

RUA Life Sciences Plc

Sales growth and development progress

RUA Life Sciences has provided a trading update for the 12-months to March 2023, ahead of publication of FY23 results, mid-July 2023. The company notes sales and profitability growth from its mature businesses and progress from its Vascular and Structural Heart businesses. RUA has managed cash resources, closing the year with £1.5m versus £3.0m at the close of FY22A. Importantly, the company has reached an agreement with the FDA regarding the regulatory process for the RUA vascular graft, including a human study expected to require c120 patients. This positive update follows the signing in January 2023, of a distribution agreement with Corcym for the graft products.

- **Trading** – RUA expects to report revenues of £2.2m for FY23E, up a strong 34% YoY and supported by both mature businesses. The loss before tax is expected to be in-line with FY22A at 'around £2.3-2.4m'. This reflects tight cost control at the company and resulted in a closing FY23E cash balance of £1.5m (FY22A: £3.0m).
- **Vascular** –RUA Vascular has reached an agreement with the FDA regarding the protocols for a GLP animal trial and a human clinical trial to support the US vascular graft approval process. The company expects the human study to involve around 120 patients and RUA has now completed detailed work plans to support this testing. This update follows the distribution agreement signed with Corcym in January 2023.
- **Biomaterials** – RUA Biomaterials generated revenues of £554k, up 14% YoY. With minimal direct costs associated with this business, the net margins remained high at 89% versus 82% for FY22A.
- **Contract Manufacture** – RUA Contract Manufacture generated revenues of £1.6m in FY23E, up 43% YoY (FY22A: £1.1m). The business delivered net profit margin of 55%. Looking forward, the company notes that both new and existing customers are reviewing projects with RUA CM which could 'double the current scale of the business over a two-year period'.
- **Investment thesis** – Building on an established and growing revenue base, RUA is developing two cardiovascular programmes targeting billion-dollar markets, enabled by its proprietary Elast-Eon technology. The expected shift from animal sourced graft sealants should support the vascular graft and patch products enter the c\$1bn market for these products, while the heart valves could disrupt this \$8bn market.

Forecast and Ratios

Y/E March (£000s)	2018A	2019A	2020A	2021A	2022A
Revenues	0.4	0.5	0.5	1.5	1.6
EBITDA	(0.1)	(0.4)	(0.7)	(1.2)	(1.9)
Net Income	(0.0)	(0.6)	(0.8)	(1.5)	(2.1)
EPS (GBp)	(0.6)	(4.7)	(5.6)	(8.2)	(9.3)
Y/E cash	0.4	2.4	2.0	6.3	3.0

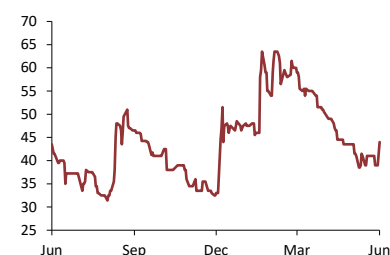
Source: Cenkos Securities estimates.

Brokership Company

HOLD

Price at COB 07 Jun 23 44.0p
 52-week range 31.4-63.5p
 Ticker RUA LN

Share Price Performance



Source: Morningstar

Stock Data

Market cap (£m) 9.8
 Shares outstanding (m) 22.2

Activities

RUA Life Sciences Plc is a holding company, which engages in the commercialisation of biomedical polymer technology, components, and medical devices.

Directors

Bill Brown Chairman
 Caroline Stretton Group MD
 Lachlan Smith CFO

Significant Shareholders

AJ Bell 10.1%
 Dowgate Capital 10.1%
 Hargreaves Lansdown 7.9%
 Mr DM Richmond 6.9%
 Interactive Investor 6.1%

