

21 November 2023

Strategy Update

In place of the trading statement which is usually released at this time of year, and ahead of RUA Life Sciences' interim results, RUA has released a more material - and very well-received - strategy update.

Sticking to its objectives

In place of a trading statement that updates investors on the progress of its revenue-generating businesses and its products in development, RUA's strategy update has been well-received by investors because it outlines the path of the business to **greater and earlier revenues than we had expected** in RUA Contract Manufacture and RUA Structural Heart. The strategy also lowers the risks for investors compared to funding the development of RUA's products solely by an equity offering, at a time where life science markets are depressed and the potential dilution punitive.

RUA Contract Manufacture, the contract manufacturer of medical devices using implantable fabrics with a biocompatible Elast-Eon coating, is responding to a formal bid request that could result in around £2m in revenues, with much of that recurring on an annual basis. Thus, RUA's board's objective of doubling the scale of the contract manufacturing business in the medium term is on track.

The better part of valour

Investors will recognise the tension between self-funding the development of products and licensing them in life science businesses, particularly at a time when the funding environment is less conducive to the former. While other companies have no choice in funding their products internally (and, once started, clinical studies are almost impossible to stop), RUA are taking the opportunities offered to (non-exclusively) license and partner their products in order to bring them to the market. Just as importantly, this strategy dramatically reduces RUA's funding requirements while providing a **pathway to Group profitability**. To that end, RUA have announced a very positive performance update on **RUA Structural Heart's** composite replacement heart valve and, rather than ploughing on with the expensive development of its own heart valve product, **expects to formalise an agreement** for a large heart valve company to evaluate RUA's composite Elast-Eon-coated leaflets. The further costs of the clinical and pre-clinical studies required for approval should be deferred to the partner in what, if the performance details in the strategy update are confirmed, could be the first of a number of licensing transactions.

RUA have adopted a similar strategy for **RUA Vascular's** graft products where the time and cost to approval are now known, evaluation, clinical development and commercialisation can be executed with a partner while RUA retains a financial interest in the products.

Valuation unchanged

Our fair value 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

	RUA
EPIC	
Price (last close)	22p
52 weeks Hi/Lo	67p / 11p
Mkt Cap	£5.1m
ED Fair Value, per share	£121.0m / 545p
End 2023 cash	£1.48m
Avg. daily volume	36,336

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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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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