

Trading Update

29th November 2023

RUA have released a trading update ahead of its December interim results announcement. In contrast to the previous year, revenues have been weighted to the second half and while this has suppressed first half revenue growth, October's and November's revenues have largely caught up to align with management's budget expectations.

Revenue phasing

While revenues in RUA Biomaterials were £199k (vs. £187k for H1 2023) and grew by 6%, turnover at RUA's larger revenue-generating business – RUA Contract Manufacture – fell by 35% of the corresponding first half to £595k (vs. £917k in H1 2023). Our interpretation of RUA's trading update narrative, is that this was **only due to the phasing of orders** from one, but probably the largest, of RUA Contract Manufacture's customers. When this business unit converts current qualified enquiries into expected long term manufacturing contracts, it is likely that RUA Contract Manufacture's revenues will be, not just greater, but smoothed so that no one customer could cause such revenue volatility. But for the moment, the weighting of RUA Contract Manufacture revenues to H2 2024 – which has already largely caught up to budget – resulted in H1 2024 Group revenues declining by 28% to £794k (vs. £1,104k for H1 2023) and the loss for the period increasing by 22% to £1,400k (vs. £1,143k). While no R&D tax credit was recognised in the previous interim period H1 2023, £381k should at least be recognised before YE 2024.

Post-period-end catch-up

One of the upsides of revenue-generating divisions in R&D companies is of course, the buffer that revenues bring to group losses and while the weighting of RUA Contract Manufacture's revenues to H2 2024 will impact its interim results, **this is just a snapshot on the way to FY 2024** results. The subsequent post-period-end revenues have led management's expectations of full-year revenues to align with budget once more. Illustrating this, while RUA's H1 2024 cash position was about £500k (vs. FY 2023 £1,500k), the revenues that have already been received in H2 2024 took this to about £1,000k on 21 November 2023 making the interim cash position snapshot already out of date.

RUA's recent strategy update and its trading update have several common themes. The reliance on partnerships to fund the development of RUA's products in RUA Structural Heart and RUA Vascular **should reduce R&D and Admin expenditure** and conserve cash to provide a **pathway for the Group to reach profitability**. The continued emphasis on tight resource control is expected to help with this objective.

Valuation unchanged

Our valuation is unchanged at £120.3m or 542p per share.

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

Company Data

EPIC	RUA
Price (last close)	24p
52 weeks Hi/Lo	67p / 11p
Market Cap	£5.3m
ED Fair Value, per share	£120.3m / 542p
End Nov. 2023 cash	£1.00m
Avg. daily volume	110,512

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, RUA Structural Heart, which is developing aortic heart valves and leaflet technology, and RUA Contract Manufacture, a textile implantable specialist offering an end to end service for third parties within the life sciences industry.

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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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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