ASX ANNOUNCEMENT/MEDIA RELEASE
27 APRIL 2023

AROA BIOSURGERY MARCH 2023 4C – COMMENTARY

Financial Highlights Q4 FY23

- Net cash flow outflow from operations was NZ$1.9 million for the quarter, primarily reflecting the timing of cash receipts for product sales during the quarter.
- Net cash outflow from investing activities was NZ$1.8 million for the quarter, reflecting further investment into additional manufacturing plant & equipment capacity.
- Strong cash balance of NZ$44.7 million as at 31 March 2023, and the Company remains debt free.

Financial Highlights FY23

- Preliminary unaudited FY23 **full year revenues, product gross margin and normalised[1] EBITDA within guidance**.
- Preliminary unaudited FY23 full year total revenue of approximately **NZ$63.4 million**, compared to $39.7m in FY22, representing **growth of 60%** (42% on a constant currency[2] basis).
- Preliminary unaudited FY23 full year product revenue of approximately **NZ$60.5 million**, compared to $39.2 million in FY23, representing **growth of 55%** (38% on a constant currency basis).
- Preliminary unaudited FY23 full year Myriad™ product revenue **grew 233%** on FY22 (on a constant currency basis) to approximately **NZ$13.6 million**.
- Preliminary unaudited FY23 full year **product gross margin of 84%** (84% on a constant currency basis), representing an **8% increase** on FY22.
- Preliminary unaudited FY23 full year **normalised EBITDA positive**, despite the large investment in ENIVO in FY23.

Operational Highlights

- Continued focus on US sales expansion, with 166 Myriad active[3] accounts at the end of Q4 FY23 and 10 sales representatives at a current average run rate of over US$500,000 per annum.
- AROA was awarded a contract with leading US group purchasing organisation, Premier Inc. The contract provides approximately 4,400 US hospitals and healthcare systems access to Endoform™, Myriad and Symphony™ products.
- 26 new patients were enrolled in the Myriad MASTRR study during the quarter, with a total of 156 patients enrolled.
- On April 7, the Company received US FDA 510K clearance for its Enivo™ pump and catheter, key components of the Enivo Tissue Apposition Platform.

[1] 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 AROA group's (the 'Group') comparative financial performance without any distortion from NZ GAAP accounting treatment specific to one-off fair value adjustments, one-off transaction costs associated with capital raisings. 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 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 exchange rate of US$0.62/NZ$1.00 has been used in the constant currency analysis, representing Group's average US$/NZ$ exchange rate for H1 FY23. All references in this announcement to 'constant currency' are as set out in this footnote.

[3] Represents accounts to which sales were made in the applicable quarter.

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- TELA Bio, Inc. ('TELA Bio'), AROA's US commercial partner, reported total revenues for CY22 of US$41.4 million (representing growth of 41% on CY21) and provided revenue guidance for CY23 of US$60-65 million (representing growth of 45% to 57% on CY22).[4] On 18 April 2023, TELA Bio announced an underwritten public offering of 4,750,000 shares of its common stock at a price to the public of $9.50 per share (with an option for the underwriters to purchase up to an additional 15% of the number of shares offered). Subject to completion, TELA Bio has announced that it intends to use the proceeds for general corporate purposes, including its sales and marketing activities.[5]
- AROA implemented Enterprise Resource Planning platform, QAD, for its New Zealand operations in January 2023.
- AROA will host a webinar to discuss these results today at 9am AEST. 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 2023.

Financial commentary

Financial Highlights Q4 FY23

Cash receipts received from customers for Q4 FY23 of NZ$12.3 million, compared to NZ$17.1 million in the prior quarter. This was primarily due to the timing of OviTex™[6] and OviTex PRS product revenues during the prior quarter and expected receipts in April 2023. Cash receipts in Q3 FY23 also included a one-off royalty payment from TELA Bio for the final cumulative sales milestone in Europe.

Net cash outflows from operations for Q4 were NZ$1.9 million, compared to net cash inflows of NZ$0.2 million in Q3 FY23. This was primarily due to the timing of product sales during the quarter.

Net cash outflows from investing activities for Q4 were NZ$1.8 million, primarily reflecting AROA's investment into additional manufacturing plant & equipment capacity.

