



FY21 FULL YEAR RESULTS PRESENTATION

Soft tissue regeneration company Aroa Biosurgery Limited (ASX:ARX, 'Aroa' or the 'Company') is pleased to release the attached FY21 full year results presentation that will be presented to investors at today's Investor Webinar by CEO, Brian Ward and CFO, James Agnew as previously announced on 21 May 2021. The Webinar will be held today, Tuesday 25 May 2021 at 11:00am AEST, to discuss the Company's full year results for the period ending 31 March 2021.

Investors can register for the webinar via the following link:
https://us02web.zoom.us/webinar/register/WN_Zz7P61uSRHmoXhFE1bb5iA

Investors can submit questions prior to the webinar to shinsley@aroabio.com or do so via the Q&A function on Zoom.

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

About Aroa Biosurgery:

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. Aroa's products have been used in more than four million procedures to date, with distribution into our key market of the United States via our direct sales force and our partner TELA Bio. Founded in 2008, AROA is headquartered in Auckland, New Zealand and is listed on the Australian Securities Exchange (ASX:ARX). www.aroabio.com/

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AROA

AROA BIOSURGERY

FY21 Full Year Results Presentation
May 2021 | ASX: ARX

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This presentation (**Presentation**) is dated 25 May 2021 and has been prepared by Aroa Biosurgery Ltd, New Zealand company number 1980577, ARBN 638 867 473 (**Aroa or the Company**).

Information in this Presentation

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The Presentation contains certain “forward-looking statements”. The words “forecast”, “expect”, “anticipate”, “estimate”, “intend”, “believe”, “guidance”, “should”, “could”, “may”, “will”, “predict”, “plan” and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. As with any projection or forecast, forward-looking statements in this Presentation are inherently uncertain and susceptible to changes in circumstances. Opinions may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Actual results, performance or achievements may differ materially from those expressed or implied in forward looking statements and statements of opinion. In particular, while the Company has no reason to believe that the markets to which the data relates will not return to the operating levels experienced before COVID-19, the impact of COVID-19 (if any) on the market data that is referenced is not possible to currently predict with any certainty and investors are cautioned against placing undue reliance on such data.

AROA AT A GLANCE

Well established high-growth soft tissue regeneration company



NZ\$23.1m

product sales FY21 on constant currency basis



68% Gross Margin

FY21, impacted by lower sales and FX



4 million+

Procedures with Aroa's products



5 patented products

selling in United States



Regulatory Approvals

in 44 countries



Aroa ECM™ platform

Provides new products and line extensions year on year



>20

Peer Reviewed Publications



>US\$2.5¹b TAM

for existing products



>150

personnel²

1. SmartTRAK BiomedGPS data 2020; DRG Millennium Research data; Hernia Repair Devices, 2020, Aroa management estimates; DRG Millennium Research, Breast Implants & Reconstructive devices, 2018 Market data was prepared before the onset of COVID-19, the economic effect of which is currently not possible to predict with any certainty. Consequently, while the Company has no reason to believe that the market data does not remain accurate based on the relevant markets operating normally, the impact of COVID-19 on the market data that is referenced is not possible to currently predict with any certainty and investors are cautioned against placing undue reliance on such data.
2. Aroa NZ & US employees.

