

AROA BIOSURGERY DECEMBER 2024 4C – COMMENTARY

FINANCIAL HIGHLIGHTS

- **Positive cash flows from operations** of NZ\$1.2 million during the quarter, reflecting the first quarter of positive cash flow since admission to the ASX in July 2020.
- **Total cash on hand increased** by NZ\$0.3 million, ending the quarter with a **strong cash balance** of NZ\$21.9 million.
- **Strong cash receipts from customers** of NZ\$19.5 million during the quarter, in line with expectations.
- Net cash outflow from investing activities was NZ\$0.8 million for the quarter, primarily reflecting routine capital expenditure.
- Full-year FY25 guidance (on a reported basis)¹, is expected to be NZ\$81-84 million total revenue (a 17-22% increase on FY24) and a normalised² EBITDA profit of NZ\$2-4 million.

OPERATIONAL HIGHLIGHTS

- The first peer reviewed study to emerge from the Company's larger 'MASTRR' study was published in December. The real-world limb salvage study found Myriad Matrix™ and Myriad Morcells™ achieved tissue fill and coverage within 30 days with just one application and no complications. The findings of the study reinforce the efficacy of Myriad™ products in complex limb salvage procedures.
- AROA direct sales are now contributing 56% of the year-to-date sales mix, with Myriad expected to continue growing, becoming a larger part of the overall sales mix
- Regulatory approval received for Endoform™ and Myriad Matrix in Lebanon, Endoform in Vietnam, and Myriad in Saudi Arabia.
- AROA will host a webinar to discuss these results today at 9 a.m. AEDT. [Click here](#) to register.

Soft tissue regeneration company Aroa Biosurgery Limited (ASX: ARX, 'AROA' or the 'Company') is pleased to provide an update on its activities for the quarter ended 30 September 2024.

Financial commentary

The Company posted its first quarter of positive cash flows from operations, since its admission to the ASX in July 2020. Cash flows from operations of NZ\$1.2 million primarily reflected the maintenance of strong receipts from customers of NZ\$19.5 million and a decrease in clinical expenses, attributable to Symphony RCT.

The Company received tax incentive and income tax refunds of NZ\$1.6 million, however these were largely offset by the payment of annual insurance premiums.

Net cash outflows from investing activities for the quarter were NZ\$0.8 million, primarily reflecting routine capital expenditure.

¹This guidance reflects an average NZ\$/US\$ exchange rate of 0.60 for FY25.

² Normalised EBITDA is non-conforming financial information, as defined by the NZ Financial Markets Authority, and has been provided to assist users of financial information to better understand and assess the Group's comparative financial performance without any distortion from the one-off transactions. The impact of non-cash share-based payment expenses and unrealised foreign currency gains or losses has also been removed from the Profit or Loss. This approach is used by Management and the board to assess the Group's comparative financial performance. All references to normalised EBITDA in this announcement are as set out in this footnote.

29 January 2025



Total cash on hand increased by NZ\$0.3 million with the Company ending the quarter with a strong cash balance of NZ\$21.9 million and remaining debt-free.

In accordance with ASX Listing Rule 4.7C.3, AROA advises that an aggregate amount of NZ\$178,000 was paid during the quarter to the Company's six non-executive directors for directors' fees.

Financial outlook

The Company's full-year guidance is presented on a constant currency basis (using a NZ\$/US\$ exchange rate of 0.64). Full-year FY25 guidance is updated to NZ\$76-79 million in total revenue and full-year normalised EBITDA profit of NZ\$0-2 million.

As a result of the favourable NZ\$/US\$ exchange rate, full-year FY25 guidance, on a reported basis, is expected to be NZ\$81-84 million in total revenue and full-year normalised EBITDA profit of NZ\$2-4 million. Guidance on a reported basis reflects an expected average NZ\$/US\$ exchange rate of 0.60 for FY25.

AROA CEO, Brian Ward commented: "We're pleased to see positive operating cash flows for the first time since listing on the ASX. We expect to see positive cash flows continue, driven by strong sales growth, as AROA advances towards profitability at the close of FY25."

Clinical evidence

During the quarter, focus continued on expanding clinical evidence reinforcing the efficacy of AROA ECM™ products.