AROA ended the quarter with a strong cash balance of NZ$44.7 million, compared to previous guidance of $50 million, primarily the result of the timing of product revenues.

Financial Highlights FY23 (Preliminary unaudited)

Preliminary unaudited FY23 full year revenues, product gross margin and normalised EBITDA were all within guidance.

Preliminary unaudited total revenue for FY23, inclusive of project and license fees, was approximately NZ$63.4 million compared to NZ$39.7 million in FY22, representing growth of 60%. On a constant currency basis total revenue was NZ$63.1 million, representing growth of 42% and within guidance of NZ$62-64 million.

Preliminary unaudited FY23 full year product revenue of approximately NZ$60.5 million, being NZ$60.4 million on a constant currency basis and representing constant currency growth of approximately 55% on FY22. Product revenue growth was well supported by Myriad sales growing 233% (on a constant currency basis) to approximately NZ$13.6 million. Product revenues of NZ$60.4 million (on a constant currency basis) was within guidance of NZ$60–62 million.

[4] TELA Bio press release dated 21 March 2023.
[5] TELA Bio press releases dated 18 April 2023.
[6] TELA Bio and OviTex are trademarks of TELA Bio, Inc.

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Preliminary unaudited FY23 full year product gross margin of 84% (84% on a constant currency basis), representing an increase of 8% on FY22, was primarily the result of the growth in sales of high margin Myriad products, manufacturing productivity improvements and favourable foreign exchange movements. Product gross margin increased 5% on FY22 on a constant currency basis and was in line with guidance of 84%.

As a result of the positive revenue performance and product gross margin result, the Company posted a positive normalised EBITDA, while still maintaining its strategy of increasing investment in sales, marketing, and research & development.

The full year FY23 audited financial results will be released on 30 May 2023.

Chief Executive Officer Brian Ward said," We are pleased to have delivered on our FY23 objectives and have a strong foundation for FY24. AROA's investment into our US commercial operations continues to generate results and demonstrates the growing momentum of our Myriad products and field sales team. As previously signaled, we see the high-margin Myriad product family as a strategic offering driving growth into FY24 and beyond. In response to customer demand, we are also targeting the launch of a new Myriad Morcells™ format in early FY24 to further accelerate growth."

In accordance with ASX Listing Rule 4.7C.3, AROA advises that an aggregate amount of NZ$140,000 was paid during the quarter to the Company's six Non-Executive Directors for directors' fees.

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 and remains unchanged from the prior quarter.

US sales

AROA continues to focus on building its US sales team, delivering 166 Myriad active[7] accounts at the end of Q4 FY23, with 10 representatives at a current average run rate of over US$500,000 per annum. AROA ended the quarter with 40 field and 8 inside sales representatives.

AROA's sales and clinical teams attended and presented in-person, alongside Key Opinion Leaders, at 24 key industry conferences, including attendance at the American College of Foot and Ankle Surgeons Conference and sponsorship of the BioTech NZ Life Sciences Summit.

Award of group purchasing organization ('GPO') contract

Effective March 1, 2023, AROA was awarded a group purchasing agreement with Premier, Inc. – a leading U.S. healthcare improvement company. The agreement was subsequently updated to include Endoform, effective April 1, 2023. The agreement provides approximately 4,400 US hospitals and healthcare system, access to Endoform, Myriad and Symphony.

Commenting on the agreement, AROA CEO Dr Brian Ward said: "We're very pleased to have secured this agreement with Premier. AROA now holds supply agreements with all four of the largest GPOs in the US. This helps to ensure that over 90% of hospitals in the US have access to our products through their primary GPO."

Myriad MASTRR study enrolments

During the quarter, 26 additional patients were recruited for AROA's Myriad Augmented Soft Tissue

[7] Represents accounts to which sales were made in the applicable quarter.

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Regeneration Registry ('MASTRR') study, taking the total to 156 patients enrolled to date, over halfway to the target of 300 patients.

The three-year study is the Company's largest prospective study to date and evaluates AROA's Myriad Matrix™ and Myriad Morcells products in a wide range of surgical specialties and procedures in up to 10 sites.

The study will assess several factors, including time to complete healing, percentage rate of surgical complications and time to 100% granulation of the graft.

