

Positive AGM statement

11 August 2020

RUA have provided a recent flurry of positive news, including an update on RUA Vascular division's products and the recovery in elective surgical procedures in the US and Europe. The recovery in surgeries is positive for the revenues of RUA Medical Devices division and provides investors with much more reassurance than the second-quarter financial results from the biggest medical device companies. With the tangible progress in RUA's surgical grafts and patches, we are getting closer to increasing our valuation.

Reassuring 2020 AGM update

RUA Life Sciences' AGM statement presented a recovering picture of the orders and therefore revenues at its RUA Medical Devices division. The recovery in elective surgical procedures and orders from its largest customer are expected to result in shipments that will average around **90% of pre-pandemic levels** over the next three months. RUA Medical Devices has received orders in five out of the last eight weeks at **higher levels than the pre-pandemic** weekly average value. This is a **much healthier**, although albeit more up to date, picture than that implied by the recent second-quarter results of Smith & Nephew and at Johnson & Johnson's medical devices division.

Elective surgical procedures are recovering faster in the US than in Europe (orders at 90% of pre-Covid levels and 67%, respectively) and although the sizes of the populations are similar, higher pricing and the number of elective surgical procedures in the US makes this differential less important to RUA Medical Devices revenues. RUA had estimated a £300k FY 2021 order value interruption at its FY 2020 results which we incorporated into our financials but may review at their interims as today's update details a number of effective efforts to **mitigate the financial effects** of the interruption.

RUA Vascular Products advance

In a recent announcement on the progress of RUA Vascular's Elast-Eon-sealed large diameter sealed vascular grafts and patches, the critical 'design freeze' stage has been reached for the graft. Achieving the leak and permeability characteristics of market-leading grafts without animal products now clears the way for regulatory testing to complete in early 2021. At which point our valuation would need to be updated.

Valuation unchanged

We have made no changes to our financials or valuation and still value RUA Life Sciences at £99.3m or 676p per share.

EPIC	RUA
Price	94p
52week Hi/Lo	135p / 41p
Market cap	£15.1m
ED valuation / share	£99.3m / 676p
Cash at 7 July '20	£1.5m
Avg. daily volume	56,980

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.

RUA's shares are listed on the UK London Stock Exchange's Alternative Investment Market.

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Summary Financials

£'000s, y/e 31 March	2017A	2018A	2019A	2020E	2021E
Revenues	614	404	463	489	1933
Reported EBIT	-237	-34	-638	-941	-1311
Basic EPS (US c / UK p)	-4.26c	-0.61c	-4.72p	-5.55p	-7.48p
Net Assets	1318	1016	3000	2275	2565
Net Cash	114	422	2412	1976	400

Source: Company historic data, ED estimates

Consolidated Income Statement & Forecasts

£'000s, y/e 31 March	2017A	2018A	2019A	2020A	2021E
IFRS Income Statement					
Total revenue	614	404	463	489	1933
Administration expenses	-559	-474	-822	-1123	-2590
Other income (expense)		255	7	14	14
Depreciation & amortisation	-292	-219	-218	-193	-200
Reported EBIT	-237	-34	-638	-941	-1311
Reported profit before tax	-237	-34	-609	-897	-1311
Taxation				81	100
Reported Net income	-237	-34	-609	-816	-1211
Basic EPS (c before 2019, p after 2019)	-4.26	-0.61	-4.72	-5.55	-7.48
Diluted EPS (c pre 2019, p after 2019)	-4.26	-0.61	-4.72	-5.55	-7.48

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	5	1481
Goodwill					1352
Intangible assets	914	527	448	255	55
Total non-current assets	914	527	449	260	2888
Current assets					
Trade and other receivables	392	134	238	258	483
Cash and equivalents	114	422	2412	1976	400
Total current assets	506	556	2650	2234	883
Total assets	1420	1083	3099	2494	3771
Equity and liabilities					
Equity					
Ordinary shares	15189	12118	12574	12574	12649
Share Premium	3133	2500	4550	4550	5975
Retained earnings	-2511	-11599	-12208	-13024	-14234
Foreign exchange reserve	8752				
Other reserve	-23245	-2003	-1916	-1825	-1825
Equity attributable to the company	1318	1016	3000	2275	2565
Total equity	1318	1016	3000	2275	2565
Current liabilities					
Trade and other payables	-102	-67	-99	-219	-818
Total current liabilities	-102	-67	-99	-219	-818
Total non-current liabilities					-389
Total equity and liabilities	1216	949	2901	2056	3772

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	2020A	2021E
Profit before taxation	-237	-34	-609	-897	-1311
Adjustment for:					
Depreciation & amortisation	292	219	218	193	200
Movements in working capital	-212	162	-73	100	425
Net cash generated by operating activities	-200	347	-429	-438	-686
Investing activities					
Capital expenditure on tangibles			1	5	290
Capital expenditure on intangibles		-16			
Acquisition of subsidiary			-139		600
Net cash used in investing activities		-16	-133	2	890
Financing activities					
Net proceeds from issue of shares			2552		
Net cash from financing activities			2552		
Net cash from discontinued operations					
Cash & equivalents at beginning of year	314	91	422	2412	1976
Cash & equivalents at end of year	91	422	2412	1976	400

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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