

Graft progress reflected in new valuation

12 October 2020

RUA Life Sciences has announced that their graft products have moved into the final long-term animal testing stage. This is the point that proceeds the submission and then FDA approval (during which the graft could be partnered). We have therefore modified the risk-adjustment in our valuation to reflect a 5% higher probability of success. This tangible progress in the development of RUA's most advanced products validates the acquisition of RUA Medical as all the value from these products now resides in the combined company.

Tangible progress since the RUA Medical acquisition

With the focus on the benefits that the RUA Medical acquisition brought in terms of revenue, royalty-saving, customers and manufacturing facilities, it is easy to forget that RUA Life Sciences' products are enhanced by the Elast-Eon biostable polymer. This has already been demonstrated as RUA's first product – the Elast-Eon-coated large bore vascular graft – **enters the last stage of animal testing**. After this long-term animal study, the 510(k) regulatory submission and FDA approval should follow. **We estimate that the regulatory submission to the FDA would be in Q2 2021.**

It should be no surprise that the development of the Elast-Eon-coated vascular graft is proceeding on schedule since, before the acquisition, RUA Medical were involved in the development of another, approved endovascular stent graft. Early observations from RUA's implanted grafts in the study demonstrated that they performed as well as, **if not better than the Substantial Equivalent market-leading graft** used as the control.

More news to come

We expect to review our valuation when RUA's release their trading update in mid-October, reflecting the revenues from the combined business now that elective surgical procedures are recovering from deferrals due to the pandemic. In addition, while our valuation reflects the valuation of RUA's products as acquisitions (which may still occur), should the product be distributed through OEM and distribution agreements, we shall be adjusting our model to reflect the future cash flows from this commercialisation route.

Valuation increased to reflect progress

Our valuation methodology attributes most of the valuation of RUA Life Sciences to its grafts, patches and heart valve products. As such, we have updated our valuation to reflect the recent progress announced by RUA Life Sciences. **This increases our valuation to £111.2m or 765p per share, from £99.3m or 676p per share.**

| EPIC | AOR |
|----------------------|----------------|
| Price | 142.5p |
| 52weeks Hi/Lo | 155p / 41p |
| Market cap | £21.5m |
| ED valuation / share | £111.2m / 765p |
| Cash at 7 July '20 | £1.5m |
| 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

Equity Development Limited is regulated by the Financial Conduct Authority

Equity Development Limited ('ED') is retained to act as financial adviser for various clients, some or all of whom may now or in the future have an interest in the contents of this document and/or in the Company. In the preparation of this report ED has taken professional efforts to ensure that the facts stated herein are clear, fair and not misleading, but make no guarantee as to the accuracy or completeness of the information or opinions contained herein.

This document has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom ('FSMA'). Any person who is not a relevant person under this section should not act or rely on this document or any of its contents. Research on its client companies produced and distributed by ED is normally commissioned and paid for by those companies themselves ('issuer financed research') and as such is not deemed to be independent, as defined by the FCA, but is 'objective' in that the authors are stating their own opinions. This document is prepared for clients under UK law. In the UK, companies quoted on AIM are subject to lighter due diligence than shares quoted on the main market and are therefore more likely to carry a higher degree of risk than main market companies.

This report is being provided to relevant persons by ED to provide background information about RUA Life Sciences PLC. This document does not constitute, nor form part of, and should not be construed as, any offer for sale or purchase of (or solicitation of, or invitation to make any offer to buy or sell) any Securities (which may rise and fall in value). Nor shall it, or any part of it, form the basis of, or be relied on in connection with, any contract or commitment whatsoever.

ED may in the future provide, or may have in the past provided, investment banking services to the Company. ED, its Directors or persons connected may have in the future, or have had in the past, a material investment in the Company.

More information is available on our website

www.equitydevelopment.co.uk

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