

AorTech International PLC



Trading update

13 May 2020

In a reassuring and well-received trading update ahead of FY 2020 results set for July, Aortech have detailed their FY royalty and licensing revenues, cash balance and product developments. After many years in the making, the Elast-Eon tri-leaflet heart valve now appears to be ready for 'prime time'. While the acquisition of RUA Medical is completed, we await the name change at Companies House before publishing under RUA Medical PLC.

Reassuring financials

AorTech's trading update in advance of its FY 2020 results **should reassure investors** on two counts. Firstly, the 6% growth in licensing and royalty revenues to £490k (£463k in FY 2019) was not as drastically affected by the reduced number of elective surgeries as many may have feared. This revenue total was just shy of our £500k estimate for the year and contrasts with Smith & Nephew's withdrawal of their FY financial guidance a week after issue, and Johnson & Johnson's 8.2% drop in medical device revenue in Q1 2020 alone. Secondly, Aortech has in recent times always been financially prudent and their reported cash position at the end of FY 2020 was **£2.0m** (£2.4m at the end of FY 2019) and marginally above than our £1.9m estimate.

Product development taking centre stage

In addition to its reassuring financials, AorTech took the opportunity of the trading update to highlight the progress in the development of its heart valve and vascular products. After many years of trials and tribulations of a biocompatible artificial aortic heart valve replacements, **AorTech appears to have finalised the manufacturing and design of the heart valve prototype.** This is no mean feat bearing in mind the performance requirements for a biocompatible long-term implantable tri-leaflet heart valve. It is important to note that another aortic valve is in clinical trials, but without the improvements of AorTech's valve. Progress has continued with the development of AorTech's graft products and now, for the first time, include the Elast-Eon polymer coated Aortic Root Graft.

Valuation largely unchanged

We have made only very minor changes to our valuation and financials. **Our valuation moves to £101.3m or 690p per share** from £101.2m or 689p per share, largely as the result of the slightly higher cash balance. The major components of our valuation are the products in development and their valuation remains unchanged.

EPIC	AOR
Price	86.5p
52week Hi/Lo	114p/40p
Market cap	£12.7m
ED value / share	£101.3m / 690p
Estimated net cash, May '20	£1.7m
Avg. daily volume	28,152

Share Price, p



Source: ADVFN

Description

AorTech International PLC 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. AorTech has three divisions, AorTech Royalty that receives the licensing and royalty fees on Elast-Eon, AorTech Vascular that is a collaboration with RUA Medical to develop biostable surgical patches and grafts, and the AorTech Heart valve. In early 2020, AorTech announced the acquisition of RUA Medical to retain the Vascular business in the combined company.

AorTech's shares are listed on the UK London Stock Exchange's Alternative Investment Market and will change its name to RUA Life Sciences plc.

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Summary Financials

£'000s, y/e 31 March	2017A	2018A	2019A	2020E	2021E
Revenues	614	404	463	490	2164
Reported EBIT	-237	-34	-631	-589	-958
Basic EPS (US c / UK p)	-4.26c	-0.61c	-4.72p	-4.01p	-5.30p
Net Assets	1318	1016	3000	2531	3689
Net Cash	114	422	2412	1980	700

Source: Company historic data, ED estimates

Forecasts

Consolidated Income Statement & Forecasts

£'000s, y/e 31 March	2017A	2018A	2019A	2020E	2021E
IFRS Income Statement					
Total revenue	614	404	463	490	2164
Administration expenses	-559	-474	-841	-994	-2486
Other income (expense)		255	7	7	7
Depreciation & amortisation	-292	-219	-218	-92	-144
Reported EBIT	-237	-34	-631	-589	-958
Reported profit before tax	-237	-34	-609	-590	-958
Taxation					100
Reported Net income	-237	-34	-609	-590	-858
Basic EPS (c before 2019, p after 2019)	-4.26	-0.61	-4.72	-4.01	-5.30
Diluted EPS (c before 2019, p after 2019)	-4.26	-0.61	-4.72	-4.01	-5.30

Source: Company historic data, ED estimates, 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	2017A	2018A	2019A	2020E	2021E
Assets					
Non-current assets					
Tangible assets			1	2	1084
Goodwill					1275
Intangible assets	914	527	448	355	355
Total non-current assets	914	527	449	357	2714
Current assets					
Trade and other receivables	392	134	238	234	330
Cash and equivalents	114	422	2412	1980	700
Total current assets	506	556	2650	2214	1087
Total assets	1420	1083	3099	2571	3801
Equity and liabilities					
Equity					
Ordinary shares	15189	12118	12574	12574	12649
Share Premium	3133	2500	4550	4550	5645
Retained earnings	-2511	-11599	-12208	-12797	-12799
Foreign exchange reserve	8752				
Other reserve	-23245	-2003	-1916	-1796	-1806
Equity attributable to the company	1318	1016	3000	2531	3689
Total equity	1318	1016	3000	2531	3689
Current liabilities					
Trade and other payables	-102	-67	-99	-40	-112
Total current liabilities	-102	-67	-99	-40	-112
Total non-current liabilities					
Total equity and liabilities	1216	949	2901	2491	3577

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

Consolidated Cash flow Statement & Forecasts

£'000s, y/e 31 March	2017A	2018A	2019A	2020E	2021E
Profit before taxation	-237	-34	-609	-589	-958
Adjustment for:					
Depreciation & amortisation	292	219	218	92	144
Movements in working capital	-212	162	-73	-56	-41
Net cash generated by operating activities	-200	347	-422	-443	-755
Investing activities					
Capital expenditure on tangibles					
Capital expenditure on intangibles		-16			
Acquisition of subsidiary			-139		
Net cash used in investing activities		-16	-139		
Financing activities					
Net proceeds from issue of shares			2552		
Net cash from financing activities			2552		-525
Net cash from discontinued operations					
Cash & equivalents at beginning of year	314	91	422	2413	1980
Cash & equivalents at end of year	91	422	2413	1980	700

Source: Company historic data, ED estimates, from 2020 onwards, pro forma numbers of the combined AorTech and RUA Medical business are shown



Investor Access

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