HARDMAN&CO.

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TISSUE REGENIX

Restructured to satisfy product demand

Tissue Regenix (TRX) has a broad portfolio of regenerative medicine products for the biosurgery, orthopaedics, dental and cardiac markets. It has two proprietary decellularisation technology platforms for repair of soft tissue (dCELL) and bone (BioRinse). Following the acquisition of CellRight in 2017, TRX revised its commercial strategy, to service the strong demand for its products. However, this necessitated capacity expansion and realignment of its supply chain, which affected 2019 trading and forced renegotiation of its MidCap loan arrangement. In our view, the current share price reflects TRX's need for a capital injection.

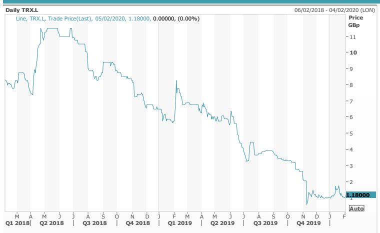
- **Strategy:** TRX is building an international regenerative medicine business with a product portfolio using proprietary dCELL and BioRinse technology platforms, underpinned by compelling clinical outcomes. It aims to expand its global distribution network, via strategic partnerships, to drive sales momentum.
- **Forecasts:** Sales forecasts have been revised to reflect the investment in new manufacturing capacity to satisfy demand. However, refinements in the commercial model, coupled with some cost savings, have limited the impact on operating losses. Gross cash at 31 December 2019 was £2.4m.
- **Expansion:** Extra staff were employed to enable two-shift manufacturing. However, training time, coupled with the natural business cycle, meant the tangible benefit of this only became apparent towards the year-end. Investment in an adjacent building in San Antonio will free up space for further clean rooms.
- **Risks:** Although demand for its products is very positive, the above has caused some challenges, notably reorganisation of the manufacturing facility – to the short-term detriment of BioSurgery sales. The current share price, in our opinion, is reflecting the urgent need for more capital.
- **Investment summary:** The strategy to focus on maximising sales potential has paid off through increased demand for products. However, this has resulted in the need for an expansion of capital. Two major shareholders have sold down their holdings recently, and the ex-Woodford holding has been temporarily transferred to Link Fund Solutions. The shares are trading at a discount of 87% to the £95.8m (8.2p per share) that has been invested in the company to date.

Financial summary and valuation

Year-end Dec (£m)	*2016	2017	2018	2019E	2020E	2021E
Sales	1.44	5.23	11.62	13.00	16.50	21.70
EBITDA	-11.14	-9.01	-7.09	-6.52	-3.39	-0.01
Underlying EBIT	-11.44	-9.72	-8.27	-7.70	-4.60	-1.26
Reported EBIT	-11.44	-10.82	-8.69	-7.70	-4.60	-1.26
Underlying PBT	-11.33	-9.67	-8.46	-8.00	-5.45	-2.16
Statutory PBT	-11.33	-10.77	-8.88	-8.00	-5.45	-2.16
Underlying EPS (p)	-1.35	-0.90	-0.67	-0.66	-0.27	-0.08
Statutory EPS (p)	-1.35	-1.02	-0.70	-0.66	-0.27	-0.08
Net (debt)/cash	8.17	16.42	7.82	0.13	2.58	-4.21
Equity issues	0.00	37.99	0.00	0.00	9.00	0.00
P/E (x)	-	-	-	-	-	-
EV/sales (x)	-	2.8	1.2	1.1	0.8	0.6

**11 months to December; Source: Hardman & Co Life Sciences Research*

Pharmaceuticals & Biotechnology



Source: Refinitiv

Market data

EPIC/TKR	TRX
Price (p)	1.20
12m High (p)	8.80
12m Low (p)	0.45
Shares (m)	1,172.0
Mkt Cap (£m)	14.1
EV (£m)	13.9
Free Float*	52%
Market	AIM

**As defined by AIM Rule 26*

Description

TRX is a medical device company focused on regenerative medicine. Patented decellularisation technologies remove DNA, cells and other material from animal/human tissue and bone, leaving scaffolds that can be used to repair diseased or worn-out body parts. Its products have multiple applications.

Company information

CEO (interim)	Gareth Jones
Group Finance Director	Kirsten Lund
Chairman	John Samuel

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Key shareholders

Directors	4.3%
Link Fund Solutions	20.0%
IP Group	13.7%
Jupiter AM	8.5%

Diary

1Q'20	Potential EU approval of OrthoPure XT
Jan'20	Trading update
Mar'20	Final results

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2019 trading update

Final 2019 outcome better than previously indicated, following particularly strong final month of year

On 17 October 2019, TRX issued a trading statement to update the market with respect to its performance and potential outcome for 4Q'19. This was important because the 3Q'19 sales performance had an impact on the company's loan facility, which had to be subsequently renegotiated. On 22 January 2020, TRX issued a second trading statement, given that the final outcome for 2019 was better than previously indicated, following a particularly strong final month of the year.

