

CRYO CELL INTERNATIONAL INC
Form DEFA14A
June 27, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14A
(RULE 14A-101)

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant: Filed by a Party other than the Registrant:

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
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CRYO-CELL INTERNATIONAL, INC.

Payment of Filing Fee (Check the appropriate box):

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Mercedes Walton
Chairman & Chief Executive Officer
Jill Taymans
Chief Financial Officer
Scott Christian
Independent Outside Director
OTC.BB: CCEL

Statements wherein the terms believes , intends , projects or expects as used are intended to reflect forward-looking statements of the Company. The information contained herein is subject to various risks, uncertainties and other factors that could cause actual results to

differ materially from the results anticipated in such forward-looking statements or paragraphs.

Readers/Audience should carefully review the risk factors described in other documents the Company files from time to time with the Securities and Exchange Commission, including the most recent Annual Report on Form 10-KSB, Quarterly Reports on Form 10-QSB and any Current Reports on Form 8-K filed by the Company.

FORWARD-LOOKING STATEMENTS

7 members
Medical and
Scientific Advisory Board
5 members (will become 6 at 2007 annual
meeting)
all are elected annually
and

all but sitting CEO are independent

Board of Directors

CCEL

Public since 1991

OTC.BB

\$26

million

Market Capitalization

Oldsmar, FL

Headquarters

1989 in Delaware

Incorporation

Mercedes Walton, Chairman & CEO

W. Rob Doll, VP Marketing, Sales & Svc.

Jill Taymans, Chief Financial Officer

Julie Allickson, PhD, VP Lab Operations

Officers

11.7 million

Approx. 5,000 shareholders

Shares Outstanding

PUBLIC COMPANY PROFILE

BUSINESS OVERVIEW

Greater than 135,000 worldwide

Client Base

Current: U-Cord

®

Service. Collection and cryo-
preservation of stem cells from umbilical cord blood

Coming Soon: Maternal Placental Stem Cell (MPSC).

Collection and preservation of proprietary, placental stem cells

Services

\$1,595 for cord blood collection and preservation

\$125 for annual storage

Current Service Fees

Service fees for cord blood collection and preservation

Recurring annual storage fees

Licensing fees and royalties from global affiliates

Revenue Sources

United States

Mexico, Central America, South America

India, Singapore, Malaysia

Markets Served

One of the world's largest and most established cord blood stem cell banks

Product
diversification:
When
launched
Maternal
Placental
Stem

Cell
(MPSC)
will
be
industry
exclu
sive
service.
CCEL
owns
intellectual
property
(IP)
for
MPSC
and
has
commenced
pre-
clinical
studies
of
the
technology.
Launch
date
to
be
announced
in
FY
07.
Potential
therapeutic
applications
for
major
diseases
increasing
interest
and
value
of
stem
cell
banking.
CCEL
will
have
highly

differentiated
marketing
message:
Protect
Your
Baby,
Protect
Yourself .
Superior
Quality
Accreditations:
Current
Good
Manufacturing/Good
Tissue
Practice
compliance
(cGMP/cGTP);
ISO
9000:2001
accreditation;
AABB
(formerly
American
Association
Blood
Banks)
certification.

Continual enhancements in operational efficiencies for sustainable margin performance.

Leveraging highly scalable Internet marketing initiatives; call center support and clinical services strategies to target and grow consumer and professional markets.

Loyal customer base driving repeat business and client referrals.

Expanding global presence through turnkey business model.

GROWTH DRIVERS

U.S. CORD BLOOD BANKING MARKET DYNAMICS

Increased government regulation

Significant capital investment

High costs of operation

Increasing presence of public cord blood banks

High Barriers to Entry

Approx. 25 competitors (of which two are publicly

traded

VIAC and CBAI)

3 companies hold 75 -

80% market share

Highly-Fragmented

Current annual penetration rate: less than 8.0%

(2)

Low Penetration Rate

4 million annual births

Target market: 800,000 to 1,000,000 annually

(1)

Large and

Growing Market

(1)

Based on target demographics

(2)

Based on target market. First Call research estimates

WHAT ARE STEM CELLS?

