

AROA BIOSURGERY SEPTEMBER 2024 4C – COMMENTARY

FINANCIAL HIGHLIGHTS

- **Strong cash receipts from customers** of NZ\$19.9 million during the quarter, reflecting a **~35% increase on a pcp¹ basis and a ~12% quarter-on-quarter increase**.
- In line with expectations, net cash outflow from operations **reduced by ~ NZ\$2.4 million compared to the prior quarter**, to NZ\$1.2 million for the quarter. The Company expects to be operating cash flow positive in H2 FY25.
- Net cash outflow from investing activities was NZ\$0.6 million for the quarter, primarily reflecting routine capital expenditure.
- **~58% decrease in quarterly cash burn** to ~ NZ\$2.2 million and ending the quarter with a **strong cash balance** of NZ\$21.6 million.
- FY25 revenue guidance² **maintained at NZ\$80-87 million** (21-32% constant currency³ growth on FY24).
- FY25 normalised⁴ EBITDA profit guidance² **maintained at NZ\$2-6 million**.
- H1 FY25 results to be released on Tuesday 26 November 2024.

OPERATIONAL HIGHLIGHTS

- Momentum behind AROA's US commercial operations continues to build, with productivity gains seen across the whole sales organisation and 5% quarter-on-quarter growth in active Myriad™ accounts.
- Regulatory approval received for Endoform™ and Myriad Matrix™ in Argentina, and Endoform in Egypt.
- Four peer-reviewed studies published during the quarter, including the largest published comparative assessment of commercially available Extracellular Matrix (**ECM**) based medical devices.
- Active investor relations schedule during the quarter, with presentations at the 18th Bioshares Biotech Summit and the ASX Small & Micro-caps Conferences.
- Successful completion of annual DEKRA audit at the Company's Auckland manufacturing sites.
- AROA will host a webinar to discuss these results today at 9 a.m. AEDT. Click [here](#) to register.

¹ Prior comparable period, being the same period in 2023.

² Assumes an average NZ\$/US\$ rate of 0.64 and is subject to TELA Bio, Inc. (**TELA Bio**) delivering on its CY24 guidance of US\$74.5-76.5 million (representing 27-31% growth on CY23).

³ Constant currency removes the impact of exchange rate movements. This approach is used to assess the AROA group's (**Group**) underlying comparative financial performance without any distortion from changes in foreign exchange rates, specifically the US\$. All references in this announcement to 'constant currency' or 'CC' are as set out in this footnote.

⁴ Normalised revenue and 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.

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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 and outlook

Cash receipts from customers of NZ\$19.9 million for the quarter, reflecting a ~35% increase on a pcp¹ basis and a ~12% quarter-on-quarter increase, primarily due to an increase in the sales of Myriad, OviTex^{TM5} and OviTex PRSTM.

Net cash outflows from operations of NZ\$1.2 million for the quarter, decreased from \$3.6 million in the previous quarter, primarily reflecting the higher cash receipts, despite clinical expenses associated with the SymphonyTM RCT remaining high for the quarter. The majority of expenses related to the Symphony RCT are now cleared.

As previously signaled, the Company expects to be operating cash flow positive in H2 FY25.

Net cash outflows from investing activities for the quarter were NZ\$0.6 million, primarily reflecting routine capital expenditure.

The total net decrease in cash for the quarter was \$2.2 million, compared to a net decrease of \$5.6 million in the previous quarter, reflecting a 58% decrease in quarterly cash burn. The Company ended the quarter with a strong cash balance of NZ\$21.6 million and remains debt-free.

In accordance with ASX Listing Rule 4.7C.3, AROA advises that an aggregate amount of NZ\$192,000 was paid during the quarter to the Company's six non-executive directors for directors' fees.

AROA maintains its FY25 revenue and normalised EBITDA profit guidance of NZ\$80-87 million and NZ\$2-6 million respectively.²

The Company intends to release its financial results for H1 FY25 on Tuesday 26th November 2024.

Sales

As previously communicated, sales productivity is a key area of focus. The Company continues to see productivity gains across the whole sales organisation, as well as 5% quarter-on-quarter growth in active Myriad accounts to 265.

To support ongoing sales growth and productivity, the US sales leadership structure has been adjusted and bolstered. This includes the promotion of Regional Manager Mark Maerten to the new position of National Sales Director and the creation of two new territories, resulting in two additional internal promotions.

During the reporting period, the Company received regulatory approval to sell Myriad Matrix and Endoform in Argentina, and Endoform in Egypt.

