

RUA Life Sciences Plc

Final results

RUA Life Sciences has reported final results for the 12-months to March 2023, with group revenues of £2.2m, up 34% YoY and a loss before tax improved marginally to £2.3m from £2.4m. Cash at the end of the period was £1.5m. We believe the company has delivered strong operational progress across all four of its businesses, with its revenue generating units showing strong revenue growth and improved profitability, while its 'development' units have both made progress towards future commercialisation. These positive results follow the signing of a strong vascular graft distribution agreement in January 2023.

- **Group** – As announced in the recent trading update, group revenues grew to £2.2m, up a strong 34% YoY, driven by both revenue generating businesses. FY23A loss before tax was broadly in line with FY22A at £2.3m. While significant operational progress has been made, the company has kept tight control on its cash burn, with net cash out flow of just £1.5m in the year versus £3.3m in FY22A.
- **Mature** – RUA's two mature businesses performed strongly in FY23A. RUA Biomaterials delivered revenue growth of 14% to £554k and operating profit of £493k. RUA Contract Manufacture delivered revenue growth of 43% to £1.6m based upon existing customer demand and new business wins. The unit's operating margin increased strongly to 49% from 39%, delivering a profit of £794k.
- **Vascular** – As previously announced RUA Vascular has reached an agreement with the FDA regarding the trials required to support approval. The human trial will involve 121 patients with a 6-month primary endpoint. Recruitment of the first patient is expected in 2024, and as previously announced, Corcym has been signed to act as the distributor for the vascular graft products.
- **Structural Heart** – RUA Structural Heart has made development progress through the year, with a major milestone having been achieved of c200 million cycles of fatigue testing having been completed with no indication of delamination or change in the structure of the material.
- **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 (£m)	2019A	2020A	2021A	2022A	2023A
Revenues	0.5	0.5	1.5	1.6	2.2
EBITDA	(0.4)	(0.7)	(1.2)	(1.9)	(1.8)
Net Income	(0.6)	(0.8)	(1.5)	(2.1)	(2.0)
EPS (GBp)	(4.7)	(5.6)	(8.2)	(9.3)	(9.0)
Year end cash	2.4	2.0	6.3	3.0	1.5

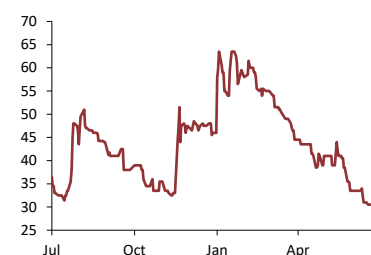
Source: Company data

Brokership Company

HOLD

Price at COB 25 Jul 23 30p
 52-week range 29.5-63.5p
 Ticker RUA LN

Share Price Performance



Source: Morningstar

Stock Data

Market cap (£m) 6.5
 Shares outstanding (m) 22.2

Activities

RUA Life Sciences Plc is a holding company, which engages in the commercialization 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 Investors	6.1%

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Group results

RUA Life Sciences has reported its final results for the 12-months ending March 2023, with the financial highlights shown in the table below.

Table 1: FY2023 versus FY2022

Year-end Mar (£000)	2022A	2023A	Difference (Δ or bps)
Revenues	1,625	2,179	34.1%
Gross profit	1,358	1,791	31.9%
Gross margin	83.6%	82.2%	-138
Adjusted EBITDA	(1,894)	(1,846)	-2.5%
Operating profit	(2,352)	(2,306)	-2.0%
Net income	(2,067)	(2,003)	-3.1%
EPS (basic, GBp)	(9.32)	(9.03)	-3.1%

Source: Company data. EBITDA pre share based payments.

Revenues for the year were up 34% YoY to £2.2m, supported by both revenue generating businesses.

Gross margin declined slightly but remained strong at 82.2% (FY22A: 83.6%), with the decline largely a function of stronger growth of the lower margin (though still high) RUA Contract Manufacture business versus the c100% margin RUA Biomaterials business.

