

## A run of good news

8 June 2020

Since AorTech's May trading update the company has continued its run of positive news announcements with a Government grant under the Pivotal Enterprise Resilience Fund (PERF), the issue of a new patent, and most recently, the impending resumption of orders from RUA Medical's largest customer. We have included the grant income in our financials and had previously reduced our forecasts of FY 2020 revenues, so our valuation remains unchanged.

### Positive news from RUA Medical

The coronavirus pandemic had already taken its toll on elective surgical procedures and impacted the financial guidance of the biggest medical device companies that included Johnson & Johnson and Smith & Nephew. For this reason, we had reduced our FY 2020 revenue forecasts for AorTech before its recent trading update. However, its most recent announcement may soften that impact. On 8 June, AorTech announced that its wholly owned subsidiary RUA Medical Devices' largest customer has requested that it prepare for production, and that **orders have resumed for supply in August**, subject to any second wave pressure. It was to be expected that elective surgical procedures would resume as states emerged from lockdown, but AorTech should be commended for providing investors with this visibility.

### ElastEon Intellectual Property reinforced

Since announcing the finalisation of the manufacturing and design of its heart valve prototype, AorTech have further noted the US Patent and Trademark Office's issue of a new patent that protects those developments. The refinement and protection of claims for the incorporation of its biostable polymer ElastEon in medical devices that include heart valves and aortic grafts, will not only **be closely watched by AorTech's potential licensees for its heart valve product, but will be required by any US licensee**. The heart valve and vascular products comprise just over 90% of our valuation of AorTech.

### Valuation unchanged by grant funding

We have not made any changes to our valuation but have incorporated the £150,000 PERF grant into our FY 2021 financials. **Our valuation remains at £101.3m or 690p per share.**

EPIC	AOR
Price	111p
52week Hi/Lo	120p / 42p
Market cap	£18m
ED value / share	£101.3m / 690p
Estimated net cash, May '20	£1.7m
Avg. daily volume	37,870

Share Price, p



Source: ADVFN

### Description

AorTech International PLC 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. AorTech has three divisions, AorTech Royalty that receives the licensing and royalty fees on Elast-Eon, AorTech Vascular that is a collaboration with RUA Medical to develop biostable surgical patches and grafts, and the AorTech Heart valve. In early 2020, AorTech announced the acquisition of RUA Medical to retain the Vascular business in the combined company.

AorTech's shares are listed on the UK London Stock Exchange's Alternative Investment Market and will change its name to RUA Life Sciences plc.

### Andy Smith (Analyst)

0207 065 2690  
[andy.smith@equitydevelopment.co.uk](mailto:andy.smith@equitydevelopment.co.uk)

Hannah Crowe

### Summary Financials

£'000s, y/e 31 March	2017A	2018A	2019A	2020E	2021E
Revenues	614	404	463	490	2314
Reported EBIT	-237	-34	-631	-589	-942
Basic EPS (US c / UK p)	-4.26c	-0.61c	-4.72p	-4.01p	-5.20p
Net Assets	1318	1016	3000	2531	3705
Net Cash	114	422	2412	1980	716

Source: Company historic data, ED estimates

## Financials

### Consolidated Income Statement & Forecasts

£'000s, y/e 31 March	2017A	2018A	2019A	2020E	2021E
<b>IFRS Income Statement</b>					
Total revenue	614	404	463	490	2575
Administration expenses	-559	-474	-841	-994	-2486
Other income (expense)		255	7	7	7
Depreciation & amortisation	-292	-219	-218	-92	-144
<b>Reported EBIT</b>	<b>-237</b>	<b>-34</b>	<b>-631</b>	<b>-589</b>	<b>-942</b>
<b>Reported profit before tax</b>	<b>-237</b>	<b>-34</b>	<b>-609</b>	<b>-589</b>	<b>-942</b>
Taxation					100
<b>Reported Net income</b>	<b>-237</b>	<b>-34</b>	<b>-609</b>	<b>-589</b>	<b>-842</b>
Basic EPS (c before 2019, p after 2019)	-4.26	-0.61	-4.72	-4.01	-5.20
Diluted EPS (c before 2019, p after 2019)	-4.26	-0.61	-4.72	-4.01	-5.20

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
<b>Assets</b>					
<b>Non-current assets</b>					
Tangible assets			1	2	1084
Goodwill					1275
Intangible assets	914	527	448	355	355
Total non-current assets	914	527	449	357	2714
<b>Current assets</b>					
Trade and other receivables	392	134	238	234	330
Cash and equivalents	114	422	2412	1980	716
Total current assets	506	556	2650	2214	1103
<b>Total assets</b>	<b>1420</b>	<b>1083</b>	<b>3099</b>	<b>2571</b>	<b>3817</b>
<b>Equity and liabilities</b>					
<b>Equity</b>					
Ordinary shares	15189	12118	12574	12574	12649
Share Premium	3133	2500	4550	4550	5645
Retained earnings	-2511	-11599	-12208	-12797	-12783
Foreign exchange reserve	8752				
Other reserve	-23245	-2003	-1916	-1796	-1806
Equity attributable to the company	1318	1016	3000	2531	3705
Total equity	1318	1016	3000	2531	3705
<b>Current liabilities</b>					
Trade and other payables	-102	-67	-99	-40	-112
Total current liabilities	-102	-67	-99	-40	-112
Total non-current liabilities					
<b>Total equity and liabilities</b>	<b>1216</b>	<b>949</b>	<b>2901</b>	<b>2491</b>	<b>3593</b>

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	2020E	2021E
Profit before taxation	-237	-34	-609	-589	-942
Adjustment for:					
Depreciation & amortisation	292	219	218	92	144
Movements in working capital	-212	162	-73	-56	-41
Net cash generated by operating activities	-200	347	-422	-443	-739
<b>Investing activities</b>					
Capital expenditure on tangibles					
Capital expenditure on intangibles		-16			
Acquisition of subsidiary			-139		
Net cash used in investing activities		-16	-139		
<b>Financing activities</b>					
Net proceeds from issue of shares			2552		
Net cash from financing activities			2552		-525
Net cash from discontinued operations					
Cash & equivalents at beginning of year	314	91	422	2413	1980
<b>Cash &amp; equivalents at end of year</b>	<b>91</b>	<b>422</b>	<b>2413</b>	<b>1980</b>	<b>716</b>

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](mailto:hannah@equitydevelopment.co.uk)

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Equity Development, 15 Eldon Street, London, EC2M 7LD. Contact: [info@equitydevelopment.co.uk](mailto:info@equitydevelopment.co.uk) 0207 065 2690