The Company's sales and clinical teams participated in 9 major industry conferences around the world. This included the American Association for the Surgery of Trauma Annual Meeting in Las Vegas, USA, and the International Society for Burns Biennial Congress held in Birmingham, England.

Clinical evidence

Evidence supporting the efficacy of AROA ECMTM products continues growing, with four peer-reviewed studies published during the quarter. This includes the largest published comparative

⁵ OviTex and TELA Bio are trademarks of TELA Bio, Inc.

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assessment of commercially available Extracellular Matrix (**ECM**) based medical devices.⁶

The pre-clinical study, titled *Comparative Analysis of Commercially Available Extracellular Matrix Soft Tissue Bioscaffolds* published in the September issue of *Tissue Engineering Part A*, assesses 12 different commercially available ECM products, including Myriad Matrix, comparing structural properties, and effectiveness of cell removal.

The study found that AROA ECM is optimally processed with low levels of residual foreign DNA and a superior native structure. These pre-clinical findings support the growing body of clinical evidence characterizing AROA ECM platform technology. The study is available online, [here](#)

Two separate investigator-initiated studies assessing the efficacy of Myriad in the reconstruction of oral soft tissue defects were also published. Both studies are available online [here](#) and [here](#).

Another investigator-initiated study highlights the rapid revascularization of tissue following Myriad application in complex fascial and scalp trauma. The study is available online [here](#).

DEKRA audit

In September, global certification organisation, DEKRA successfully completed its annual on-site audit of AROA's two Auckland manufacturing sites.

Investor relations

AROA continues proactively engaging in investor relations activities, including presentations at the 18th Bioshares Biotech Summit in Fremantle, Australia in July and the ASX Small and Mid-Cap Conference in Sydney, Australia in September.

Quarterly webinar

The Company will hold a webinar with CEO Brian Ward and CFO James Agnew today, Tuesday 22 October at 9 a.m. AEDT to discuss the September Quarterly Results.

Investors can register for the webinar via the following link:

https://us02web.zoom.us/webinar/register/WN_R4vaw1JvT sueMyxIH yOf eQ

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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⁶ Kollmetz, T, Catillo-Alcala, F, Veale, R W F, Taghavi, N, van Heeswijk, V M, Persenaire, M, May, B C H, Dempsey, S G (2024) "Comparative Analysis of Commercially Available Extracellular Matrix Soft Tissue Bioscaffolds" *Tissue Engineering Part A*. 0 0:0



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 6.5 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).

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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

ARBN 638 867 473

Quarter ended ("current quarter")

30 September 2024

Consolidated statement of cash flows	Current quarter \$NZ'000	Year to date (6 months) \$NZ'000
1. Cash flows from operating activities		
1.1 Receipts from customers	19,876	37,709
1.2 Payments for		
(a) research and development	(308)	(612)
(b) product manufacturing and operating costs	(1,933)	(3,643)
(c) advertising and marketing	(4,798)	(10,256)
(d) leased assets	(2)	(6)
(e) staff costs	(12,246)	(25,064)
(f) administration and corporate costs	(1,849)	(3,378)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	480	966
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes refund received / (paid)	(620)	(761)
1.7 Government grants and tax incentives	176	176
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(1,224)	(4,869)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(382)	(1,565)
(d) investments	-	-
(e) intellectual property	(74)	(139)

Consolidated statement of cash flows		Current quarter \$NZ'000	Year to date (6 months) \$NZ'000
	(f) other non-current assets	(145)	(487)
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	(601)	(2,191)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	11	16
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)	(369)	(737)
3.10	Net cash used in financing activities	(358)	(721)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	23,889	29,522
4.2	Net cash used in operating activities (item 1.9 above)	(1,224)	(4,869)
4.3	Net cash used in investing activities (item 2.6 above)	(5601)	(2,191)
4.4	Net cash used in financing activities (item 3.10 above)	(358)	(721)

Consolidated statement of cash flows		Current quarter \$NZ'000	Year to date (6 months) \$NZ'000
4.5	Effect of movement in exchange rates on cash held	(106)	(141)
4.6	Cash and cash equivalents at end of period	21,600	21,600

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	8,596	5,889
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (term deposits less than 90 days)	13,004	18,000
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	21,600	23,889

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	192
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	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	929	257
7.3 Other (please specify)	-	-
7.4 Total financing facilities	929	257
7.5 Unused financing facilities available at quarter end		672
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)	(1,224)
8.2 Cash and cash equivalents at quarter end (item 4.6)	21,600
8.3 Unused finance facilities available at quarter end (item 7.5)	672
8.4 Total available funding (item 8.2 + item 8.3)	22,272
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	18
<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: 22 October 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.