

'A fully formed medical device manufacturer'

23 October 2020

RUA Life Sciences announced its trading update for the six months to 30 September 2020. The global pandemic and the reduction in the number of elective surgeries had a (previously announced) impact on RUA Medical Device's revenues. There was also a slight reduction in RUA Biomaterial's licensing income, but in both divisions there has been a recent recovery and catch-up. Our valuation remains unchanged as our model had included these delays, and those divisions comprise minor components of our total valuation.

Impacts, recovery and catch-up from the pandemic

RUA's trading report to the end of September included a number of updates, including a cash position of £1.63m as at 21 October. This is slightly higher than we had expected as it included pre-payments from a large customer.

The previously announced £300,000 revenue shortfall at **RUA Medical Devices** as a result of the reduction in elective surgeries during the lockdowns resulted in revenues for the six months to 30 September of £415,000. The shortfall was mitigated by cost reduction and grant support. Encouragingly, the recovery in the numbers of elective surgeries and an element of catch-up suggest that **orders that are currently running at 90% of pre-pandemic levels** and increasing further over the next quarter.

This improving position, and even the catch-up in revenues, can be validated by the third-quarter results from the wider medical device sector. Johnson and Johnson, the world's largest life science company saw revenues in its medical device division that were down 3.7% compared to the third quarter of 2019, but bounced back **by 43.4%** between the ends of the second and third quarters of 2020.

Licensing income at RUA Biomaterials of £214,000 was also slightly below expectations for the same pandemic-related reasons. However, minimum contractual annual order quantities and better pricing (the latter impacting RUA in its next financial year) have also resulted in no changes to our full-year forecasts.

Valuation unchanged

Our valuation methodology attributes most of the valuation of RUA Life Sciences to its grafts, patches and heart valve products. RUA's trading statement noted encouraging progress in its products including **interest from European distributors**. As such, our valuation is unchanged by the revenue and licensing income shortfalls in the first six months of RUA's financial year and remains at **£111.2m or 765p per share**.

EPIC	RUA
Price	139p
52weeks Hi/Lo	152p / 56p
Market cap	£22.7m
ED valuation / share	£111.2m / 765p
Cash at 21 Oct '20	£1.63m
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 AIM.

Andy Smith (Analyst)

0207 065 2690
andy.smith@equitydevelopment.co.uk

Hannah Crowe

0207 065 2692
hannah@equitydevelopment.co.uk

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.
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	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

Hannah Crowe

Direct: 0207 065 2692

Tel: 0207 065 2690

hannah@equitydevelopment.co.uk

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