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NZX Limited
Wellington

Half-Year (HY24) Financial Results: A Strategic Shift Towards Global Growth

Rua Bioscience (NZX:RUA) is pleased to share our financial results and operational achievements for the 6-month period ended 31 December 2023. This period has been marked by strategic expansion and notable growth initiatives, as outlined below:

- September** Rua launches in Australia, the largest medicinal cannabis market globally.
- November** Rua expands product portfolio in Australia.
- December** Appointed Australian based Chief of Sales and Marketing, to drive growth and market share in this key market.

Signed a Distribution Agreement with Target Health, to supply Rua product in the growing UK market.
- January** Signed royalty agreement with Apollo Green of Canada to take unique Rua genetics to global markets.

Engaged in trials with trusted cultivation partners in Portugal, to lay the groundwork for growing our unique genetics close to target market, reinforcing our capital light, highly scalable business model.
- February** Initiated legal proceedings against Cann Group, claiming damages for a breach of contractual rights to exclusively sell Cann’s medicinal cannabis products in Australia.

Financial Results

The Group reported a net loss before tax of \$10,851,830 for the period ended 31 December 2023 (HY24) which includes a one-off goodwill impairment of \$8,253,135. This result compares to a profit of \$718,703 in the prior corresponding period, which included a fair value gain on contingent consideration of \$4,100,932. When normalised for these exceptional items, the Group incurred an operating loss of \$2,598,695 for HY24, marking an improvement from a \$3,382,229 loss in the preceding period.

The goodwill impairment, a significant portion of which was attributed to the acquisition of Zalm, stems from a comprehensive analysis conducted by Management and the Board. Through this analysis, which evaluated various growth scenarios, it became apparent that the acquisition has not delivered the expected financial returns. It is critical to note that this adjustment is non-cash in nature and does not affect the Groups cash flow or operational liquidity.

Furthermore, the net cash outflow from operating activities was \$2,131,828 down 42% from \$3,664,201 in the prior corresponding period. This improvement is attributed to our strategic shift towards a capital-light operating model, particularly outsourcing commercial manufacturing.

The Group strategy of taking a capital light approach is working and cash expenses of the company continue to reduce. We have also initiated the sale of the Rua manufacturing assets which will increase cash revenues and improve the cash runway. The Board are aware though, that more funding will be required in the coming months to fund revenue growth in existing and new markets and explore the next phase of strategic partnerships. We are proactively engaging partners to assist in facilitating capital raising efforts. This is expected to take place in the coming months.

Strategic Overview and Operational Highlights

Rua remains committed to its, capital-light, highly scalable business model, positioning the company for competitive advantage and significant industry growth. Rua sets itself apart from other companies in the sector by operating at both ends of the value chain, leveraging our expertise in breeding and selection of unique genetics and the supply of products on a global scale.

By adopting this strategy, the Group effectively lower the regulatory hurdles associated with entering new markets and streamline the logistics of shipping, ensuring a reduction in both time and resources spent. This strategic refinement further demonstrates the Groups commitment to environmental sustainability, reducing our carbon footprint through more localised production.

Rua continues to operate as one of few companies in the sector with a unique foundational story and an inherent focus on delivering intergenerational impact to our people, our land, and our communities.

Innovative Genetic Research

Rua's R&D facility in Ruatorea is breaking new ground in genetic discovery and breeding, collaborating closely with intergenerational growers in our community to produce and distribute unique genetics globally. Our focus on converting illicitly sourced genetics into legitimate, high-quality products is a cornerstone of our strategy. A significant milestone was achieved recently through the signing of an Agreement with Apollo Green for supply of Rua genetics to the Canadian market, furthering Rua's global reach.

Product Supply on a Global Scale

Rua has made substantial progress in supplying product to the world's largest global medicinal cannabis markets, namely Germany, Australasia and the UK.

Germany: In recent developments, German authorities have initiated legislative procedures aiming to establish an adult-use market through decriminalisation or legalisation. In addition, the government is looking to streamline patient access, reducing bureaucratic hurdles, and integrating digital health solutions to improve efficiency of prescribing. Rua, in collaboration with its distribution partner Nimbus Health (part of Dr Reddy's Group) aim to capitalise on this market expansion and remain committed to growing their sales presence and product offering in this key market.

Following a successful launch in Germany, a partial product recall meant that no sales in Germany were recorded for the recent half year. Rua, in collaboration with Nimbus have since developed two additional robust supply lines into the German market with sales expected of an expanded product portfolio in the coming months.

Australia: The Australian market is now considered one of the largest medicinal cannabis markets in the world. In the first 6-months of 2023, the market prescribed 1.5million units of product. Rua successfully launched in this key market in September 2023. and has experienced month-on-month growth Rua remains committed to significantly increasing our sales presence in Australia, which will be driven by the newly appointed Australian Chief of Sales and Marketing, and new product launches.

New Zealand: The New Zealand market is witnessing significant growth, with increasing awareness from doctors and patients alike. Rua has recently received approval for a product tailored specifically for the NZ market and are poised to commence sales, promising a new revenue stream and enhanced market presence.

UK: In December 2023 Rua signed a distribution agreement with Target Healthcare, a prominent UK pharmaceutical distributor, signalling a major step towards Rua's expansion into the UK market. This collaboration is set to fast-track the introduction of Rua products to the UK, aiming for a regulatory approval and early revenue generation in a fast-growing market.

Fostering Positive Social Impact

Rua remains deeply committed to creating meaningful social impact that spans generations. A cornerstone of our approach to corporate social responsibility is our pioneering Compassionate Access Programme, coupled with our dedication to empowering youth through our Rangatahi Scholarship Programme. These initiatives are more than just corporate philanthropy; they are integral parts of our identity and strategic vision.

Compassionate Access Programme: Rua continues to operate its successful programme offering medicines at no cost to 30 qualifying individuals in Te Tairāwhiti. Rua remains committed to significantly growing the programme, ensuring equitable access to medicines and represents a significant effort towards addressing medical needs of the community through compassionate grounds.

Rangatahi Scholarships: Rua has continued to grow its scholarship programme since its inception in 2010, empowering 40 local rangatahi into further education. The scholarship programme awarded a total of 10 scholarships over the six-month period with contributions in 2023 from Tairāwhiti Contractors, Livingston Creative Ltd and Lowndes Jordan.

Outlook

As we move forward, Rua is focused on disrupting the market by leveraging our strategy that poses a significant challenge to competitors less able to anticipate future market shifts. The Rua brand and kaupapa, our proprietary intellectual property in cannabis genetics, and our commitment to social impact will drive our success and provide Rua with competitive advantage, not replicable by others, in the ever-evolving medicinal cannabis industry.

We are optimistic about the opportunities ahead and are committed to delivering value to our stakeholders, communities, and patients worldwide.

ENDS

The person who authorised this announcement:

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