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Financials

Table 1: RUA Life Sciences Profit & Loss statement

Year-end March (£000)	2018A	2019A	2020A	2021A	2022A
Revenues	404	463	489	1,528	1,625
<i>growth</i>	<i>0.0%</i>	<i>14.6%</i>	<i>5.6%</i>	<i>212.5%</i>	<i>6.3%</i>
COGS	0	0	0	(276)	(267)
<i>% of revs</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>18.1%</i>	<i>16.4%</i>
Gross profit	404	463	489	1,252	1,358
<i>gross margin</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>81.9%</i>	<i>83.6%</i>
Operating expenses	(474)	(816)	(1,123)	(2,149)	(2,412)
<i>% of revs</i>	<i>117.3%</i>	<i>176.2%</i>	<i>229.7%</i>	<i>176.0%</i>	<i>204.0%</i>
Other income	0	0	14	279	66
Other expense	0	(19)	(37)	8	(3)
EBITDA, adj	(70)	(372)	(657)	(1,151)	(1,894)
Depr & Amort	(219)	(218)	(193)	(272)	(313)
Share based payments	0	(42)	(91)	(128)	(145)
Operating profit, adj	(289)	(632)	(941)	(1,551)	(2,352)
exceptionals	255	(6)	0	0	0
Operating profit	(34)	(638)	(941)	(1,551)	(2,352)
Finance, net	0	29	44	(43)	(8)
Pre-tax profit	(34)	(609)	(897)	(1,594)	(2,360)
Tax	0	0	81	143	293
<i>tax rate</i>	<i>0.0%</i>	<i>0.0%</i>	<i>9.0%</i>	<i>9.0%</i>	<i>12.4%</i>
Net income	(34)	(609)	(816)	(1,451)	(2,067)
No. shares, period end	5,558	14,687	14,687	21,187	21,187
No. shares, average	5,558	12,911	14,687	17,697	22,185
EPS (GBp)	(0.6)	(4.7)	(5.6)	(8.2)	(9.3)

Source: Company data

Table 2: RUA Life Sciences Balance Sheet

Year-end March (£000)	2018A	2019A	2020A	2021A	2022A
Goodwill	0	0	0	301	301
Intangible assets	527	448	255	574	521
PP&E	0	1	5	1,952	2,597
Total non-current asset	527	449	260	2,827	3,419
Inventory	0	0	0	85	124
Trade receivables	134	238	258	949	1,120
Cash and equivs	422	2,412	1,976	6,294	2,963
Total current asset	556	2,650	2,234	7,328	4,207
Total assets	1,083	3,099	2,494	10,155	7,626
Trade payables	67	99	219	1,016	410
Borrowings	0	0	0	23	23
Lease liabilities	0	0	0	40	39
Other	0	0	0	20	39
Total current liabilities	67	99	219	1,099	511
Borrowings	0	0	0	223	199
Lease liabilities	0	0	0	124	83
Deferred tax	0	0	0	163	75
Other non-current liabilities	0	0	0	40	174
Total non-current liabilities	0	0	0	550	531
Total liabilities	67	99	219	1,649	1,042
Issued capital	12,118	12,574	12,574	12,949	1,109
Share premium	2,500	4,550	4,550	11,729	11,729
Capital redemption reserve	0	0	0	0	11,840
Other reserve	(2,003)	(1,916)	(1,825)	(1,697)	(1,552)
Accumulated profit	(11,599)	(12,208)	(13,024)	(14,475)	(16,542)
Total equity	1,016	3,000	2,275	8,506	6,584
Total equity & liabilities	1,083	3,099	2,494	10,155	7,626

Source: Company data

Table 3: RUA Life Sciences Cash Flow statement

Year-end March (£000)	2018A	2019A	2020A	2021A	2022A
Net income	(34)	(609)	(816)	(1,451)	(2,067)
Amortisation	219	218	193	68	53
Depreciation	0	0	1	204	259
Share based payments	0	42	91	128	145
Interest income	0	(7)	(7)	9	8
Tax income	0	0	(81)	(143)	(293)
Change in inventory	0	0	0	7	(39)
Change in receivables	176	(104)	(20)	(589)	(53)
Change in payables	(14)	31	120	231	(453)
Tax received	0	0	81	122	87
Net cash from operations	347	(429)	(438)	(1,414)	(2,353)
CAPEX PP&E	0	(1)	(5)	(620)	(904)
CAPEX intangibles	(16)	0	0	0	0
Acquisition	0	(139)	0	(323)	0
Interest received	0	7	7	(9)	(8)
Cash flow from investing	(16)	(133)	2	(952)	(912)
Share issue, net	0	2,552	0	6,462	0
Change in borrowings	0	0	0	222	(66)
Cash flow from financing	0	2,552	0	6,684	(66)
Change in cash	331	1,990	(436)	4,318	(3,331)
Opening cash	91	422	2,412	1,976	6,294
Closing cash	422	2,412	1,976	6,294	2,963

Source: Company data

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- HOLD is an expected return -10% - +10%; and
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	Corporate No.	Corporate %	No.	%
Buy	71	91	82	91
Hold	7	8	8	8
Sell	0	0	0	0
Under review	0	0	0	0

Temporary movements by stocks across the boundaries of these categories due to share price volatility will not necessarily trigger a recommendation change. All recommendations are based on 12 month time horizon unless otherwise stated.

Recommendation History

Company	Disclosures	Date	Rec	Price
RUA Life Sciences Plc	2,6,8,9,10	11 Jul 22	Hold	37.3p
		30 May 22	Buy	42.5p

Source: Cenkos Securities

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