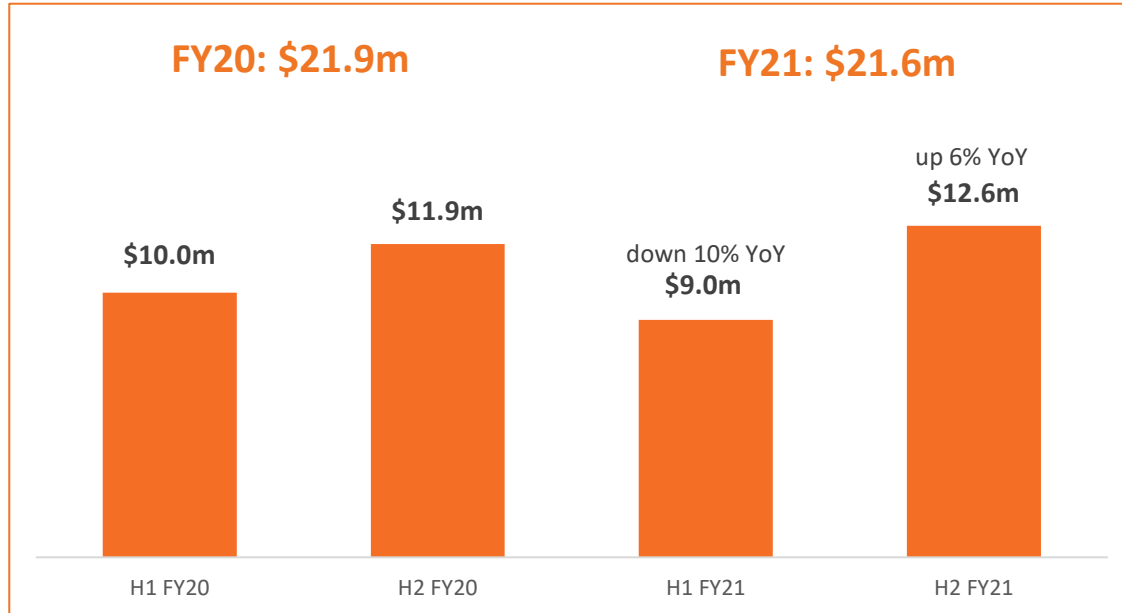


AROA

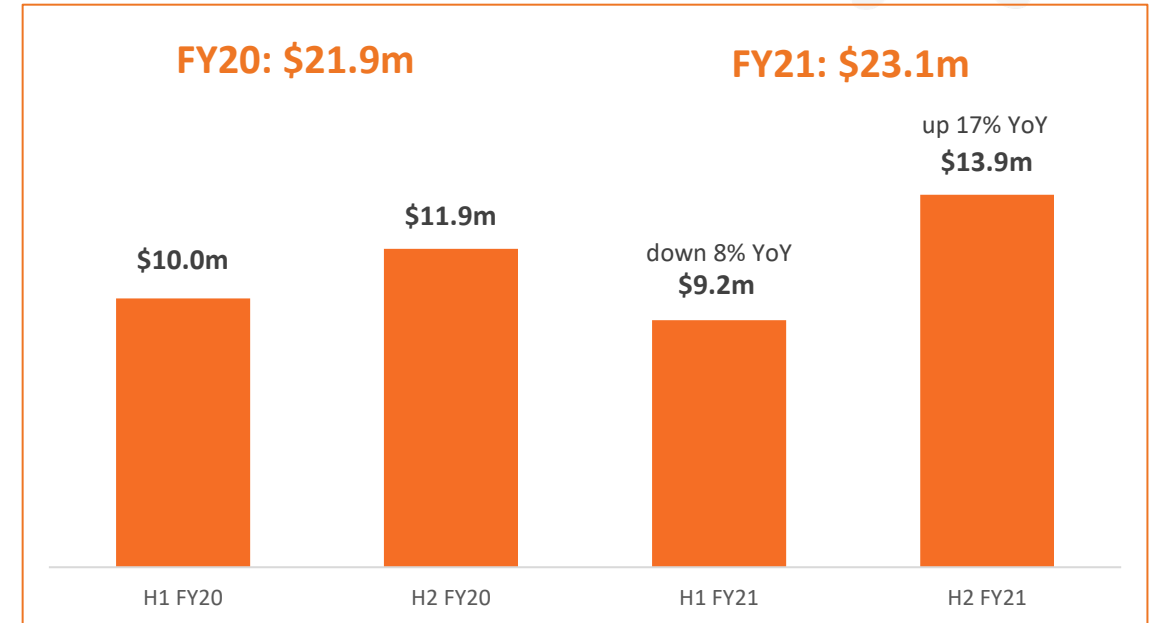
Financial

Product sales

Product sales (Reported)



Product sales (Constant Currency¹)



- Product sales for H1 FY21 of \$9.0m down 10% on H1 FY20, reflecting the impact of the COVID-19 pandemic.
- Despite NZD/USD exchange headwinds, product sales recovered strongly in H2 FY21, increasing 6% on H2FY20 (17% in constant currency).
- Full year product sales of \$21.6m decreased 2% on FY20, however increased 5% on a constant currency basis.

