- Fully licensed cord blood banking facility with the Ministry of Health Malaysia
- First Malaysian cord blood banking company providing umbilical cord blood-derived stem cells for bone marrow transplantation in paediatric leukemia and adult stems cells for use in treatment of blood-related disorders, foot ulcers as well as sports and trauma injuries

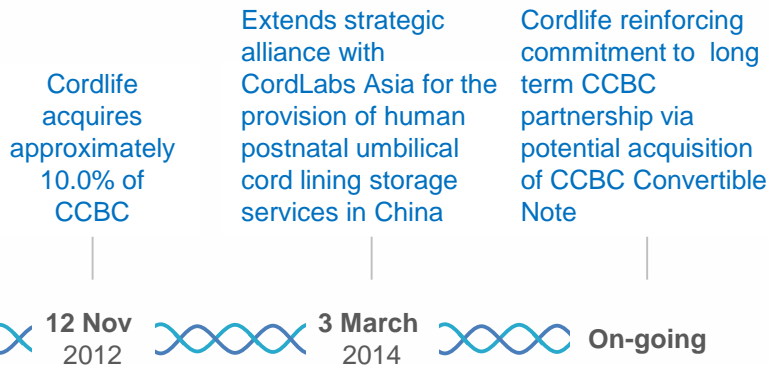
### Transaction rationale

- Capitalising on growth opportunities in Malaysia driven by rising affluence and health awareness
- Cost synergies through potential utilisation of Malaysian facilities by Singapore customers
- Enhancing revenues and margins

# Inorganic growth opportunity: China

## Leveraging platform in China for expansion and growth

Key China milestones



- ✓ Owns 3 out of 7 issued licenses in the PRC to operate cord blood banking business. Only 1 licensed operator permitted to operate in each licensed region
- ✓ Provides Cordlife with a platform to tap one of the fastest growing consumer healthcare markets globally
- ✓ Provides Cordlife with an avenue to launch existing and new products on a potentially large scale

### China Cord Blood Corporation (NYSE: CO US)

- China's largest cord blood banking operator
- Exclusive license to provide cord blood storage services in Beijing, Guangdong and Zhejiang
- Approximately 24.0% stake in Shandong Cord Blood Bank
- Cord lining storage services available in Beijing but to be extended to Zhejiang and Guangdong in the near future