First FDA 510K clearance for ENIVO System

On 7 April, the Company received US Food and Drug Administration ('FDA') 510K clearance for its Enivo pump and catheter which are key components of the Company's new Enivo Tissue Apposition Platform.

AROA expects to develop a portfolio of products based on this technology platform for a range of soft tissue reconstruction procedures. The Company's management estimates the US total addressable market for the platform to be in excess of $1B.

TELA Bio revenue growth continues

TELA Bio, AROA's commercial partner licensed for hernia and breast reconstruction products (selling OviTex and OviTex PRS) reported full year revenue of US$41.4 million for CY22, representing 41% growth on CY21. TELA Bio has released revenue guidance for CY23 of US$60– 5 million, representing growth of 45% to 57% on CY22.[8]

On 18 April 2023, TELA Bio announced an underwritten public offering for gross proceeds of US$45.125 million (before deduction of underwriting discounts, commissions and other offering expenses), with an option for the underwriters to purchase up to an additional 712,500 shares at the public offering price of US$9.50 (less underwriting discounts and commissions). Subject to completion, TELA Bio has announced that it intends to use the proceeds for general corporate purposes, including its sales and marketing activities.[9]

Implementation of Enterprise Resource Planning platform – QAD.

Enterprise Resource Planning platform QAD was implemented for AROA's New Zealand operations in January 2023. Benefits include increased efficiencies in reporting and planning, reduction of manual processes, and capacity to support future product line expansion.

Quarterly webinar

The Company will hold a webinar with CEO Brian Ward and CFO James Agnew today, on Thursday 27 April 2023 at 9am AEST to discuss the March Quarterly Results which will be released pre-market the same day.

Investors can register for the webinar via the following link:

https://us02web.zoom.us/webinar/register/WN_urJgyOwPQ9GtXzr2VZOVfQ

Questions can be submitted prior to the webinar to mailto:shinsley@aroabio.com or live via the Q&A function on Zoom.

[8] TELA Bio press release dated 21 March 2023.
[9] TELA Bio press releases dated 18 April 2023.

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<ENDS> 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. Over 5.9 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.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 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 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. ('TELA Bio') 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).

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APPENDIX A

In accordance with ASX Listing Rule 4.7C, AROA provides the following use of funds information, which remains unchanged from the prior quarter:

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.

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Appendix 4C

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

Name of entity	
Aroa Biosurgery Limited	
ABN	**Quarter ended ("current quarter")**
ARBN 638 867 473	31 March 2023

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	12,297	54,316
1.2	Payments for		
	(a) research and development	(436)	(2,269)
	(b) product manufacturing and operating costs	(1,922)	(7,649)
	(c) advertising and marketing	(2,369)	(10,026)
	(d) leased assets	(5)	(17)
	(e) staff costs	(9,656)	(35,466)
	(f) administration and corporate costs	(1,369)	(7,029)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	690	1,170
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	(190)	(564)
1.7	Government grants and tax incentives	1,064	1,225
1.8	Other (rent received)	-	34
1.9	**Net cash from / (used in) operating activities**	**(1,896)**	**(6,275)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(1,728)	(5,899)
	(d) investments	-	-
	(e) intellectual property	(81)	(246)

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**	**(1,809)**	**(6,145)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1	168
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	179	353
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)	(263)	(1,025)
3.10	**Net cash from / (used in) financing activities**	**(83)**	**(504)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	48,300	56,165
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,896)	(6,275)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,809)	(6,145)

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)	(83)	(504)
4.5	Effect of movement in exchange rates on cash held	210	1,481
4.6	**Cash and cash equivalents at end of period**	**44,722**	**44,722**

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	9,588	10,166
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (term deposits less than 90 days)	35,134	38,134
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**44,722**	**48,300**

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	140
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

7.	**Financing facilities** *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.*	**Total facility amount at quarter end $NZ'000**	**Amount drawn at quarter end $NZ'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	781	500
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	**781**	**500**

7.5	**Unused financing facilities available at quarter end**	**281**

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)	(1,896)
8.2	Cash and cash equivalents at quarter end (item 4.6)	**44,722**
8.3	Unused finance facilities available at quarter end (item 7.5)	281
8.4	Total available funding (item 8.2 + item 8.3)	45,003
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	**24**

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.

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

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.

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: 27 April 2023.....

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.