

22 August 2023

Positive AGM Statement & Trading Update

RUA Life Sciences' August AGM statement provided tangible progress on its heart valve and vascular graft products, detail on revenue expectations and reassuring cost control since its FY 2023 results announcement.

Revenue-generating businesses

RUA's division that makes surgically implanted textile components for customer's medical device products – **RUA Contract Manufacture** – has announced progress with a customer funded project that assuming success, is anticipated will **convert into a supply contract. This would appear to be a new customer and is in addition to** building on this relationship with other customers help add to the confidence held by management that the Contract Manufacture business can double in scale.

RUA's AGM statement also points to the group's **revenues meeting the Board's expectations**, the tight control over cash – which in consequence, is ahead of the management's budget – and the positive indication of expansion in scope of a license that may double over time after this **extension of an existing license**. For reference, FY 2023 royalty and license revenues comprised about 37% of RUA's £2,179k FY 2023 total revenues. In addition, while the AGM statement notes revenues across the Group meeting the Board's expectations, after FY 2023 revenues from RUA Contract Manufacture were nearly 50% ahead of our estimates, we expect that the Board's FY 2024 revenue expectations are for growth but not necessarily at those rates.

Developments in **RUA Vascular** have continued with the regulatory progress and preparation for the clinical trials of its vascular graft product noted in the AGM statement, however a new shorter term revenue opportunity has been reported of the first commercial OEM sales for testing.

Composite heart valve continues its rise

The upbeat narrative on RUA Structural heart, which we explored in [our previous note](#), continues. RUA's AGM statement refers to the now-completed 400 million cycle milestone, equivalent to 10 years in man and double the regulatory requirement for its composite (Elast-Eon and textile) heart valve. Its significant performance attributes could make RUA's leaflet material an attractive slot-in for the heart valve scaffolds of other manufactures. This is the **second company reference to the use of RUA's composite Elast-Eon-coated leaflets in heart valves currently on the market**. As a potential OEM supplier to other heart valve manufacturers, the AGM statement notes **an approach by such a manufacturer who will conduct an evaluation**.

Valuation unchanged

Our valuation is unchanged at £120.3m or 542p per share while we will await the detail on the costs of the animal and clinical studies required to secure FDA approval of RUA's vascular graft, and further developments at RUA Structural Heart.

Company Data

	RUA
EPIC	
Price (p)	21
52 weeks Hi/Lo	67p / 15p
Mkt Cap	£4.6m
ED Fair Value, per share	£121.0m / 542p
End 2023 cash	£1.48m
Avg. daily volume	49,549

Share Price, p



Source: ADVFN

Description

RUA Life Sciences PLC ('RUA') is incorporated in the UK and focused on the commercialization of its own world leading biostable co-polymer technology, Elast-Eon™. Elast-Eon is a basis for medical devices with improved clinical outcomes and durability. RUA has four divisions: RUA Biomaterials that receives the licensing and royalty fees from products based on Elast-Eon, RUA Vascular that is commercialising vascular grafts, and RUA Structural Heart, which is developing aortic heart valves and leaflet technology. In early 2020, the predecessor company (AorTech International) announced the acquisition of RUA Medical to retain the Vascular business collaboration and RUA Medical's integrated medical device design and manufacturing capabilities in the combined company.

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Summary Financials

£'000s, y/e 31 March	2019A	2020A	2021A	2022A	2023A
Revenues	463	489	1528	1625	2179
Reported EBIT	-638	-941	-1551	-2352	-2306
Basic EPS (GBp)	-4.72	-5.55	-8.20	-9.32	-9.03
Net Assets	3000	2275	8506	6584	4683
Net Cash	2412	1976	5924	2963	1484

Source: Company historic data, ED estimates

Consolidated Income Statement & Forecasts

£'000s, y/e 31 March	2019A	2020A	2021A	2022A	2023A
IFRS Income Statement					
Total revenue	463	480	1528	1625	2179
Total administration expense	-822	-1123	-2690	-3776	-4169
Other income (expense)	7	14	279	66	72
Depreciation & amortisation	-218	-193	-272	-313	-358
Reported EBIT	-638	-941	-1551	-2352	-2306
Reported profit before tax	-609	-941	-1551	-2360	-2322
Taxation		81	143	293	319
Basic EPS (p)	-4.72	-5.55	-8.20	-9.32	-9.03
Diluted EPS (p)	-4.72	-5.55	-8.20	-9.32	-9.03
Share count at end of period (basic) m	14.7	17.6	22.2	22.2	22.2

Source: Company historic data, ED estimates

NB From 2020 onwards, pro forma numbers of the combined AorTech and RUA Medical business are shown

Consolidated Balance Sheet & Forecasts

£'000s, at y/e 31 March	2019A	2020A	2021A	2022A	2023A
Assets					
Non-current assets					
Tangible assets	1	5	1952	2597	2739
Goodwill			301	301	301
Intangible assets	448	255	574	521	470
Total non-current assets	449	260	2827	3419	3510
Current assets					
Trade and other receivables	238	258	949	1120	588
Cash and equivalents	2412	1976	6294	2963	1484
Total current assets	2650	2234	7328	4207	2153
Total assets	3099	2494	10155	7626	5663
Equity and liabilities					
Equity					
Ordinary shares	12574	12574	12949	1109	1109
Share Premium	4550	4550	11729	11729	11729
Retained earnings	-12208	-13024	-14475	-16542	-18545
Foreign exchange reserve					
Other reserve	-1916	-1825	-1697	-1552	-1450
Equity attributable to the company	3000	2275	8506	6584	4683
Total equity	3000	2275	8506	6584	4683
Current liabilities					
Trade and other payables	99	219	1016	410	255
Total current liabilities	99	219	1099	511	414
Total non-current liabilities			550	531	566
Total equity and liabilities	3099	2494	10155	7626	5663

Source: Company historic, ED estimates. From 2020 onwards, pro forma numbers of the combined businesses are shown.

Consolidated Cash Flow Statements & Forecasts					
£'000s, y/e 31 March	2019A	2020A	2021A	2022A	2023A
Profit before taxation	-609	-897	-1594	-2360	-2322
Adjustment for:					
Depreciation & amortisation	218	194	272	312	358
Movements in working capital	-73	100	820	-400	483
Net cash generated by operating activities	-429	-438	-1414	-2353	-1146
Investing activities					
Capital expenditure on tangibles	-1	-5	-620	-904	-449
Capital expenditure on intangibles					
Acquisition of subsidiary	-139		-341		
Net cash used in investing activities	-133	2	-952	-912	-477
Financing activities					
Net proceeds from issue of shares	2552		6462		
Net cash from financing activities	2552		6684	66	132
Net cash from discontinued operations					
Cash & equivalents at beginning of year	422	2412	1976	6294	2963
Cash & equivalents at end of year	2412	1976	6284	2963	1484

Source: Company historic data, ED estimates. From 2020 onwards, pro forma numbers of the combined business are shown.



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