

RUA Life Sciences Plc

Positive developments

RUA Life Sciences has released a positive AGM statement and trading update noting continued cost control and a number of positive business development updates across its divisions. While the two revenue generating divisions continue to make strong progress, we are particularly encouraged by the engagement of RUA Structural Heart and RUA Vascular with 'major' players in these markets, which sees both divisions providing products to third-parties for testing – potentially opening new revenue streams for RUA. Following positive FY23 results in July, we believe this update maintains the company's positive development advancement.

- **Structural Heart** – RUA has agreed to provide a 'major player' with material it has developed as part of its in-house heart valve programme for evaluation testing by the third-party. Assuming successful development, this could see RUA's composite material being incorporated into currently marketed heart valve designs. Significantly, such an outcome would create a separate revenue stream to the in-house development project.
- **Vascular** – Through promotion of the vascular graft material, RUA has announced a purchase order from a 'major company in the sector' for material to trial as part of that company's device. This represents the first commercial sale of graft devices and, though early stage, marks the beginning of an OEM revenue stream for this business.
- **Biomaterials & CM** – Biomaterials notes positive indicators from its partner Biomerics and an extension to an existing licence that could see this revenue line doubling over time. Contract Manufacture notes progress on a customer funded project that could convert into a long-term supply agreement. Further, the trend towards dual sourcing of product post-COVID, is seeing RUA receive enquiries from potential customers to additional supply. Supported by these enquiries, RUA believes this business could double in scale over the coming years.
- **Expenditure** – RUA continues to manage expenditures and notes its main cost lines are showing positive variance to the budget, with overall costs 20% down versus management expectations. As such, the statement notes that cash resource are ahead of management's budget.
- **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 produces enter the c\$1bn market for these products, while the heart valves could disrupt this \$8bn market.

Forecast and Ratios

Y/E March (£000s)	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

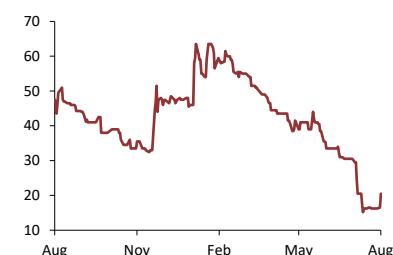
Source: Company data

Brokership Company

HOLD

Price at COB 22 Aug 23 20.5p
 52-week range 15.2-63.5p
 Ticker RUA LN

Share Price Performance



Source: Morningstar

Stock Data

Market cap (£m) 4.5
 Shares outstanding (m) 22

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, stockbrokers 10.5%
 Dowgate Capital 10.2%
 Hargreaves Lansdown, St.brokers 8.0%
 Mr David Richmond 6.9%
 Interactive Investor 6.0%

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Financials

Table 1: 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 2: 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 3: 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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- SELL is an expected return less than -10%.
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	Corporate No.	Corporate %	No.	%
Buy	64	91	72	92
Hold	6	8	6	7
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	2,6,8,9,10,13	11 Jul 22	Hold	37.3p

Source: Cenkos Securities

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