Recent transaction update

### Acquisition of China Cord Blood Corporation Convertible Note

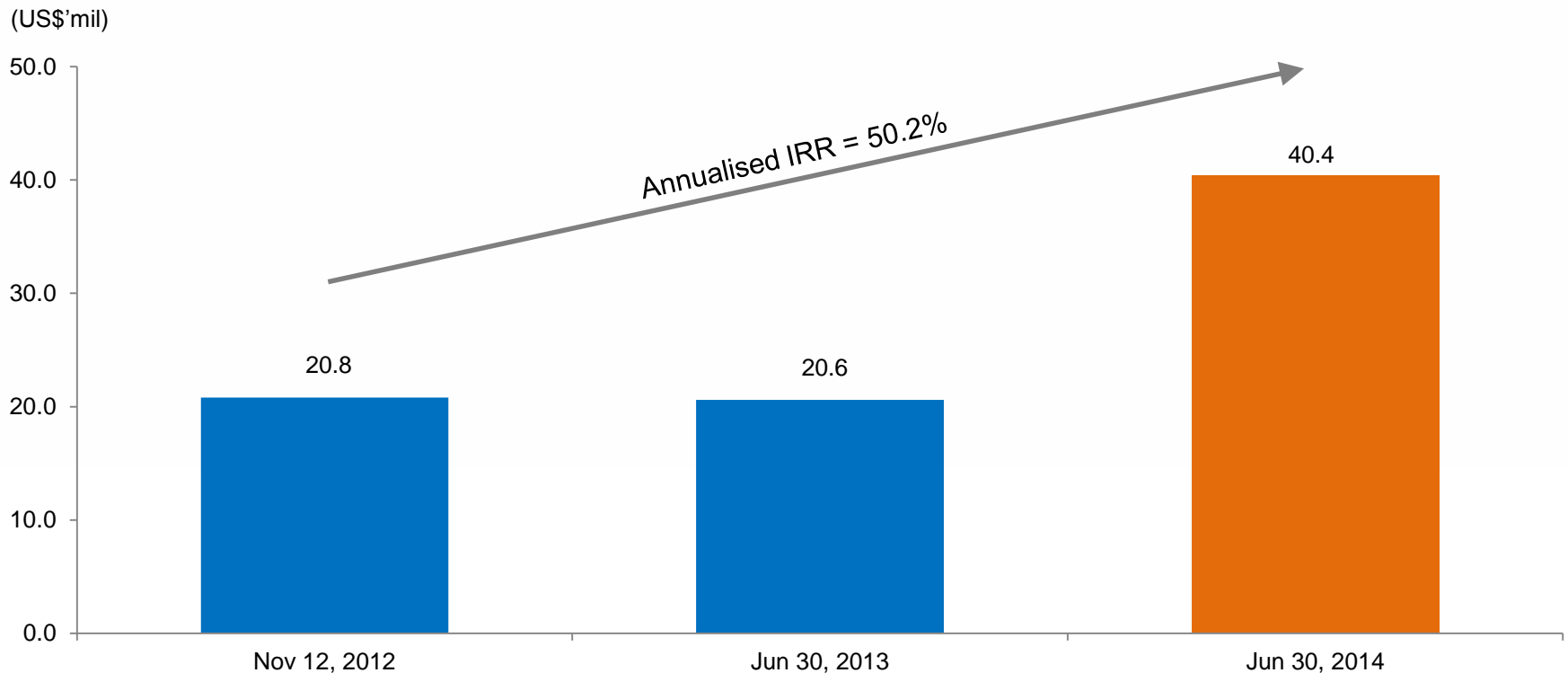
- Cordlife able to raise its interest in CCBC from 10.0% to 17.8%
- Magnum Opus International Holdings Limited (controlled by Mr Yuen Kam, Chairman of CCBC, and management of CCBC) also acquired an equal amount of convertible note in dollar terms which is funded through a facility agreement between Cordlife and Magnum
- Steady source of income from recurring annual coupon payments of US\$1.75m

# Historical performance of Cordlife's China investment portfolio



## Cordlife's stake in CCBC

- Acquired approximately 10.0% of CCBC and disposed 10.0% indirect equity stake in Guangzhou Tianhe Nuoya in November 2012
- Between 12 Nov 2012 and 30 Jun 2014, Cordlife has realised an Annualised IRR of 50.2% on the US\$20.8 million invested in CCBC



*Note: The US\$20.8 million reflects the investment cost of Cordlife's 10.0% stake in CCBC in November 2012, while values of US\$20.6 million and US\$40.4 million reflect the value of a 10.0% stake in CCBC based on the prevailing market capitalisation of CCBC on the respective dates*

