AROA BIOSURGERY MARCH 2024 4C – COMMENTARY

Financial Highlights

- **Strong cash receipts from customers** of NZ$18.0 million, reflecting a continuation of the prior quarter's step-up in Myriad™ and OviTex™[1]/OviTex PRS sales.
- **Positive net cash inflows from operations** of NZ$0.3 million, exceeding Q4 breakeven expectations.
- Net cash outflows from investing activities reduced to NZ$0.7 million, reflecting continued planned investment into additional manufacturing plant & equipment capacity with completion expected by Q3 FY25.
- The Company achieved a **71% reduction in quarterly cash burn to ~NZ$1 million**, ending the year with a strong closing cash balance of NZ$29.5 million.
- FY24 results to be released on Tuesday, 21 May 2024.

Operational Highlights

- Continuing expansion in Myriad sales access during the quarter, with Myriad active accounts increasing from 205 to 218 during the quarter.[2]
- Strong CY23 OviTex™ PRS and OviTex sales, with TELA Bio, Inc. ('TELA Bio') reporting CY23 revenue of US$58.5 million (41% 'pcp'[3] growth) and providing CY24 revenue guidance of US$74-76 million (27-30% pcp growth).[4]
- Product shipments to TELA Bio continue to re-align with its sales trajectory (following a reduction in shipments during H1 FY24) with H2 FY24 cash receipts from TELA Bio increasing 20% compared to H1 FY24.
- US launch of OviTex IHR, a new AROA ECM™ product specifically designed for use in laparoscopic & robotic-assisted inguinal hernia repair and co-developed with TELA Bio under the parties' existing license arrangement.
- Enrolments completed for two clinical studies; the pilot study assessing Enivo™, AROA's new tissue apposition platform technology, and the Myriad Augmented Soft Tissue Regeneration Registry ('MASTRR'), AROA's largest prospective study to date. AROA expects to commence publishing study results from Q3 FY25. AROA's Symphony™ randomised control trial continues to progress well, with a total of 90 patients enrolled by the end of the quarter (n=120).
- A peer-reviewed publication of three case reports indicates that Myriad Matrix™ and Myriad Morcells™ may complement existing negative pressure wound therapy ('NPWT') protocols, reduce the frequency of dressing changes associated with NPWT usage in abdominal soft tissue defects and decrease the overall healing time of complex abdominal defects.[5]
- Seasoned global commercial operations executive, Darla Hutton, joined AROA's board as an independent non-executive director following the retirement of long-standing director Steven Engle. Based in the United States, Ms. Hutton brings over 25 years of international leadership expertise in life sciences commercial strategy, operations, sales, marketing and data analytics,

[1] OviTex and TELA Bio are trademarks of TELA Bio, Inc.
[2] Represents accounts to which sales were made in the applicable quarter.
[3] Meaning prior comparable period.
[4] TELA Bio press release dated 21 March 2024.
[5] Taarea, R., A. Florence, B. Bendixen and C. A. Castater (2024). "Early Experience with Ovine Forestomach Matrix for the Reconstruction of Abdominal Defects following Emergency Open Abdomen Surgery at a Level 2 Trauma Center." Trauma Cases Rev 10(1): 102.

AROA BIOSURGERY LIMITED
ARBN 638 867 473 NZCN 1980577
64 Richard Pearse Drive, Auckland 2022, New Zealand
AROA.COM

including at Intuitive Surgical, Inc., the global leader in minimally invasive care.
- Winner of both the 'Supreme Business Excellence' and 'Excellence in Innovation' categories at the 'Best of the Best 2023' 2degrees Auckland Business Awards in April 2024.[6]
- AROA will host a webinar to discuss these results today at 9 a.m. 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 2024.

Cashflow commentary

Q4 FY24 cash receipts from customers were NZ $18.0 million, reflecting a continuation of the Q3 step-up in Myriad and OviTex/OviTex PRS sales.