1. The NZD/USD exchange rate of \$0.64 has been used in the constant currency analysis, representing the average rate for FY2020.

Financial Results

Normalised Profit or Loss ¹

	Reported 2021 NZ\$000	Reported 2020 NZ\$000	Reported YoY %	CC ² 2021 NZ\$000	CC ² YOY %
Product sales	21,575	21,924	(2)	23,123	5
Other revenue	767	3,152	(76)	822	(74)
Total revenue	22,342	25,076	(11)	23,945	(5)
Gross profit	15,524	18,737	(17)	17,127	(9)
Product gross margin %	68%	71%	(3) bps	71%	0 bps
Other income	2,682	1,137	136	2,722	139
Normalised selling and administrative expenses ³	(18,142)	(15,401)	18	(18,900)	23
Research and development expenses	(6,425)	(5,042)	27	(6,425)	27
Total normalised operating expenses	(24,567)	(20,443)	20	(25,325)	24
Normalised EBIT	(6,361)	(569)	1,018	(5,476)	862
Add back: Depreciation & amortisation	1,863	1,535	21	1,863	21
Normalised EBITDA	(4,498)	966	(566)	(3,613)	(474)
Net finance expenses	(1,111)	(3,317)	67	(1,753)	47
Normalised loss before income tax	(7,472)	(3,886)	92	(7,229)	86

Commentary

- Product gross margin was impacted in H1 FY21 as a result of lower product sales, but improved significantly in H2 FY21.
- Reduction in Other revenues represent one-off license fees in FY20.
- Normalised selling and administration expenses increased \$2.7m or \$3.5m in constant currency, reflecting increased investment in the US sales operations and increasing expenses from becoming a publicly listed entity.
- Research and development expenses increased \$1.4m reflecting the increase in staffing on pipeline products.
- Normalised EBITDA loss of \$4.5m.

¹ The normalised profit or loss is non-conforming financial information, as defined by the NZ Financial Markets Authority. It has been provided to assist users of financial information to better understand and assess the Group's comparative financial performance without any distortion from NZ GAAP accounting treatment specific to one-off, non-cash fair value adjustment of pre-offer shares issued in February and May 2020, and the one-off transaction costs associated with Aroa's successful initial public offering on the ASX in July 2020 (the IPO). The impact of non-cash share-based payments expense 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.

² Constant currency (CC) removes the impact of exchange rate movements. This approach is used to assess the Group's underlying comparative financial performance without any distortion from changes in foreign exchange rates, specifically the USD. The NZD/USD exchange rate of 0.64 has been used in the constant currency analysis, representing the average rate for FY2020.

³ These items have been normalised by the amounts outlined within the 'Reconciliation to NZ GAAP Profit or Loss'.

Cash flows

	2021 \$000	2020 \$000
Cash flows from operating activities		
Cash receipts from sales revenue	21,044	22,373
Cash receipts from license fees, project fees, and grant income	2,552	3,865
Cash paid to suppliers and employees	(28,115)	(24,239)
Net interest paid	(719)	(178)
Income tax received (paid)	231	(161)
Net cash (outflow)/inflow from operating activities	(5,007)	1,660
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,265)	(1,691)
Purchase of intangible assets	(235)	(179)
Term deposits	(20,000)	-
Net cash (outflow) from investing activities	(21,500)	(1,870)
Cash flows from financing activities		
Net proceeds from issue of equity and convertible debt securities	50,426	5,995
Net repayment of borrowings/deferred consideration	(12,596)	(7,730)
Lease liability – Principal and interest	(731)	(546)
Net cash inflow/(outflow) from financing activities	37,099	(384)
Net increase/(decrease) in cash and cash equivalents	10,592	(594)
Effect of exchange rate fluctuations on cash and cash equivalents	939	(13)
Cash and cash equivalents at beginning of year	3,850	4,457
Cash and cash equivalents at end of year	15,381	3,850
Add: Term Deposits	20,000	-
TOTAL CASH ON HAND	35,381	3,850