# INDUSTRY OUTLOOK

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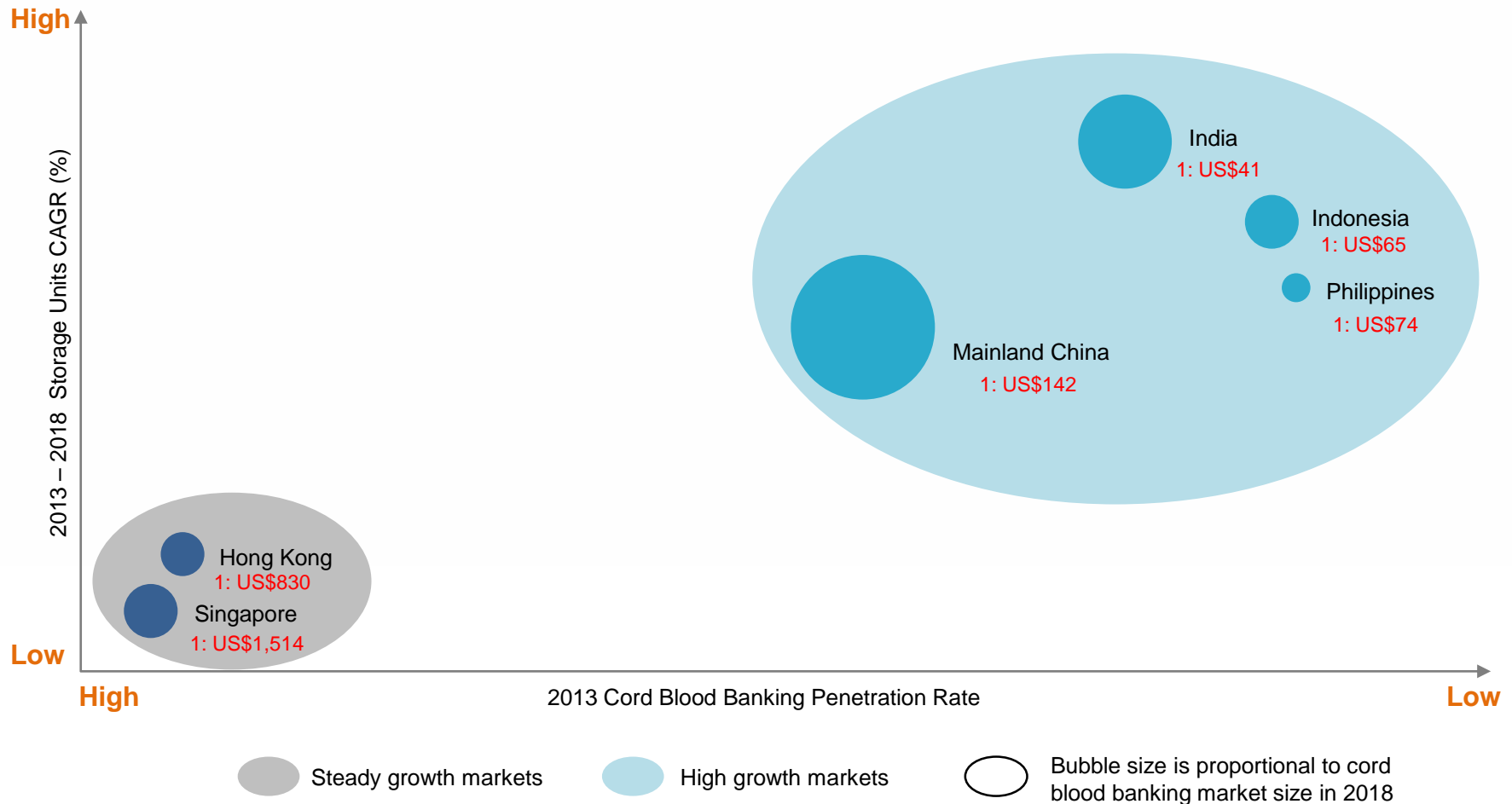
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# China, India, Indonesia, and the Philippines are the most attractive cord blood banking markets in the region



## Cord blood banking in selected markets



Source: Deloitte & Touche Financial Advisory Services Limited report, October 2014. (1) refers to Private Health Expenditure per capita (USD, 2012)