Positive net cash inflows from operations were NZ$0.3 million for the quarter, exceeding Q4 breakeven expectations. This included the Company's annual Research & Development Tax Incentive income of NZ$1.7 million for FY24. 'Cash paid for administration and corporate costs' increased over the prior quarter and 'cash paid for staff costs' decreased, reflecting standard fluctuations in the timing of payments between periods.

Net cash outflows from investing activities reduced to NZ$0.7 million in Q4 FY24, primarily reflecting AROA's continued planned investment into additional manufacturing capacity which is due for completion by Q3 FY25.

The Company achieved a 71% reduction in quarterly cash burn to ~NZ$1 million, ending the year with a strong closing cash balance of NZ$29.5 million. The Company is also debt-free.

In accordance with ASX Listing Rule 4.7C.3, AROA advises that an aggregate amount of NZ$180,000 was paid during the quarter to the Company's seven[7] non-executive directors for directors' fees.

US commercial operations

AROA's US commercial operations continue to expand access for Myriad sales, with Myriad active accounts[2] increasing from 205 in Q3 to 218 in Q4.

OviTex product family

The OviTex product family continues on a strong growth trajectory. TELA Bio reported CY23 OviTex PRS and OviTex pcp growth of 51% and 36% respectively, and CY23 total revenue of US$58.5 million. TELA Bio has issued CY24 total revenue guidance of US$74-76 million (27-30% pcp growth).[4]

Product shipments to TELA Bio continue to re-align with its sales trajectory (following a reduction in shipments during H1 FY24) with H2 FY24 cash receipts from TELA Bio increasing 20% compared to H1 FY24.

AROA is pleased to report the US launch during the quarter of OviTex IHR, a new AROA ECM product co-developed with and sold by TELA Bio under the terms of the parties' existing license arrangement. OviTex IHR is specifically designed for use in laparoscopic and robotic-assisted inguinal hernia repair, extending the benefits of AROA ECM technology to a market that has historically been dominated by permanent synthetic mesh.

[6] AROA previously won those categories in the South and East Region division.
[7] Noting that AROA currently has six non-executive directors, this reflects the short overlap between Darla Hutton's appointment and Steven Engle's retirement.

AROA BIOSURGERY LIMITED
ARBN 638 867 473 NZCN 1980577
64 Richard Pearse Drive, Auckland 2022, New Zealand
AROA.COM

Clinical activity

AROA's clinical studies progressed well during the quarter, with enrollments completed following the achievement of targets for the Enivo pilot study and MASTRR. The Enivo pilot (n=10) is a New-Zealand based study assessing the efficacy of AROA's new tissue apposition platform on patients undergoing a simple unilateral mastectomy. MASTRR (n=300) is AROA's largest prospective study to date, evaluating Myriad Matrix and Myriad Morcells (including short and long-term healing outcomes) in a wide range of surgical specialties and procedures. AROA expects to commence publishing study results during FY25 based on sub-group analysis of specific procedures, including healing times and rates of complications. AROA's Symphony randomised control trial, an 18-month multi-center study assessing Symphony's efficacy in treating diabetic foot ulcers, enrolled a total of 90 patients by the end of the quarter (n=120).

AROA is also pleased to report the publication of a peer-reviewed report examining the use of Myriad Matrix and Myriad Morcells in conjunction with NPWT in emergency open abdomen surgery.[5] The three-case observational report reflects the first published use of AROA's Myriad products in emergency open abdomen surgery, an area typically associated with high complication rates and poor outcomes. The report notes that Myriad regenerated well-vascularized granulation tissue, with these initial findings indicating that Myriad may complement existing NPWT protocols, reduce the frequency of dressing changes associated with NPWT usage in abdominal soft tissue defects and decrease the overall healing time of complex abdominal defects.