Commentary

- Net cash outflow from operating activities of \$5.0 million for FY21 compared to a net cash inflow from operating activities of \$1.7 million in FY20, reflecting the increased investment in operating expenses.
- Purchases of property, plant and equipment remained modest.
- Net proceeds from pre-IPO and IPO placements of \$50.4m.
- Repayment of borrowings of \$12.6m.
- Cash (including short term deposits) on hand of \$35.4m.

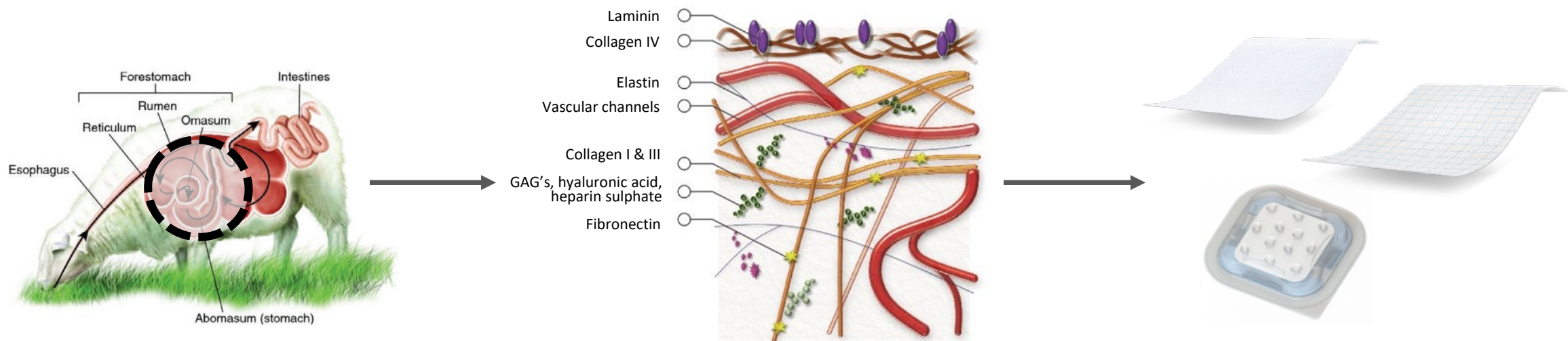


A R O A

Products & Sales

ARO A ECM™ PLATFORM TECHNOLOGY

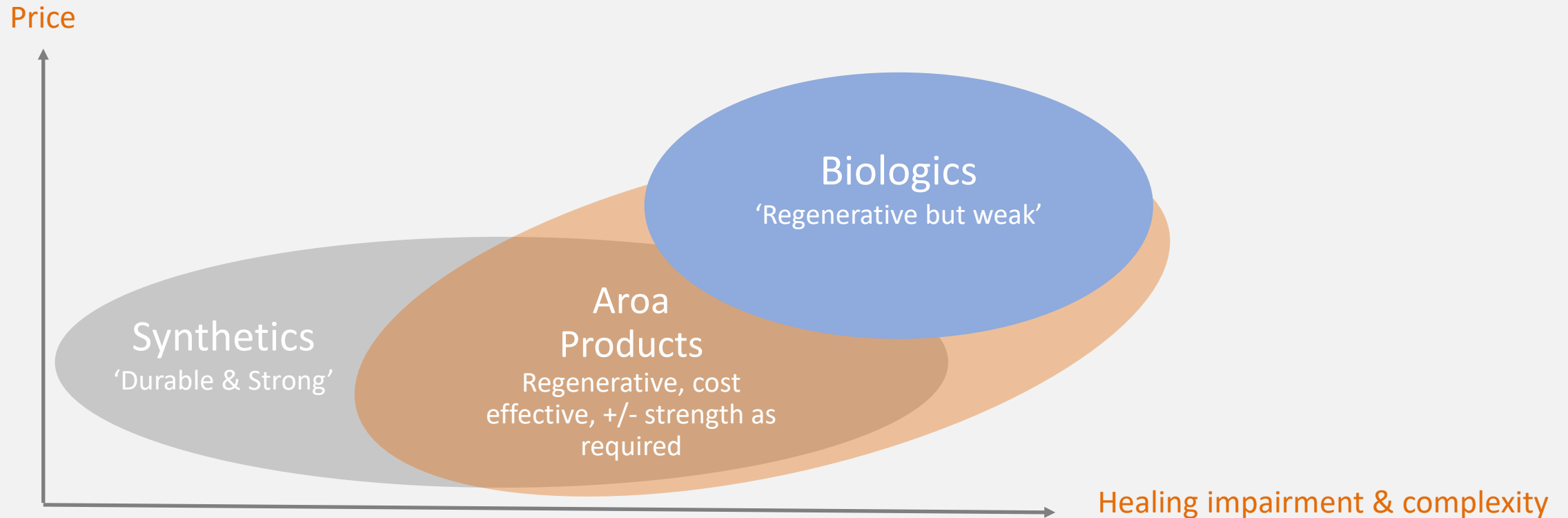
All Aroa's products utilise its proprietary Aroa ECM™ platform, which is a unique Extracellular Matrix (ECM) derived from sheep forestomach



Source	Aroa ECM Technology (Structural and Biological Building Block)	Products
<ul style="list-style-type: none">Extraordinary thick porous ECM with basement membrane and an unusually dense network of vascular channelsConstantly renewing and growing	<ul style="list-style-type: none">Aroa ECM (purified Ovine Forestomach Matrix) provides unique ECM with a <u>native porous structure, vascular channels, signals and substrates to help to short-cut healing</u> (basement membrane components, ECM structure, more than 150 secondary molecules known to be important in healing). Clinically this translates to ready-to-use structure and biological features which direct regenerative healing.	