Loss before tax improved marginally to £2.3m from £2.4m in FY22A, with the increase in gross profit offsetting the increase in administrative expense.

R&D investment in the year increased by 19% to £1.1m (FY22A: £0.9m) supporting the development of the vascular graft portfolio and the structural heart valve products.

Cash burn was controlled through the year, with net cash outflow of c£1.5m versus an outflow of c£3.0m in FY22A. Cash at the end of the period was £1.5m.

Business units

RUA Biomaterials

RUA Biomaterials delivered revenue growth of 14% YoY to £554k for FY23A, supported by successful promotion of the benefits of the Elast-Eon polymer. This revenue is generated from licences and royalties and therefore will deliver a c100% gross margin. RUA delivered a contribution of £493k in the year versus £418k in FY22A at an improved margin of 89% (FY22A: 86%).

RUA Contract Manufacture

RUA Contract Manufacture delivered revenues of £1.6m in FY23A, up a strong 43%. Revenue growth was delivered by increased demand from existing customers and the onboarding of a new global medical technology company. The business delivered a contribution of £749k versus £447k in FY22A, showing a marked increase in margin to 49% from 39%.

The company notes a pipeline opportunity that could potentially deliver c£2m of annualised revenues over the next 2-3 years, which would clearly drive significant revenue growth if this business is won.

RUA Vascular

RUA Vascular is developing a range of vascular graft and patch products. The company is progressing its work to gain FDA clearance for its lead product, a large bore straight graft. To achieve clearance RUA will need to undertake a range of trials, including a human clinical trial. This trial will involve 121 patients with a primary end point at 6-months covering graft performance, safety and clinical efficacy and the recruitment of the first patient is expected to be recruited in 2024. Importantly, as the trial will not be blinded, RUA will have good visibility of the endpoints at an early stage of the study.

Importantly, and as announced in January 2023, RUA has partnered with Corcym to act as distributor for the large bore graft product.

RUA Structural Heart

With the focus now on the development of a composite material heart valve, RUA Structural Heart recently achieved the significant milestone of 200 million cycles during flex fatigue testing of the composite material heart valve, with no signs of delamination and the cut edges remaining unchanged.

The company believes that the properties of the composite material may allow it to be 'like-for-like' swapped with the current biological tissue used in many current heart valves. This could potentially allow RUA to become a supplier of heart valve leaflets to other companies for incorporation into their valve designs. As such, the company believes it is 'getting much closer to having a commercialisable offering'.

At this time RUA sees two routes to market:

- Partnership/license – in which the future regulatory testing, trials and launch is undertaken by a partner with the resources to be able to undertake this level of development work.
- OEM component supply – in which RUA would supply the composite material to major heart valve companies as a direct replacement for the biological material currently used.

Financials

Table 2: RUA Life Sciences Profit & Loss statement

Year-end March (£000)	2019A	2020A	2021A	2022A	2023A
Revenues	463	489	1,528	1,625	2,179
<i>growth</i>	14.6%	5.6%	212.5%	6.3%	34.1%
COGS	0	0	(276)	(267)	(388)
<i>% of revs</i>	0.0%	0.0%	18.1%	16.4%	17.8%
Gross profit	463	489	1,252	1,358	1,791
<i>gross margin</i>	100.0%	100.0%	81.9%	83.6%	82.2%
Operating expenses	(816)	(1,123)	(2,149)	(2,412)	(3,097)
<i>% of revs</i>	176.2%	229.7%	176.0%	204.0%	170.2%
Other income	0	14	279	66	72
Other expense	(19)	(37)	8	(3)	0
EBITDA, adj	(372)	(657)	(1,151)	(1,894)	(1,846)
Depr & Amort	(218)	(193)	(272)	(313)	(358)
Share based payments	(42)	(91)	(128)	(145)	(102)
Operating profit, adj	(632)	(941)	(1,551)	(2,352)	(2,306)
exceptionals	(6)	0	0	0	0
Operating profit	(638)	(941)	(1,551)	(2,352)	(2,306)
Finance, net	29	44	(43)	(8)	(16)
Pre-tax profit	(609)	(897)	(1,594)	(2,360)	(2,322)
Tax	0	81	143	293	319
<i>tax rate</i>	0.0%	9.0%	9.0%	12.4%	13.7%
Net income	(609)	(816)	(1,451)	(2,067)	(2,003)
No. shares, period end	14,687	14,687	21,187	21,187	22,185
No. shares, average	12,911	14,687	17,697	22,185	22,185
EPS (GBp)	(4.7)	(5.6)	(8.2)	(9.3)	(9.0)