Distinguished by two important characteristics:

Unspecialized cells that renew themselves for long periods through cell division

Under certain physiologic or experimental conditions, can be

induced to become specialized cells

-

Example: heart muscle cells or insulin-producing cells of pancreas

Scientists primarily work with two kinds of stem cells from animals and humans that have different functions and characteristics:

Embryonic stem cells

Adult stem cells

CRYO-CELL s
HIGHLY DIFFERENTIATED STEM CELL PLATFORM
U-Cord
®
Service
Source of hematopoietic
stem cells that can divide

and become:

Blood cells

Immune system cells

Platelets

High rate of engraftment and tolerance of HLA mismatches

Can be transplanted to self (autologous) or others (allogeneic)

6,000 estimated industry-wide transplants

Cryo-Cell currently collects, tests, processes and preserves

U-Cord

®

blood stem cells

Maternal Placental Stem Cells (MPSCs)

Undifferentiated, multi-potent; potentially pluripotent

cells

Matched to donor (mother)

Able to differentiate into three lineages (neural, bone, fat)

Highly clonogenic

(high self-renewing capacity)

Potential to advance Women's Healthcare by providing prospective therapeutic applications

for broad range of diseases afflicting women

(i.e. heart disease; diabetes; stroke; neurological disorders; osteoporosis; etc.)

U-CORD

®

STEM CELL COLLECTION AND PRESERVATION

Increased awareness and acceptance among OB/GYNs

Influence interest among expectant parents

Non-controversial, no moral or ethical dilemma

Cord blood is proven treatment therapy for more than 70 diseases

As research progresses, the therapeutic potential increases stored stem cell value

U-CORD

®

CURRENT AND FUTURE POTENTIAL

Current Applications of Cord Blood Therapy

Blood Cancers

Bone Marrow Failure Syndromes

Blood Disorders

Congenital Metabolic Disorders

Immune Deficiencies

Current R&D

Cardiac (post-MI treatment)

Nerve Cell Repair (Alzheimer s, Parkinson s)

Spinal Cord Injury

Maternal Placental Stem Cells (MPSCs)

Cryo-Cell has isolated a new type of adult stem cell with potential for treating a broad range of diseases in the future.

MPSCs
are
taken

from
the
discarded
placental
tissue
immediately
after
childbirth.

Maternal in nature, it is genetically matched with the mother.
Researchers believe that MPSCs
may serve as an alternative to embryonic
stem cells in the development of human cellular therapies and for use in
regenerative medicine associated with the donor (mother).

MPSCs
have successfully differentiated into several other cell types,
including neural, bone
and fat cells.
MPSC service to be offered commercially, when available, as a bundle with the
Company's U-Cord®
service.
Launch date to be announced in coming months.
Clinical validation and testing for commercialization of the process needs to be
complete.
Final business and economic model is currently being developed.

INVESTMENT HIGHLIGHTS

Established client base drives significant recurring revenue

Isolation of the maternal placental stem cell (MPSC) with new therapeutic potential for advancing women's healthcare

Growing royalties from global affiliates

CRYO-CELL de Mexico, Asia CRYO-CELL Private Limited (India)

38% equity stake in R&D partner, Saneron CCEL Therapeutics, Inc.

Worldwide marketing rights to any products developed

Fully licensed and accredited by AABB; ISO 9001:2000 certified

State-of-the-art, cGMP-

/ cGTP-compliant manufacturing facility

Strong cash position; no long-term debt

FINANCIAL HIGHLIGHTS

Proven Financial Performance

Growing installed base, increased service pricing

Strong cash position

\$0.0

\$2.0

\$4.0

\$6.0

\$8.0

\$10.0

\$12.0

\$14.0

\$16.0

\$18.0

2000

2001

2002

2003

2004

2005

2006

Fiscal Year Ended November 30, 2006

CAGR = 42%

U-CORD®
SPECIMENS PROCESSED AND
STORED (CUMULATIVE)

0
20
40
60

80
100
120
140
1998
1999
2000
2001
2002
2003
2004
2005
2006

02/28/07
FY 2006
FY2005
FY2004
FY2003
Revenue
\$4.2M

\$17.2M

\$14.5M

\$12.2M

\$7.55M

Gross Profit

63.7%

64.7%

71.3%

74.1%

65.2%

Net (Loss) Income

(\$787K)

(\$2.8M)

\$1.0M

\$2.8M

(\$7.5M)

(Loss) Earnings/ Share

(\$0.07)

(\$0.24)

\$0.09

\$0.25

(\$0.66)

