

17 August 2022

Positive AGM Statement

RUA Life Sciences' AGM statement led with an update on its two revenue-generating businesses for the first four months of FY 2023. This leaves us room to upgrade our FY revenue forecasts, but for the moment we have kept them unchanged. Progress on RUA's vascular and heart valve products continues and a clinical trial update on the former is expected in late September. All resolutions were passed at the RUA Life Sciences AGM.

Cash-generative businesses ahead

Revenues from RUA's two cash-generative businesses – biomaterials and contract manufacturing – were 73% and 44% ahead, respectively, on the same four-month period last year. Together, this puts RUA on a full-year total revenue run-rate that is just over 16% above our forecasts. Management have cautiously noted that the 50% year-on-year revenue growth in the year-to-date is not currently anticipated for the rest of the year. This does not mean that it can't happen especially with elective surgical procedures continuing their recovery after the pandemic, but to be on the safe side, we have maintained our FY 2023 revenue forecast of £1.77m for now.

To grow revenues, good management teams need to do at least two things; make better products that warrant higher prices, and to sell more product. RUA's AGM statement notes that increased sales in its contract manufacturing business are a function of **an uplift in both its prices and volumes**, and that a new component manufacturing agreement has been signed. Investors should recognise that RUA's revenue-generating businesses are doing everything that should be expected of them.

Progress with products

RUA appears to be working well with the FDA on aligning and agreeing the size, endpoints and statistical analysis plan for the small clinical trial needed for 510(k) approval of their large-bore vascular graft product. This constructive relationship with the agency is important because the vascular graft is only the first product that the two organisations will work on together. Further details on the clinical trial protocol are expected at the end of September. [Our previous note](#) commented on the two heart valve programs running alongside each other and the AGM statement on the ideal properties of strength, mechanical and thinness of the new composite (textile and Elast-Eon) leaflets hints that this prototype might be edging ahead. RUA also noted the successful quality audit by their Notified Body under ISO 13485. Trained quality auditors will testify on the rarity of not just a successful audit that identifies no findings, but one that expands RUA's quality systems to cover the end-to-end development to manufacture of its medical devices. RUA should be applauded for its Quality Management System as this is an area that is often left to trip up other companies at too late a stage.

Valuation unchanged

Our financial estimates and forecasts are unchanged since RUA's FY 2022 interims, so **our valuation remains at £121.0m or 545p per share**.

Summary Financials					
£'000s, y/e 31 March	2019A	2020A	2021A	2022A	2023E
Revenues	463	489	1528	1625	1767
Reported EBIT	-638	-941	-1551	-2352	-2296
Basic EPS (GB p)	-4.72	-5.55	-8.20	-9.32	-8.80
Net Assets	3000	2275	8506	6584	3725
Net Cash	2412	1976	5924	2963	123

Source: Company historic data, ED estimate

Company Data

EPIC	RUA
Price	38p
52 weeks Hi/Lo	168p / 31p
Mkt Cap	£8.4m
ED Fair Value, per share	£121.0m / 545p
End FY22 net cash	£2.96m
Avg. daily volume	27,528

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 biostable surgical patches and grafts, and RUA Structural Heart, which is developing an artificial aortic heart valve replacement. 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	2023E
IFRS Income Statement					
Total revenue	463	480	1528	1625	1767
Administration expenses	-822	-1123	-2690	-3315	-3398
Other income (expense)	7	14	279	66	66
Depreciation & amortisation	-218	-193	-272	-313	-400
Reported EBIT	-638	-941	-1551	-2352	-2296
Reported profit before tax	-609	-941	-1551	-2360	-2296
Taxation		81	143	293	343
Basic EPS (p)	-4.72	-5.55	-8.20	-9.32	-8.80
Diluted EPS (p)	-4.72	-5.55	-8.20	-9.32	-8.80
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	2023E
Assets					
Non-current assets					
Tangible assets	1	5	1952	2597	2197
Goodwill			301	301	301
Intangible assets	448	255	574	521	521
Total non-current assets	449	260	2827	3419	3019
Current assets					
Trade and other receivables	238	258	949	1120	1150
Cash and equivalents	2412	1976	6294	2963	123
Total current assets	2650	2234	7328	4207	1397
Total assets	3099	2494	10155	7626	4416
Equity and liabilities					
Equity					
Ordinary shares	12574	12574	12949	1109	1109
Share Premium	4550	4550	11727	11727	12741
Retained earnings	-12208	-13024	-14475	-16542	-20385
Foreign exchange reserve					
Other reserve	-1916	-1825	-1697	-1552	-1552
Equity attributable to the company	1016	3000	2275	8506	7207
Total equity	3000	2275	8506	6584	3725
Current liabilities					
Trade and other payables	99	219	1016	410	410
Total current liabilities	99	219	1099	511	410
Total non-current liabilities			550	531	282
Total equity and liabilities	3099	2494	10155	7626	4417

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	2023E
Profit before taxation	-609	-897	-1594	-2360	-2296
Adjustment for:					
Depreciation & amortisation	218	194	272	312	400
Movements in working capital	-73	100	820	-400	-400
Net cash generated by operating activities	-429	-438	-1414	-2353	-2840
Investing activities					
Capital expenditure on tangibles	-1	-5	-620	-904	
Capital expenditure on intangibles					
Acquisition of subsidiary	-139		-341		
Net cash used in investing activities	-133	2	-952	-912	
Financing activities					
Net proceeds from issue of shares	2552		6462		
Net cash from financing activities	2552		6684	66	
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	123

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



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