# Industry outlook: Singapore and Hong Kong

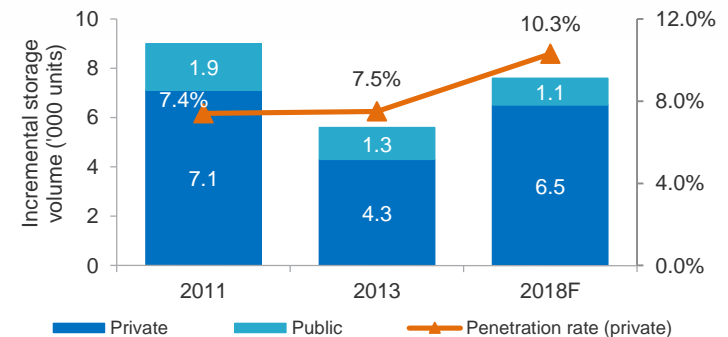
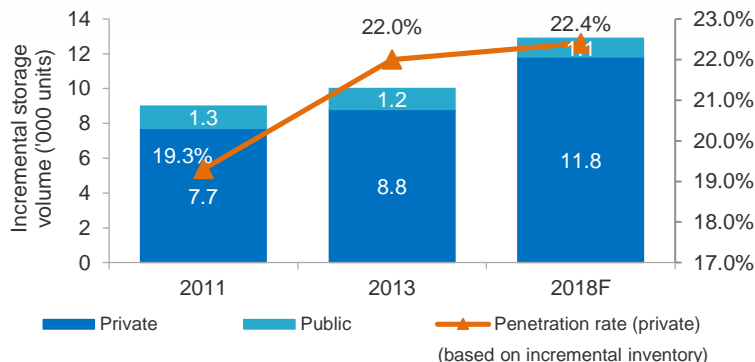
## Highest penetration rate amongst countries where Cordlife operates

### Singapore #1 market share

<b>Growing customer base</b>	<ul style="list-style-type: none"> <li>• Incentive programs such as Baby Bonus Scheme that provide cash incentive and additional benefits</li> <li>• Emerging demand of medical tourism</li> </ul>
<b>Increasing public acknowledgement</b>	<ul style="list-style-type: none"> <li>• Increasing cases of successful transplants and extensive press coverage by mass media</li> </ul>
<b>Competition</b>	<ul style="list-style-type: none"> <li>• Tougher competition could lead to a drop in average price and improving quality of service offerings, which would potentially uplift the market penetration</li> </ul>

### Hong Kong #2 market share

<b>Zero quota for mainland parents</b>	<ul style="list-style-type: none"> <li>• Prior to strict regulation in 2013, births from mainland mothers accounted for <b>35.0 – 40.0%</b> of total new births</li> </ul>
<b>Increased public awareness and affordability</b>	<ul style="list-style-type: none"> <li>• Efforts to raise awareness through:             <ul style="list-style-type: none"> <li>○ TV commercials and magazine ads</li> <li>○ Pregnancy community and sessions, lab visit</li> <li>○ Baby care fair / conventions</li> </ul> </li> <li>• Steadily rising disposable income and partnership with credit card issuers to provide purchase-on-credit options</li> </ul>
<b>Acknowledgement from OB/GYN</b>	<ul style="list-style-type: none"> <li>• Sales force of private banks covers an increasing number of private clinics, leading to more OB/GYNs recommending the service</li> </ul>
<b>Competition</b>	<ul style="list-style-type: none"> <li>• Fierce competition among four private banks drives down average price of service</li> </ul>



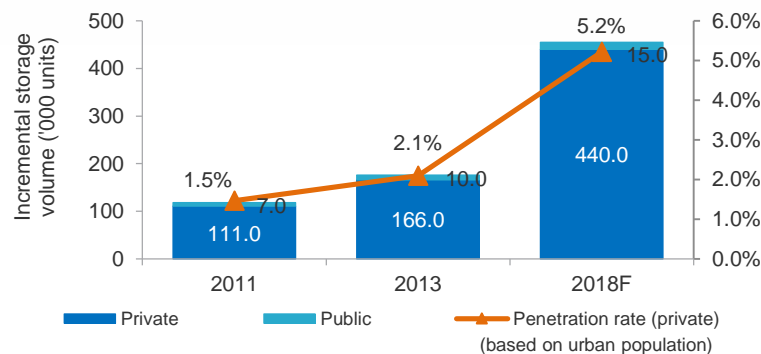
Source: Deloitte & Touche Financial Advisory Services Limited report, October 2014. (1) refers to Private Health Expenditure per capita (USD, 2012)