<ul style="list-style-type: none">All products with Aroa ECM provide a short-cut to growing new tissue and an associated blood supply. Each product is engineered for the challenges of a specific use case.

UNLOCKING REGENERATIVE HEALING FOR EVERYBODY

Aroa ECM technology offers leading regenerative performance at a significantly lower cost than other biologics enabling more patients to have access to the benefits of regenerative healing



Note: Aroa Management compilation based on peer reviewed publications.

AROA PRODUCT RANGE

ADDRESSES A WIDE RANGE OF APPLICATIONS AND LARGE ADDRESSABLE MARKETS

	Brand name	Use case	FY'18	FY'19	FY'20	FY'21	FY'22	FY'23	US TAM (USD)	Sales Channel	Launch
Existing Commercial Products	Endoform™ Natural & Antimicrobial	Stalled complex wounds							\$78m ¹	Aroa	FY'13
	Ovitex	Hernia							\$845m ²	TELA Bio	FY'17
	Myriad	Dermal & implantable Reconstruction							\$200m ³	Aroa	FY'20
	Ovitex PRS	Licensed to TELA Bio solely for Breast Surgery							\$463m ⁴	TELA Bio	FY'20
	Symphony™	Complex wounds & Limb salvage							\$1.15b ⁵	Aroa	FY'21 ⁶
New Pipeline	TBC	Dead Space Management							TBD	Aroa	FY'23/24 ⁶

Sources: 1 and 5 SmartTRAK BiomedGPS data 2020, 2. DRG Millennium Research data, Hernia Repair Devices, 2020, 3 Aroa management estimates, 4. DRG Millennium Research, Breast Implants & Reconstructive devices, 2018.