A peer-reviewed real-world study, titled *Limb Salvage via Surgical Soft Tissue Reconstruction with Ovine Forestomach Matrix Graft: A prospective study*, was published in the December issue of highly respected journal *Plastic and Reconstructive Surgery – Global Open*. This is the first study published from the Company's larger Myriad Augmented Soft Tissue Reconstruction Registry (MASTRR) study.

The single site study conducted between May 2022 and April 2023, included a total of 130 lower limb defects from 120 patients. Across all participants, 95% had at least one risk factor for lower limb amputation, and 55% had three or more predictive risk factors for amputation.

The study is the largest prospective inpatient study of lower extremity reconstructions using a dermal substitute.

The study found that AROA's Myriad Matrix and Myriad Morcells achieved successful tissue coverage and fill in 30 days with just one application³ and no infections or complications, reinforcing its efficacy in lower limb reconstruction procedures.

The study further showed estimated cost difference of up to 195% compared to other commercially available dermal matrices, when used for lower extremity reconstruction.

The findings from this recent prospective study further validate use of Myriad products in these challenging lower extremity reconstructions⁴ and more broadly, are consistent with previous findings in a wide range of other soft tissue reconstruction procedures, reinforcing Myriad's versatility. The study is available online, [here](#).

To date, over 90 peer reviewed studies have been published, validating the efficacy of the AROA ECM technology, and more than 7 million AROA devices have been used globally in a range of procedures.

³ Median time to tissue coverage was 30.0 days, with an interquartile range of 26.9 to 33.1 days, and a median product application rate of one.

⁴ Bosque, B.A., et al, *Ovine Forestomach Matrix in the Surgical Management of Complex Lower-Extremity Soft-Tissue Defects*. Journal of American Podiatric Medical Association, 2023. 113(3).



Sales

The Company's investment into the US commercial operations continues to deliver results, with AROA direct sales now contributing 56% of the year-to-date sales mix. Sales of the high-margin Myriad family remain strong, reflected in year-on-year growth of 46%. The Company expects Myriad to continue growing, becoming a larger part of the overall sales mix.

Focus continues on sales productivity, with four sales representatives with an average run rate of at least \$1,000,000, up from three in the same period in 2023.

AROA's ex-US sales also continue to perform well. During the quarter, regulatory approval was received to sell Endoform and Myriad Matrix in Lebanon, Endoform in Vietnam and Myriad in Saudi Arabia.

The Company's sales and clinical teams participated in eight major industry conferences, including Symposium on Advanced Wound Care (Fall) held in Las Vegas and American College of Surgeons Clinical Congress in San Diego.

Investor relations

An active Investor Relations schedule was maintained during the quarter, including presentations at the Bell Potter Healthcare Conference, the Wilsons Advisory Drug and Device Conference, and a webinar with strawman.com.au.

Quarterly webinar

The Company will hold a webinar with CEO Brian Ward and CFO James Agnew today, Wednesday 29 January 2025 October at 9 a.m. AEDT to discuss the December Quarterly Results.

Investors can register for the webinar via the following link:

https://us02web.zoom.us/webinar/register/WN_MrYng6hPQhK0MP7HW2CJ5g

Questions can be submitted prior to the webinar to investor@aroa.com or live, via the Q&A function on Zoom.

<ENDS> Authorised on behalf of the Aroa Biosurgery Board of Directors by Brian Ward, CEO.

Contacts

Investor Relations

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About AROA™

Aroa Biosurgery is a soft-tissue regeneration company committed to 'unlocking regenerative healing for everybody'. We develop, manufacture, sell and distribute medical and surgical products to improve healing in complex wounds and soft tissue reconstruction. Our products are developed from a proprietary AROA ECM™ technology platform, a novel extracellular matrix biomaterial derived from ovine (sheep) forestomach.

Over 7 million AROA products have been used globally in a range of procedures to date, with distribution into our key market of the United States via our direct sales force and our partner

TELA Bio, Inc. Founded in 2008, AROA is headquartered in Auckland, New Zealand and is listed on the Australian Securities Exchange (ASX: ARX). www.aroa.com

About Myriad™

Myriad Matrix™ is an extracellular matrix graft, composed of AROA ECM and designed for soft tissue reconstruction and complex wounds. Myriad Morcells™ is a morcellised version of Myriad Matrix that easily conforms to optimize contact with irregular wound beds. Myriad Morcells Fine is a morselized conformable ECM graft that can be used either by itself or synergistically with Myriad Matrix.

