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Rua Bioscience Announces Full Year Result

Result in line with company's expectations as it achieves first product sales.

FY22 Highlights:

- September 2021: Achieved GMP certification
- December 2021: Green light to distribute first product in New Zealand
- January 2022: Shareholders approve Zalm Therapeutics acquisition
- April 2022: First medicine launched in New Zealand
- June 2022: Narcotics licence received to distribute and market products in Germany

Rua Bioscience (RUA: NZX) (Rua) announces its annual financial results for the 12 months ended 30 June 2022 (FY22).

In FY22, Rua focused on preparing for market entry – securing partners and developing the frameworks and strategies that will give the company the best chance of success both in New Zealand and globally. By the close of FY22, Rua had launched its first product in New Zealand and established an end-to-end cultivation and supply solution that is both at scale and scalable.

- Rua's cultivation centre of excellence at Ruatorea continues to drive world-class R&D and unique cultivar development.
- The company's relationship with Cann Group, one of the largest medicinal cannabis producers in Australasia, allows Rua access to significant volumes of product at market-leading cost. Rua will be able to increase capacity quickly without the need for additional capital. Rua views this as a major competitive advantage as new markets are established.
- Rua has significantly advanced key sales and marketing relationships, identifying promising market opportunities right across Europe.

The loss before tax for the year to 30 June 2022 was \$7.49m (FY21 \$6.17m). Rua remains well capitalised with cash, cash equivalents and investments on hand at the end of the period of \$9.94m (FY21 \$16.4m).

The loss is largely attributable to Rua's investment in research and development (R&D) and product development. As an early-stage company, Rua's \$2.98m investment (FY21 \$1.90m) was focused on developing products which will support the generation of sustainable revenues. Our investment in R&D and market development was supported by grant funding of \$0.62m made up of NZTE and Callaghan Innovation grants, as well as Research Development Tax Incentives (RDTI).

Rua Chief Executive Rob Mitchell said over the period the company met key milestones as it progresses its entry into European markets and was pleased to launch its first product into New Zealand.

“The launch of Rua’s first medicine in New Zealand was a milestone for patients, prescribers, and the medicinal cannabis industry. Rua will launch a range of new medicines in FY23.

The product launch was complemented by the launch of our compassionate access programme. The programme is a meaningful way of enabling prescribers to supply medicinal cannabis to those in our community who are most in need of it.”

Rua’s commercial strategy recognises the need to accelerate global market entry and expand patient choice. During the period, Rua acquired Zalm Therapeutics Limited (Zalm) after receiving shareholder approval of the acquisition in January 2022. The acquisition provides Rua with a long-term supply contract for GMP-grade medicinal cannabis and creates a strong platform for delivery of its strategy.

“Combining speed to market with long-term preferential access to substantial volumes from our cultivation partner Cann Group will allow Rua to build a meaningful market presence faster and with a greater economy of scale,” said Mitchell.

Operating in a highly regulated market, obtaining the right licenses and certifications has been critical for Rua. During the reporting period the company achieved GMP certification, enabling the manufacture of the company’s first product. Rua also extended its narcotics licence (through Nimbus Health) for the distribution and marketing of its first product for the German medicinal cannabis market – believed to be a New Zealand first.

R&D is critical as the company looks to develop medicinal cannabis products that are unique to the global market. During the year, Rua received an initial \$376,000 grant from Callaghan Innovation to underpin its \$1.3m research projects. Current projects relate to plant science and product development.

Supporting our R&D efforts, Rua’s new cultivation partner the East Coast Cannabis Company produced Rua’s outdoor trial crop at its 3,000m² outdoor growing facility. This complemented the work by Rua’s indoor cultivation team who continue to establish the unique varieties which Rua will soon be able to grow at scale in Cann’s GMP-certified facility in Mildura.

Rua Bioscience CFO, Hamish White, said “the company remains focused on investing in the development of our product portfolio and the associated systems and processes in both our cultivation and manufacturing operations to drive the best return on investment in a dynamic and highly regulated industry.

“Rua has done a lot of heavy lifting to get to market and we’re proud of how far we’ve come having built facilities, attracted world class people, secured licences and supply contracts, and developed a cohesive product portfolio over recent years. We look forward to the year ahead as we move to invest in sales and marketing and build our revenue streams,” said White.

Outlook

FY22 saw the realisation of commercialisation milestones for Rua with regulatory approvals enabling the production and subsequent New Zealand launch of Rua’s first product, a CBD oil. Rua will build on this success in FY23, increasing the volumes and range of medicines it delivers to New Zealand patients. The company’s commercial team has a solid strategy to grow market share, develop its product portfolio and engage Rua’s prescriber base.

The company remains focused on executing its global export strategy as it works to increase revenue, including entering the German market via its supply agreement with Nimbus Health. In addition, Rua expects relationships with parties in the Czech Republic, Poland and the United Kingdom to progress in FY23.

Rua recently signed a five-year agreement with European Cannabis Distributor, Motagon. In FY23, Rua expects the agreement will see Rua and Motagon form a manufacturing and supply agreement giving Rua the first opportunity to supply the European distributor with a full portfolio of medicines, including dried cannabis flower and full spectrum oils, in a range of high-value European markets.

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