# Industry outlook: China and India

Huge potential from large number of new births and population size

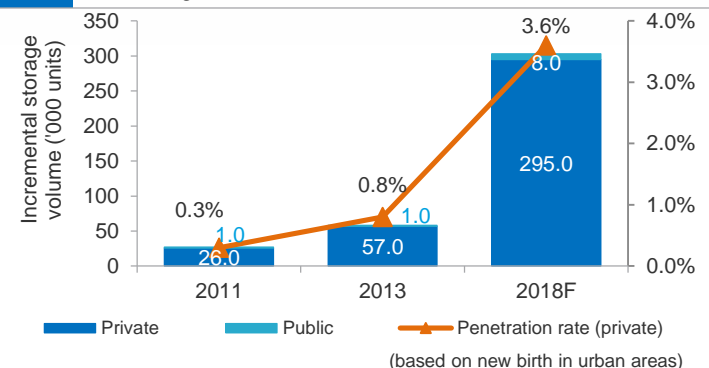
## China #1 CCBC's market share in China

<b>Growing customer base</b>	<ul style="list-style-type: none"> <li>Ease of one child policy – 1 – 2 mn additional new births in urban areas per year</li> <li>Recent ban on mainland mothers giving birth in HK bring back ~35k affluent customers per year</li> </ul>
<b>Increasing affluence</b>	<ul style="list-style-type: none"> <li>Increasingly affluent population</li> <li>Middle class who are more health conscious and have less financial constraints</li> </ul>
<b>Emerging Private Healthcare Service</b>	<ul style="list-style-type: none"> <li>Emergence of private hospitals that provide high-end maternity care services</li> </ul>
<b>Loosening of restrictions on service access</b>	<ul style="list-style-type: none"> <li>Guangdong and Zhejiang (2 of China's largest provinces that are highly regulated) are loosening the restrictions on service access</li> </ul>



## India #3 market share

<b>Increasing awareness in target population</b>	<ul style="list-style-type: none"> <li>Due to high cost of private cord blood banking, target market is only 0.6 million births per year</li> <li>Increased awareness of cord blood banking due to: Increased marketing and better parental counselling in selected private hospitals</li> </ul>
<b>Increasing affordability and access</b>	<ul style="list-style-type: none"> <li>Most private cord blood banks are now providing payment options other than one-time lump sum</li> <li>Geographical expansion: Cord blood banks have significantly expanded their reach to over 110 cities</li> <li>Hospital partnership</li> </ul>
<b>Improving Government Support</b>	<ul style="list-style-type: none"> <li>Grant of INR90m to the public cord bank Jeevan to remain operational for another 3 years</li> <li>LifeCell plans to set up India's largest public bank with 10,000 units of storage volume with INR25m investment</li> <li>Lifting of 12.4% service tax for cord blood services</li> </ul>





# Industry outlook: Philippines and Indonesia

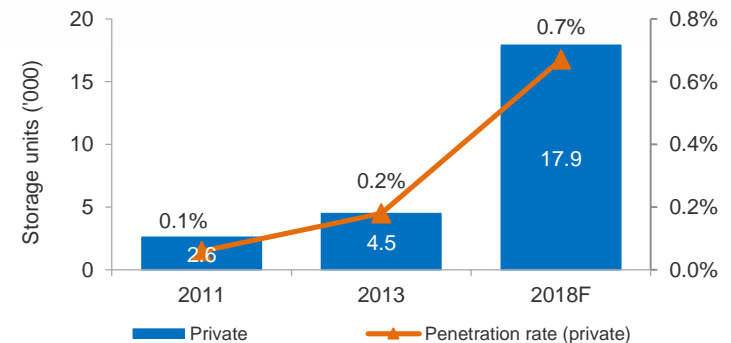
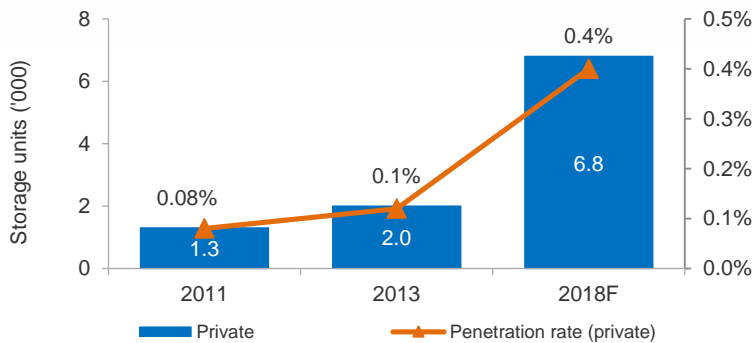
## Rapid growth in penetration rates and wealth profiles

