

## Confident AGM And Trading Update

1st September 2021

RUA Life Sciences' AGM statement and trading update demonstrated good progress across its businesses since the FY 2021 results announcement earlier in the summer. RUA's product that is closest to the market – the large bore vascular graft – is back on track for a Q1 2022 commercial launch. The 510(k) approval and agreements with distribution partners will likely result in an increase in our valuation when they occur.

### Vascular Graft back on track

The source of the previously reported cellulose contamination of samples of the large-bore vascular graft (which contains no cellulose) has been confirmed as the clean room wipes, and the manufacturing protocol has been amended to avoid this contamination in future. Sample testing results of a different production batch under the revised protocol will form part of the 510(k) submission to the US FDA that **will proceed a commercial launch of the product with partners in Q1 2022**. The 510(k) approval should be announced before then and we will upgrade our valuation at that point. RUA's FY 2020 results earlier in the summer noted the required **investments in manufacturing capacity** (which were included in our financial forecasts) for commercial manufacturing scale-up. RUA's expectation of a six-fold increase in production capacity as a result of commercial launch of the graft product, is **a measure of confidence in both FDA approval and partnering**. The recruitment of a Clinical and Regulatory Affairs Director, who brings fresh eyes to the 510(k) application prior to its submission, should also be regarded as another positive move.

### Firing on all R&D cylinders

RUA Life Sciences' medical device development and manufacturing division, RUA Medical, has seen orders from its major US customer **return to pre-pandemic levels**, despite the Delta coronavirus variant sweeping through the US. The high single-digit volume expectations from its largest customer and positive developments in contracts from other RUA Medical customers could result in an increase in contract revenues which also form a part of our valuation. The AGM statement also noted the progress in testing RUA Structural Heart's two heart valve prototypes and the start of a new R&D project as a small-bore vascular graft. The only minor negative in RUA's AGM statement was an unforeseen delay in the delivery of a pump used for the computer-controlled coating of RUA Vascular's patches. We still expect that RUA's Elast-Eon-coated patch products, as a simpler medical device than the large-bore vascular graft, will be RUA's second product to the market after the large-bore vascular graft.

### Valuation awaiting multiple step-ups

Our valuation **remains at £116.5m or 525p per share** but we are expecting a number of increases when the large bore vascular graft is approved in the US, and then licensing partners are announced.

Summary Financials					
£'000s, y/e 31 March	2018A	2019A	2020A	2021A	2022E
Revenues	404	463	489	1528	2255
Reported EBIT	-34	-638	-941	-1551	-2134
Basic EPS (US c / UK p)	-0.61c	-4.72p	-5.55p	-8.20p	-8.51p
Net Assets	1016	3000	2275	8506	6360
Net Cash	422	2412	1976	5924	1116

Source: Company historic data, ED estimates

#### Company Data

EPIC	RUA
Price (last close)	132p
52 weeks Hi/Lo	180p / 113.2p
Mkt Cap	£29m
ED Fair Value, per share	£116.5m / 525p
End FY21 net cash	£6.3m
Avg. daily volume	32,876

#### 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	2018A	2019A	2020A	2021A	2022E
<b>IFRS Income Statement</b>					
Total revenue	404	463	489	1528	2255
Administration expenses	-474	-822	-1123	-2690	-3773
Other income (expense)	255	7	14	279	279
Depreciation & amortisation	-219	-218	-193	-272	-490
<b>Reported EBIT</b>	<b>-34</b>	<b>-638</b>	<b>-941</b>	<b>-1551</b>	<b>-2134</b>
<b>Reported profit before tax</b>	<b>-34</b>	<b>-609</b>	<b>-941</b>	<b>-1551</b>	<b>-2134</b>
Taxation			81	143	247
Basic EPS (c before 2019, p after 2019)	-0.61	-4.72	-5.55	-8.20	-8.51
Dil'd EPS (c before 2019, p after 2019)	-0.61	-4.72	-5.55	-8.20	-8.51
Share count (basic)	5,557,659	14,686,608	17,609,120	17,967,120	22,184,798

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	2017A	2019A	2020A	2021A	2022E
<b>Assets</b>					
<b>Non-current assets</b>					
Tangible assets			5	1952	4452
Goodwill				301	301
Intangible assets	527	448	255	574	574
Total non-current assets	527	449	260	2827	5327
<b>Current assets</b>					
Inventories				85	100
Trade and other receivables	134	238	258	949	1079
Cash and equivalents	422	2412	1976	6294	1486
Total current assets	556	2650	2234	7328	2665
<b>Total assets</b>	<b>1083</b>	<b>3099</b>	<b>2494</b>	<b>10155</b>	<b>7992</b>
<b>Equity and liabilities</b>					
<b>Equity</b>					
Ordinary shares	12118	12575	12574	12949	12949
Share Premium	2500	4550	4550	11729	11857
Retained earnings	-11599	-12208	-13024	-14475	-17025
Foreign exchange reserve					
Other reserve	-2003	-1916	-1825	-1697	-1697
Equity attributable to the company	1016	3000	2275	8506	6360
Total equity	1016	3000	2275	8506	6360
<b>Current liabilities</b>					
Trade and other payables	67	99	219	1016	1016
Total current liabilities	67	99	219	1099	1076
Total non-current liabilities				550	550
<b>Total equity and liabilities</b>	<b>1083</b>	<b>3099</b>	<b>2494</b>	<b>10155</b>	<b>7986</b>

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

<b>Consolidated Cash Flow Statements &amp; Forecasts</b>					
<b>£'000s, y/e 31 March</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>
Profit before taxation	-34	-609	-897	-1594	-2134
Adjustment for:					
Depreciation & amortisation	219	218	193	68	490
Movements in working capital	162	-73	100	820	820
Net cash generated by operating activities	347	-429	-438	-1414	-1889
<b>Investing activities</b>					
Capital expenditure on tangibles		-1	-5	-620	-2500
Capital expenditure on intangibles	-16				
Acquisition of subsidiary		-139		-341	
Net cash used in investing activities	-16	-133	2	-952	-2500
<b>Financing activities</b>					
Net proceeds from issue of shares		2552		6462	
Net cash from financing activities		2552		6684	-425
Net cash from discontinued operations					
Cash & equivalents at beginning of year	91	422	2412	1976	6294
<b>Cash &amp; equivalents at end of year</b>	<b>422</b>	<b>2412</b>	<b>1976</b>	<b>6294</b>	<b>1486</b>

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



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