Source: Company data

Table 3: RUA Life Sciences Balance Sheet

Year-end March (£000)	2019A	2020A	2021A	2022A	2023A
Goodwill	0	0	301	301	301
Intangible assets	448	255	574	521	470
PP&E	1	5	1,952	2,597	2,739
Total non-current asset	449	260	2,827	3,419	3,510
Inventory	0	0	85	124	81
Trade receivables	238	258	949	1,120	588
Cash and equivs	2,412	1,976	6,294	2,963	1,484
Total current asset	2,650	2,234	7,328	4,207	2,153
Total assets	3,099	2,494	10,155	7,626	5,663
Trade payables	99	219	1,016	410	255
Borrowings	0	0	23	23	29
Lease liabilities	0	0	40	39	81
Other	0	0	20	39	49
Total current liabilities	99	219	1,099	511	414
Borrowings	0	0	223	199	165
Lease liabilities	0	0	124	83	200
Deferred tax	0	0	163	75	85
Other non-current liabilities	0	0	40	174	116
Total non-current liabilities	0	0	550	531	566
Total liabilities	99	219	1,649	1,042	980
Issued capital	12,574	12,574	12,949	1,109	1,109
Share premium	4,550	4,550	11,729	11,729	11,729
Capital redemption reserve	0	0	0	11,840	11,840
Other reserve	(1,916)	(1,825)	(1,697)	(1,552)	(1,450)
Accumulated profit	(12,208)	(13,024)	(14,475)	(16,542)	(18,545)
Total equity	3,000	2,275	8,506	6,584	4,683
Total equity & liabilities	3,099	2,494	10,155	7,626	5,663

Source: Company data

Table 4: RUA Life Sciences Cash Flow statement

Year-end March (£000)	2019A	2020A	2021A	2022A	2023A
Net income	(609)	(816)	(1,451)	(2,067)	(2,003)
Amortisation	218	193	68	53	51
Depreciation	0	1	204	259	307
Share based payments	42	91	128	145	102
Interest income	(7)	(7)	9	8	16
Tax income	0	(81)	(143)	(293)	(319)
Change in inventory	0	0	7	(39)	43
Change in receivables	(104)	(20)	(589)	(53)	327
Change in payables	31	120	231	(453)	(203)
Tax received	0	81	122	87	533
Net cash from operations	(429)	(438)	(1,414)	(2,353)	(1,146)
CAPEX PP&E	(1)	(5)	(620)	(904)	(449)
CAPEX intangibles	0	0	0	0	0
Acquisition	(139)	0	(323)	0	0
Interest received	7	7	(9)	(8)	(28)
Cash flow from investing	(133)	2	(952)	(912)	(477)
Share issue, net	2,552	0	6,462	0	0
Change in borrowings	0	0	222	(66)	132
Cash flow from financing	2,552	0	6,684	(66)	132
Change in cash	1,990	(436)	4,318	(3,331)	(1,491)
fx	0	0	0	0	12
Opening cash	422	2,412	1,976	6,294	2,963
Closing cash	2,412	1,976	6,294	2,963	1,484

Source: Company data

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- HOLD is an expected return -10% - +10%; and
- SELL is an expected return less than -10%.
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	Corporate No.	Corporate %	No.	%
Buy	67	93	80	91
Hold	4	5	6	6
Sell	0	0	0	0
Under review	1	1	1	1

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	2,6,7,8,9,10	25 Jun 21	Buy	138p

Source: Cenkos Securities

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