Cash & Equivalents

\$6.8M

\$8.5M

\$8.5M

\$6.0M

\$3.7M

Long-Term Debt

\$0.0

\$0.0

\$0.0

\$0.0

\$0.0

FINANCIAL SUMMARY

3 Mos. Ended

ANTICIPATED MILESTONES

Service Launch to be announced in coming months

Maternal Placental Stem Cell (MPSC) & U-Cord®

Bundle:

Further diversification of service offering

Unit growth established as top priority
M&A opportunities as industry consolidates
Geographical expansion
Growth Strategy

CORPORATE GOVERNANCE

Current board of 5 members --

each elected annually

Will expand to six directors at this year's annual meeting

All but CEO are independent

Audit, Compensation and Governance/Nominating Committees are comprised of entirely independent directors

The Company does not have a poison pill
Shareholders may call Special Meetings

PROXY CONTEST OVERVIEW

A group led by David Portnoy, which holds approximately 13% of outstanding shares, has launched a proxy fight to replace the CCEL's entire board.

The Portnoy

Group has no indicated, relevant experience in the stem cell preservation industry; regenerative science and women's healthcare, nor

do any Portnoy

nominees have any relevant public company operating experience.

The Portnoy

Group consists of two brothers, an accountant with prior

Portnoy

affiliation, a professional with experience in water heaters and home comfort systems, a cardiologist, and a professional with experience in software and hardware integration solutions who also has business affiliations with Portnoy.

CCEL Board does not believe that the Portnoy

Group provides CCEL

shareholders with any strategic direction or substantive operating plan.

PROXY CONTEST OVERVIEW (continued)

Cryo-Cell's Nominees are successful executives / professionals who bring proven leadership and business acumen to Cryo-Cell. The Cryo-Cell nominees are professionally diverse and include:

Scott Christian

27+ years of financial management experience

Andrew Filipowski

A 6% holder of Cryo-Cell who is an entrepreneur
Anthony Finch

25 years of cell separation and cryopreservation
experience
Gaby Goubran

experience providing multi-national companies with
business development services
Jagdish Sheth, Ph.D.

experienced professor of marketing
Mercedes Walton

CEO of Cryo-Cell. Has over 30 years of corporate
management experience. Has approximately seven years of experience in
stem cell preservation industry.

PROXY CONTEST OVERVIEW (continued)

The Portnoy

Group is seeking control of Cryo-Cell without paying a premium.

The Portnoy

Group does not provide any specific details on their plans for Cryo-Cell if they were to be elected.

Portnoy

campaign based on distorted one-side information:

-

Omission of key facts:

Unprecedented
financial
turnaround
from
FY03

-

FY06

129%
revenue
growth
from
FY03

FY06

Industry impacts of April 2005 FDA oversight and new regulatory standards

Deliberate decision by CCEL Board to invest in business growth

Technological breakthrough of MPSC: potential new revenue impact

CCEL s
relative SGA performance vs. public company competitors

CCEL s
relative operating income performance vs. public company competitors

CCEL s
relative stock volatility vs. public company competitors

Only public private cord blood company to reach profitability

CEO performed in interim capacity for 14 months from FY03-FY04 without cash compensation.

CRYO-CELL vs. PUBLIC COMPETITORS

0.0%
100.0%
200.0%
300.0%
2003
2004

2005

2006

SGA as % of Sales

CCEL

VIAC

CBAI

The Real Story about Cryo-Cell:

Strategy of Investing in Our Business Is Just Starting to Show Its Benefits

CCEL's

revenue increased by 129% from FY03 to FY06 from \$7.5M to \$17.2 M.

Nine consecutive quarters of profitability from Q104 through Q106.

Early 2006: Board decision to invest in growth.

Product Diversification in newly emerging stem cell industry requires:

Comprehensive Market Understanding

Expansive technological and regulatory expertise

Investment

Time

May 2007 announcement of CCEL s

MPSC discovery and related IP

possible, in part, because of Board s decision to invest in growth of the business

CCEL s

long-term strategy: MPSC technology expected to create significant source of potential new revenue

CCEL s

product and corporate rebranding

have successfully positioned

core business for future growth

Two public company competitors, Viacell

(VIAC) and Cord Blood America

(CBAI) spend significantly greater percentage of revenues than CCEL on SG&A.

