

AROA BIOSURGERY MARCH 2022 4C – COMMENTARY

Financial Highlights

- Preliminary unaudited FY22 full year product revenue of approximately NZ\$39.2 million, being NZ\$37.7 million on a constant currency¹ basis and exceeding the Company's constant currency guidance of NZ\$34-37 million. This represents constant currency growth of approximately 84% on FY21.
- H2 FY22 preliminary unaudited product revenue grew 19% on H1 FY22 and 66% on H2 FY21, on a constant currency basis.
- Preliminary unaudited total revenue of approximately NZ\$39.7 million for FY22, representing approximately 78% growth on FY21.
- Net cash flow outflow from operations was NZ\$5.1 million for the quarter, primarily reflecting the timing of cash receipts on product sales during the quarter.
- Net cash outflow from investing activities was NZ\$1.4 million for the quarter, reflecting AROA's investment into the manufacturing facility expansion.
- Strong cash balance of NZ\$56 million as at 31 March 2022, and the Company remains debt free.

Operational Highlights

- Myriad Matrix™ awarded the Gold Award for "Most Innovative Dressing or Device" at the Journal of Wound Care's World Union of Wound Healing Societies Awards 2022.
- Limited US commercial launch of Symphony™
- In-person attendance at four key industry conferences.
- Commercial manufacturing has now commenced at AROA's second manufacturing facility.
- AROA will host an investor webinar today at 10.30am AEST to discuss the results. [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 31 March 2022.

Financial commentary and outlook

AROA's preliminary unaudited product revenue for the FY22 full year is approximately NZ\$39.2 million. This represents approximately NZ\$37.7 million on a constant currency basis and exceeds the Company's previously announced constant currency guidance of NZ\$34-37 million. It reflects constant currency growth of approximately 84% on FY21.

AROA's preliminary unaudited product revenue for H2 FY22 is approximately NZ\$21.5 million, representing constant currency growth of approximately 19% on H1 FY22 and 66% on H2 FY21. Preliminary unaudited total revenue for FY22 is approximately NZ\$39.7m and represents approximately

¹ Constant currency removes the impact of exchange rate movements. This approach is used to assess the AROA group's underlying comparative financial performance without any distortion from changes in foreign exchange rates, specifically the USD. The NZD/USD exchange rate of 0.72 has been used in the constant currency analysis, representing the AROA group's budget rate for FY22. All references in this announcement to 'constant currency' are as set out in this footnote.



78% growth on FY21.

AROA plans to announce its final audited FY22 financial results at the end of May.

Despite a strong sales performance in Q4 FY22, cash receipts for the March quarter were NZ\$7.3m, reflecting the timing of Ovitex™ product revenues during the quarter and their expected cash receipt in the June 2022 quarter.

Net cash outflows from operations for Q4 were NZ\$5.1 million, compared to net cash outflows of NZ\$0.8 million in Q3, primarily reflecting the timing of cash receipts on sales during the quarter, but also reflecting an increase in staffing costs (primarily sales personnel) and the higher sales and marketing activity during the quarter.

Net cash outflows from investing activities for Q4 were NZ\$1.4 million, primarily reflecting AROA's investment into the manufacturing facility expansion.

The Company ended the quarter with a strong cash balance of NZ\$56 million and remains debt free.

Chief Executive Officer, Brian Ward said "We are extremely pleased to deliver these outstanding results. Our people and our partners have responded to another challenging year of continued COVID-19 outbreaks and associated disruptions with resilience, agility and determination. These results are a testament to that".

"We entered FY22 with a strategy focused on the hospital operating room setting and building a new dedicated field sales team. We consider that this strategy is paying off, and we are seeing a strong pipeline of clinical evaluations, value committee approvals and hospital conversions. With a growing body of clinical evidence for our products and expanded manufacturing capacity, we believe we are well positioned for significant growth in FY23 and beyond."

Appendix A provides a summary of actual expenditure, compared to the estimated use of funds set out in AROA's IPO Prospectus, in accordance with ASX Listing Rule 4.7C. Cash expenditure is consistent with the use of funds set out in that Prospectus.

In accordance with ASX Listing Rule 4.7C.3, AROA advises that an aggregate amount of NZ\$104,000 was paid during the quarter to the Company's five Non-Executive Directors for directors' fees.

Product

AROA's Myriad Matrix™ was awarded the Gold Award for "Most Innovative Dressing or Device" at the Journal of Wound Care's World Union of Wound Healing Societies Awards 2022. The Awards were part of a World Union of Wound Healing Societies conference held in Abu Dhabi, UAE, at which AROA also presented clinical posters from Al Mousa, R. H., B. A. Bosque and S. G. Dowling (2022) titled "A Case Report: Utilizing Ovine Forestomach Matrix in the Subacute Treatment of Fascial Thermal Burn" and Bosque, B. A., C. Frampton, A. E. Chaffin, G. Bohn, K. Woo, C. DeLeonardis, B. D. Lepow, M. Melin, T. Madu, S. G. Dowling and B. C. H. May (2022) titled "Retrospective Real World Comparative Effectiveness of Ovine Forestomach Matrix and Collagen/Oxidized Regenerated Cellulose in the Management of Diabetic Foot Ulcers".



Sales

The Company commenced a limited US commercial launch of its Symphony™ product during the quarter. Symphony utilizes the Company's proprietary AROA ECM™ platform technology in combination with hyaluronic acid and is designed to support healing during the proliferative phase to reduce the time to wound closure, particularly in patients whose healing is severely impaired or compromised due to other concurrent disease. The limited commercial launch is focused on US Department of Veterans Affairs hospitals and clinics.