Board update

Seasoned global commercial operations executive, Darla Hutton, has joined AROA's board as an independent non-executive director. Based in the US, she brings over 25 years of international leadership expertise in life sciences commercial strategy, operations, sales, marketing and data analytics. Ms. Hutton is currently Vice President of Commercial Operations and Marketing-Asia at Intuitive Surgical, Inc., the global leader in minimally invasive surgery and a member of the Nasdaq-100 and S&P 500.

Long-standing non-executive director, Steven Engle, retired from AROA's board after nine years of service. The board thanks Mr. Engle for his valuable contribution to AROA's direction and success.

Business awards

In April, AROA won the 'Supreme Business Excellence' and 'Excellence in Innovation' categories at the 'Best of the Best 2023' division of the 2degrees Auckland Business Awards. This follows the Company's wins at the Auckland (South and East) regional awards in December 2023.

Quarterly webinar

The Company will hold a webinar with CEO Brian Ward and CFO James Agnew today, Tuesday 30 April at 9 a.m. AEST to discuss these quarterly results.

Investors can register for the webinar via the following link:

https://us02web.zoom.us/webinar/register/WN_mxRKF5uWRW6co21L8tUa7Q#/registration

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.

AROA BIOSURGERY LIMITED
ARBN 638 867 473 NZCN 1980577
64 Richard Pearse Drive, Auckland 2022, New Zealand
AROA.COM

Contacts

Investor Relations
investor@aroa.com
+64 21 744 915

Media
sarah.tora@aroa.com
+64 21 531 043

About AROA™

Aroa Biosurgery is a soft-tissue regeneration company committed to 'unlocking regenerative healing for every*body*'. 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 6 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 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 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).

AROA BIOSURGERY LIMITED
ARBN 638 867 473 NZCN 1980577
64 Richard Pearse Drive, Auckland 2022, New Zealand
AROA.COM

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 2024

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	17,950	65,675
1.2	Payments for		
	(a) research and development	(227)	(1,564)
	(b) product manufacturing and operating costs	(1,181)	(7,443)
	(c) advertising and marketing	(4,223)	(14,725)
	(d) leased assets	(5)	(20)
	(e) staff costs	(11,704)	(45,941)
	(f) administration and corporate costs	(2,555)	(8,758)
1.3	Dividends received (see note 3)	-	1
1.4	Interest received	213	1,726
1.5	Interest and other costs of finance paid	-	(10)
1.6	Income taxes refund received / (paid)	284	(202)
1.7	Government grants and tax incentives	1,719	1,803
1.8	Other	-	-
1.9	**Net cash from / (used in) operating activities**	**271**	**(9,458)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(484)	(3,655)
	(d) investments	-	-
	(e) intellectual property	(195)	(687)

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 used in investing activities**	**(679)**	**(4,342)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	87	108
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	63	104
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)	(316)	(1,232)
3.10	**Net cash used in financing activities**	**(166)**	**(1,020)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	30,486	44,722
4.2	Net cash from / (used in) operating activities (item 1.9 above)	271	(9,458)
4.3	Net cash used in investing activities (item 2.6 above)	(679)	(4,342)
4.4	Net cash used in financing activities (item 3.10 above)	(166)	(1,020)

Consolidated statement of cash flows		Current quarter $NZ'000	Year to date (12 months) $NZ'000
4.5	Effect of movement in exchange rates on cash held	(390)	(380)
4.6	**Cash and cash equivalents at end of period**	**29,522**	**29,522**

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	11,522	10,486
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (term deposits less than 90 days)	18,000	20,000
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**29,522**	**30,486**

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	180
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	968	376
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	**968**	**376**

7.5	**Unused financing facilities available at quarter end**	**592**

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)	271
8.2	Cash and cash equivalents at quarter end (item 4.6)	**29,522**
8.3	Unused finance facilities available at quarter end (item 7.5)	592
8.4	Total available funding (item 8.2 + item 8.3)	30,114
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	**N/A**

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: 30 April 2024

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.