### Philippines #1 market share

<b>Continuous government promotion</b>	<ul style="list-style-type: none"> <li>The “Umbilical Cord Blood Collection Act”, which aims to promote cord blood storage nationwide has been introduced</li> <li>The Department of Health has launched a series of policies that benefit the cord blood banking industry</li> </ul>
<b>Rising public awareness</b>	<ul style="list-style-type: none"> <li>Leading players are investing in customer education via a variety of marketing campaigns                             <ul style="list-style-type: none"> <li>○ Ads on influential media</li> <li>○ Celebrity endorsement</li> <li>○ Educational events / lectures</li> </ul> </li> </ul>
<b>Improving affordability</b>	<ul style="list-style-type: none"> <li>Household income is growing, 55.0% of the household will earn more than US\$10K per month by 2018</li> <li>These households are expected to have enough disposable income to spend on healthcare service such as cord blood storage</li> </ul>

### Indonesia #1 market share

<b>Rising public awareness</b>	<ul style="list-style-type: none"> <li>Leading players are investing in customer education through a variety of marketing campaigns                             <ul style="list-style-type: none"> <li>○ Ads on influential media</li> <li>○ Educational events / lectures</li> </ul> </li> </ul>
<b>Increasing Hospital Partnership</b>	<ul style="list-style-type: none"> <li>Leading players are partnering up with private and top public hospitals in urban areas to promote cord blood banking services</li> </ul>
<b>Increasing Acknowledgement from OB-GYN</b>	<ul style="list-style-type: none"> <li>Physicians are the most important source of professional advisers for expectant mothers thus cord blood banking companies are covering more private banks and top public hospitals</li> </ul>



(based on all cord blood collection in Indonesia – including offshore)

# FINANCIAL HIGHLIGHTS



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# Financial highlights

FY2014 revenue and net profit increased by 41.5% and 125.3% respectively

(S\$'mil)	FY2013	FY2014	+(-)% Chg
<b>Total Revenue</b>	34.7	49.1	41.5
<b>Cost of Sales</b>	(9.4)	(14.2)	51.8
<b>Gross Profit</b>	25.3	34.9	37.6
<b>Net Profit</b>	13.5	30.4	125.3
<b>Net Profit excl one-off items*</b>	6.7	7.6	13.0
<b>(S cents)**</b>			
<b>Earnings Per Share</b>	5.8	11.9	105.2
<b>(%)</b>			
<b>Gross Profit Margin</b>	73.0%	71.0%	-2.0%
<b>Net Profit Margin excl one-off items</b>	19.4%	15.5%	-3.9%

Note: Figures might not tally due to rounding of numbers

\*One-off items include 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 at fair value through profit or loss of S\$6.3 million, share of loss in associate of S\$2.4 million and fair value gain on investment properties of S\$0.1 million in FY2014; and gain on disposal of associate of S\$2.7 million, share of gain in associate of S\$2.8 million, fair value gain on investment properties of S\$1.1 million and negative goodwill of S\$0.1 million in FY2013

\*\*Calculation for EPS for the respective financial periods is based on the actual weighted average number of ordinary shares in issue during the respective financial periods.