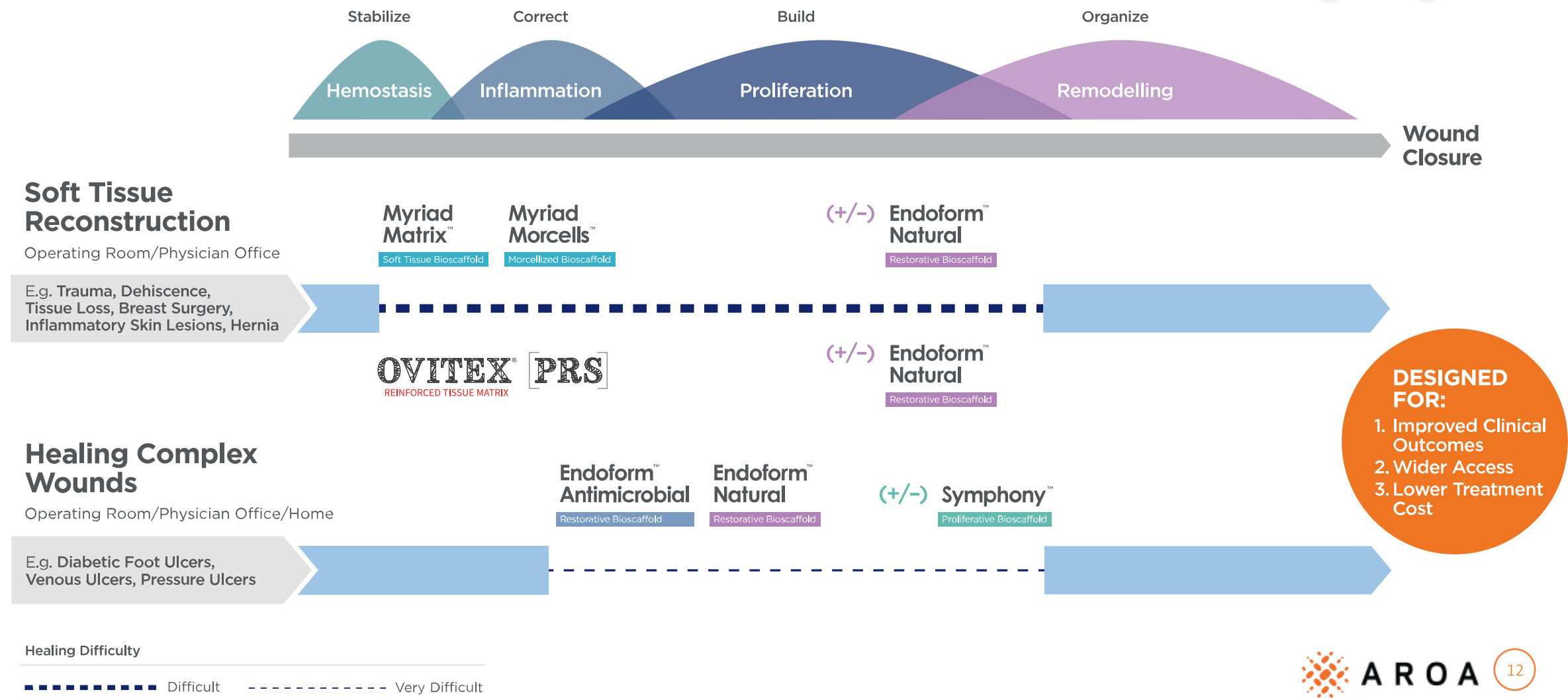
6. Based on current project timeline but remains subject to changes in circumstances and regulatory clearances.

Note: Symphony requires a new reimbursement code, whereas all other products fall under existing reimbursement codes.