About Endoform™

Endoform™ products are unique extracellular matrix products, composed of AROA ECM, for the management of acute and chronic wounds.

About Symphony™

Symphony is a combination cellular and tissue product comprising AROA ECM with hyaluronic acid. It is designed to facilitate the regeneration of functional tissue and the combination of AROA ECM and hyaluronic acid acts synergistically to drive wound closure. Symphony is typically used in diabetic, venous and pressure ulcers alongside a wide array of other acute and chronic surgical and traumatic wounds.

About Enivo™

This is a new Tissue Apposition Platform which AROA is developing, designed to close tissue cavities at a surgical site created by surgical dissection or tissue removal. It is comprised of a specially designed AROA ECM implant that is coupled to an external single-use negative pressure pump.

When the product is deployed, the tissue surfaces are drawn together, held in place and tissue fluids are carried by the vacuum to an external fluid collection bag. AROA intends to develop and launch a new class of products utilising this new platform technology.

About OviTex™ and OviTex PRS

OviTex and OviTex PRS are reinforced bioscaffolds manufactured by AROA. The products are based on AROA ECM technology, co-developed with our partner, TELA Bio, Inc. (US) and sold by

TELA Bio in the United States and Europe. TELA Bio is licensed to sell OviTex for abdominal wall reconstruction and hernia repair. Since the first hernia product was launched in 2016, the portfolio has expanded to include hernia products for minimally invasive surgery (robotic) and the launch of OviTex PRS (licensed to TELA Bio for breast reconstruction).

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Aroa Biosurgery Limited

ABN

ARBN 638 867 473

Quarter ended ("current quarter")

31 December 2024

Consolidated statement of cash flows	Current quarter \$NZ'000	Year to date (9 months) \$NZ'000
1. Cash flows from operating activities		
1.1 Receipts from customers	19,493	57,203
1.2 Payments for		
(a) research and development	(371)	(983)
(b) product manufacturing and operating costs	(1,800)	(5,008)
(c) advertising and marketing	(2,548)	(13,081)
(d) leased assets	(3)	(7)
(e) staff costs	(12,183)	(37,247)
(f) administration and corporate costs	(3,199)	(6,737)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	245	1,212
1.5 Interest and other costs of finance paid	(6)	(7)
1.6 Income taxes refund received / (paid)	440	(321)
1.7 Government grants and tax incentives	1,173	1,349
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	1,241	(3,627)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(439)	(2,004)
(d) investments	-	-
(e) intellectual property	(131)	(270)

Consolidated statement of cash flows	Current quarter \$NZ'000	Year to date (9 months) \$NZ'000
(f) other non-current assets	(269)	(755)
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash used in investing activities	(839)	(3,029)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	3	19
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (lease liability payments)	(365)	(1,102)
3.10 Net cash used in financing activities	(362)	(1,083)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	21,600	29,522
4.2 Net cash used in operating activities (item 1.9 above)	1,241	(3,627)
4.3 Net cash used in investing activities (item 2.6 above)	(839)	(3,029)
4.4 Net cash used in financing activities (item 3.10 above)	(362)	(1,083)

Consolidated statement of cash flows		Current quarter \$NZ'000	Year to date (9 months) \$NZ'000
4.5	Effect of movement in exchange rates on cash held	295	152
4.6	Cash and cash equivalents at end of period	21,935	21,935

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter \$NZ'000	Previous quarter \$NZ'000
5.1	Bank balances	14,935	8,596
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (term deposits less than 90 days)	7,000	13,004
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	21,935	21,600

6. Payments to related parties of the entity and their associates		Current quarter \$NZ'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	179
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7. Financing facilities	Total facility amount at quarter end \$NZ'000	Amount drawn at quarter end \$NZ'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	1,009	352
7.3 Other (please specify)	-	-
7.4 Total financing facilities	1,009	352
7.5 Unused financing facilities available at quarter end		657
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
Includes the following: N/A		

8. Estimated cash available for future operating activities	\$NZ'000
8.1 Net cash from operating activities (item 1.9)	1,241
8.2 Cash and cash equivalents at quarter end (item 4.6)	21,935
8.3 Unused finance facilities available at quarter end (item 7.5)	657
8.4 Total available funding (item 8.2 + item 8.3)	22,592
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 January 2025.....

Authorised by: By the board.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.