AROA's sales and clinical teams attended and presented in-person, alongside Key Opinion Leaders, at four key industry conferences, with over 10,000 health care professionals in attendance. These included the John A. Boswick Symposium in Hawaii, the Symposium of Advanced Wound Care ('SAWC') in Phoenix, AZ, the American Burns Association (ABA) conference in Las Vegas, NV and the World Union Wound Healing Societies conference in Abu Dhabi. The use of AROA's Myriad™ and Endoform™ products across a variety of challenging wound types was showcased at the conferences. Clinical posters were presented at SAWC from Abigail Chaffin titled "A retrospective review of soft tissue reconstruction in volumetric soft tissue defects", Geiger et al titled "Continuity of Care: Retrospective Review of Ovine Forestomach Matrix Efficacy Across All Phases of Wound Healing", Register et al titled "A retrospective review of an extracellular matrix used to treat complex chronic wounds", and Melin et al titled "Clinical Effectiveness of Ovine Forestomach Matrix Graft in Complex Lower Limb Reconstruction and Limb Salvage".

Manufacturing

Commercial manufacturing has now commenced at AROA's second manufacturing facility. The facility is designed to support approximately NZ\$100 million in annual sales, with operating capacity coming on-line in phases as necessary to support demand.

Quarterly webinar

The Company will hold a webinar with CEO Brian Ward and CFO James Agnew today, Tuesday 26 April 2022 at 10:30am AEST, to discuss the March 2022 quarterly results released to the ASX this morning.

Investors can register for the webinar via the following link:

https://us02web.zoom.us/webinar/register/WN_Zg8LIFYQSwmDcHkzI-KsZQ

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.

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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. AROA's products have been used in more than four and a half 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

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 powder format of Myriad Matrix that easily conforms to optimize contact with irregular wound beds.

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 new product which has been developed off the strength of AROA ECM. It is applied as a graft and is surgically fixed at the margins. It is designed to support healing during the proliferative phase to reduce time to wound closure, particularly in patients whose healing is severely impaired or compromised due to disease.

About AROA's dead space management platform technology

This is a new system 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.

APPENDIX A

In accordance with ASX Listing Rule 4.7C, AROA provides the following use of funds information:

Use of funds	Prospectus Estimate NZ\$m	Actual Funds Used NZ\$m	Actual as a % of Estimate	Note
Investment in sales and marketing	\$5.0	\$5.0	100%	1
Investment in additional manufacturing capacity, investment in new products, plant and equipment and other general corporate capital expenditure	\$5.0	\$5.0	100%	2
Working capital, other operating costs	\$5.0	\$5.0	100%	3
Repayment of borrowings	\$13.1	\$11.1	85%	4
Offer costs	\$3.8	\$3.9	103%	5
Total	\$31.9	\$30.0	94%	

Notes:

1. Funds fully utilised for investment in new sales and marketing initiatives including the costs of over 20 direct sales personnel hired in Q4 FY21.
2. Funds fully utilised for investment in additional manufacturing capacity. capital expenditure for new products, plant and equipment and other general capital expenditure.
3. Funds fully utilised from net operating cash outflows since July 2020, excluding cash outflows relating to the investment in sales & marketing.
4. Full repayment of borrowings made during Q2 FY22. The variance between actual and estimate reflects the interest cost savings for early repayment and the favourable foreign exchange rate at the time of payment compared to the time of estimate.
5. Includes cash outflows prior to IPO. Remains unchanged from the prior quarter.

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 March 2022

Consolidated statement of cash flows	Current quarter \$NZ'000	Year to date (12 months) \$NZ'000
1. Cash flows from operating activities		
1.1 Receipts from customers	7,316	30,298
1.2 Payments for		
(a) research and development	(554)	(1,608)
(b) product manufacturing and operating costs	(2,410)	(6,785)
(c) advertising and marketing	(2,112)	(5,837)
(d) leased assets	(3)	(17)
(e) staff costs	(6,273)	(21,600)
(f) administration and corporate costs	(1,118)	(5,718)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	41	136
1.5 Interest and other costs of finance paid	-	(1,548)
1.6 Income taxes paid	(18)	(19)
1.7 Government grants and tax incentives	(3)	1,068
1.8 Other (rent received)	22	136
1.9 Net cash from / (used in) operating activities	(5,112)	(11,494)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(1,240)	(4,460)
(d) investments	-	-
(e) intellectual property	(148)	(417)

Consolidated statement of cash flows		Current quarter \$NZ'000	Year to date (12 months) \$NZ'000
	(f) other non-current assets	-	-
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 from / (used in) investing activities	(1,388)	(4,877)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	167	50,154
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	18	174
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(2,214)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(9,514)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (lease liability payments)	(241)	(964)
3.10	Net cash from / (used in) financing activities	(56)	37,636

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	62,909	35,381
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,112)	(11,494)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,388)	(4,877)

Consolidated statement of cash flows		Current quarter \$NZ'000	Year to date (12 months) \$NZ'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(56)	37,636
4.5	Effect of movement in exchange rates on cash held	(187)	(481)
4.6	Cash and cash equivalents at end of period	56,165	56,165

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	6,165	12,909
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (term deposits less than 90 days)	50,000	50,000
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	56,165	62,909

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	104
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 <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$NZ'000	Amount drawn at quarter end \$NZ'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	478	217
7.3	Other (please specify)	-	-
7.4	Total financing facilities	478	217
7.5	Unused financing facilities available at quarter end		261
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 / (used in) operating activities (item 1.9)	(5,112)
8.2	Cash and cash equivalents at quarter end (item 4.6)	56,165
8.3	Unused finance facilities available at quarter end (item 7.5)	261
8.4	Total available funding (item 8.2 + item 8.3)	56,426
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	11
	<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: 26 April 2022.....

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.