AROA PRODUCT PORTFOLIO

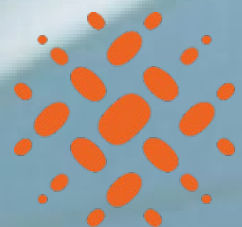
UNLOCKING REGENERATIVE HEALING ACROSS THE CONTINUUM OF CARE



SALES CHANNELS

THREE SALES CHANNELS TO MAXIMIZE AROA'S OPERATING LEVERAGE

Channel	Description	Products	Target Specialties	Call point	Sales force (FTE)
 AROA	US Commercial operations based in San Diego, with sales professionals across US	Endoform Myriad Symphony	Physicians, WOCN's/ RN's Podiatric, Plastic, Trauma & Orthopaedic surgeons	Outpatient Wound Centres & Inpatient Operating Rooms	20 field, 8 Inside & 20 Independent Sales Representatives
 TELA BIO	NASDAQ listed ~US\$233 Market Cap exclusively sells Aroa licensed products	Ovitex® Ovitex PRS™ (US and European Rights)	General Surgeons Plastic Surgeons	Operating Room	46 sales territories as at 31 March 2021
International (Ex-USA)	<ul style="list-style-type: none"> Aroa is appointing distributors for the countries outside the US in which it has received regulatory approvals. Aroa has the rights for Ovitex and Ovitex PRS outside of US and Europe 				



AROA

Future

CATALYSTS



Post-COVID

Vaccinations expected to improve throughout CY2021



Aroa Direct Sales

Fully dedicated field sales team. Myriad expected to drive growth.



TELA Bio Momentum

Clinical outcomes & cost savings driving increasing adoption



Product Synergies

Complementary products for every phase of healing & continuum of care



Clinical Data

Endoform, Myriad & Symphony



Reimbursement

Potential for changes in the reimbursement of cell and tissue products (Symphony) in outpatient wound centres



Pipeline Products

From Aroa ECM platform & new single-use dead space management platform



Global Expansion

Regulatory approval in more than 40 countries

AROA FY22 OUTLOOK



NZ\$30-\$33m

product sales FY22
39-53% higher than FY21



**GM
improvement**

- AROA is well placed for FY22 following an improved second half of FY21 and sales transition.
- Focused on building our US commercial operations over next 24 months to drive revenue growth to take advantage of the opportunities presented by our expanded product portfolio.
- TELA Bio sales expected to deliver strong growth based on their revenue guidance of 48% to 65% growth in CY21 compared to CY20.
- EBITDA will be negative (as previously forecasted) as a result of increased investment into its sales force (announced in February 2021).
- Guidance subject to no resurgence of COVID-19 in the US, continued improvement in US medical procedure numbers & TELA Bio sales performance. It assumes an average \$NZD-\$USD exchange rate of US\$0.72.



AROA



Q&A



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APPENDIX

Reconciliation of Normalised Profit or Loss to NZ GAAP Profit or Loss

	Reported 2021 NZ\$000	Reported 2020 NZ\$000
Normalised loss before income tax	(7,472)	(3,886)
Share based payments	(2,010)	(418)
Transaction costs	(1,607)	(850)
Other losses	(8,013)	(1,006)
Loss before income tax (NZ GAAP)	(19,102)	(6,160)

Share Based Payments

Share based payments of approx. \$2.0 million relate to the vesting of the share options issued to Directors and employees of the Company on IPO and certain employees in September 2020.

Transaction Costs

Transaction costs of \$1.6 million relate to the costs associated with the IPO, including lead manager fees, legal fees, accounting and audit fees, ASX listing fees and road show expenses. Out of the total costs of \$3.2 million incurred during the year ended 31 March 2021, \$1.6 million was recognised against share capital, with the remaining \$1.6 million recorded within operating expenses.

Other Losses

Other losses of \$8.0 million are a non-cash, one-off expense attributable to the fair value adjustment of pre-offer shares issued in February and May 2020, which were classified as financial liabilities as opposed to equity in accordance with NZ IAS 32. During the reporting period, these financial liabilities at fair value through profit or loss were fully reclassified as equity, following the IPO.