# FY2014 Financial highlights

- Revenue increased 41.5% year-on-year, driven by rise in number of client deliveries
- Net profit after tax rose 125.3% compared to FY2013 to S\$30.4 million
- Excluding one-off items, the Group's core net profit would have been S\$7.6 million for FY2014, representing a 13.0% growth from S\$6.7 million for FY2013
- Gross profit margin remained stable at 71.0% in FY2014 as compared to 73.0% in FY2013
- Strong balance sheet with cash and cash equivalents of S\$45.4 million and low gearing of 0.1x
- Total dividend of 2.0 cents per ordinary share for FY2014





# FY2014 – Factors that affected core profitability



## **Decrease in FY2014 Sales from Hong Kong subsidiary**

Due to a moratorium by the Hong Kong government on mainland Chinese mothers giving birth at private hospitals in Hong Kong commencing in 2013

- Cordlife (via CCBC) positioned to capture migration of customers back to China hospitals

## **55.8% increase in FY2014 selling and Marketing expenses (S\$4.4 million) compared to FY2013 – primarily due to acquisition of subsidiaries in Indonesia, India and Philippines**

- Investments in growth markets essential in establishing market share leadership positions and to capitalise on first mover advantage in these markets
- Penetration rates targeted to increase over time post initial marketing spend in new growth markets of Philippines, India and Indonesia
- Excluding initial spend in growth markets and marketing expenses that are one-off in nature, selling and Marketing expenses would have decreased by 3.3% compared to FY2013

## **46.8% increase in FY2014 administrative expenses (S\$4.8 million) from expansion of in growth markets compared to FY2013 – potential for economies of scale once critical mass is achieved**

# Near term income growth drivers



## Successful introduction and expansion of new products

- Rollout of umbilical cord lining and MetaScreen Metabolic screening in target countries
- Further new products catering to the mother and child



## Investment in CCBC

- Participate in CCBC's China growth story and upside from:
  - Potential coupon payments from Convertible Note: 7.0% p.a. which amounts to US\$1.75m annually
  - Potential dividend income
  - Capital appreciation (Annualized IRR of 50.2% from inception till 30 June 2014)
  - Potential interest from facility granted to Magnum Opus International Holdings Limited
    - Upfront non-refundable fee of approximately US\$1.45m
    - 7.0% p.a. semi-annually for first 3 years of loan. 4<sup>th</sup> and 5<sup>th</sup> years, interest payable at a rate of 4.6% over the Swap Offer Rate or 7.0% per annum, whichever is higher
- Expansion of products into China via CCBC

Healthy balance sheet, pre investment in CCBC Convertible Note and Magnum facility:

- Gearing ratio of 0.1x
- Cash & cash equivalents of S\$45.4 million

As at June 30, 2014	Pre investment in CCBC Convertible S\$'000	Post investment in CCBC Convertible*** S\$'000
Cash and cash equivalents*	45,409	45,409
Total Assets	190,707	303,526
Total Liabilities	49,415	162,234
Total Equity	141,292	141,292
Gearing Ratio**	0.1x	0.9x

\*Inclusive of S\$11.8 million in fixed deposits, S\$1.0 million in short term investments and exclusive of pledged fixed deposits of S\$0.3 million

\*\*Book value of debt/Total book value of equity

\*\*\*Assuming CCBC Convertible Note and facility granted to Magnum Opus International Holdings Limited completely funded by debt. Based on an exchange rate of US\$1.00: S\$1.246

## Strong cash position

- Well-poised for further market penetration and expansion at home and overseas
- Strategic use of cash for accretive investments
- Limited capital expenditure going forward

<b>S\$'000</b>	<b>FY2013</b>	<b>FY2014</b>
Operating cash flow before movement in working capital	8,611	10,812
Net cash generated from operating activities	8,665	3,753
Net cash used in investing activities	(10,422)	(13,517)
Net cash generated from / (used in) financing activities	(3,183)	34,408
<b>Cash &amp; Cash equivalents at end of period</b>	<b>23,328*</b>	<b>45,409**</b>

\*Inclusive of S\$15.0 million in fixed deposits, S\$0.3 million in short term investments and exclusive of pledged fixed deposits of S\$0.3 million as at FY2013

\*\*Inclusive of S\$11.8 million in fixed deposits, S\$1.0 million in short term investments and exclusive of pledged fixed deposits of S\$0.3 million as at FY2014



# APPENDIX



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# Group Structure