- **Sales:** Following the trading statement released to the market on 17 October 2019, our sales forecast for fiscal 2019 was reduced to £12.5m (unpublished). In the more recent statement, TRX has indicated that the final outcome for 2019 is now expected to be £13.0m, representing underlying growth of 8%. As reported recently, demand for its products has remained strong.
- **Orthopaedics:** Issues regarding the supply chain were clearly seen in 1H'19, when underlying sales declined 7%. Consequently, we envisaged that the sales shortfall highlighted in the October 2019 statement had continued into 2H'19. However, while the supply and manufacturing issues did affect the orthopaedic product range the most, there was a good recovery in 2H'19, when recruitment of specialists into the key area of donor services, along with a restructuring of the supply chain, was clearly beginning to pay dividends, as throughput increased notably during the second half. This resulted in underlying sales growth of 8% in 2H'19 compared with 2H'18. The overall outcome for the year was 1% growth to \$8.6m/£6.7m, compared with \$8.5m/£6.4m in 2018.
- **Biosurgery:** A key influence on performance has been the ability to source material and have the manufacturing capacity in place to meet the demand for DermaPure in the US. Launch of an extended product range did result in an increase in demand, but the overall outcome was 18% growth to \$5.3m/£4.2m from \$4.4m/£3.4m in 2018. Soft launch of the non-oriented dermis product in 2H'19, with specific applications in the urogynaecology applications, appears to have been received positively, and offers significant potential in the future.
- **GMB-V:** Throughout the year, solid double-digit sales growth was seen at GMB-V. For 2019, TRX has indicated that sales growth was 13% to €2.4m/£2.1m, which was marginally below our forecast.

Sales – actual vs. forecasts

Year-end Dec (£m)	2018 actual	2019 actual	Growth (CER)	2019 *forecast	Delta Δ
Orthopaedics/dental	6.4	6.7	+1%	5.5	+1.1
Biosurgery	3.4	4.2	+18%	4.8	-0.6
GBM-V	1.8	2.1	+13%	2.2	-0.1
Group sales	**11.6**	**13.0**	**+8%**	**12.5**	**+0.5**

**Revised following trading statement on 17 October 2019 (unpublished)*
Source: Hardman & Co Life Sciences Research

- **Gross cash:** At 31 December 2019, TRX had gross cash of £2.4m, which was ca.£1m ahead of our revised forecast. This is sufficient to provide the company with a working capital runway to the end of April 2020.
- **Funding:** The board and management are working closely with their advisors to obtain an injection in capital. Dependent on structuring, a positive outcome could potentially enable the company to draw down the remaining tranches within the MidCap loan facility.
- **Restructuring:** Changes to the supply chain, manufacturing facility utilisation and use of distribution partners have allowed management to reconsider its overall cost base. This resulted in a reduction of the headcount by 18 during 4Q'19, which will generate annualised cost savings in the order of £1m.

- **Personnel:** As previously reported, Danny Lee was recruited from Scaffold Biologics to become US President of Operations. Improved tissue sourcing and availability have been helped by the recruitment of an experienced Head of Donor Services, Tina Trimble. Kirsten Lund has been appointed Group Finance Director.

Corporate update

Overview

TRX's strategy

Source: Tissue Regenix

2019 was a year of change for TRX. At the interim stage, and in line with its commercial strategy to broaden and maximise its product offering, TRX saw continued strong demand for its products. However, this increase in demand, particularly for the BioRinse orthopaedic products, necessitated an expansion and reorganisation of its San Antonio facility, as well as changes to the processing and supply chain. While this has gone largely to plan, the inevitable disruption did take its toll, which necessitated management to issue a statement in October indicating that it expected a 15%-20% shortfall in 2019 sales compared with market forecasts at that time. TRX has confirmed that throughput at its San Antonio facility had increased three-fold between 1Q'19 and 3Q'19. However, due to the three- to four-month lead time for the BioRinse products to progress through processing and testing to finished goods, the evidence of this improved throughput is only just starting to become apparent in top-line sales.

While these operational changes were ongoing, management secured a credit facility of up to $20m with MidCap Financial Trust (MidCap), primarily to fund the reorganisation and expansion programme at its US manufacturing site. At the time, this seemed prudent, especially given where the share price was then sitting (ca.8.0p), and it was largely non-dilutive to existing shareholders (some warrants were attached). This facility was to be drawn down in three tranches over a period of time between 4 June 2019 and April 2021. However, there was some conditionality attached to the facility, and the slightly lower/delayed trading performance meant that these conditions would not be met, and TRX had to renegotiate the terms.

MidCap loan and credit facility have been revised

In November 2019, TRX announced a successful outcome for a revised agreement with MidCap with respect to both aspects of the facility – the term loan and the revolving credit facility (RCF) – whereby $5.5m of the $7.5m first tranche of the term loan was repaid. At that point, TRX had $3.7m/£2.9m of gross cash, $2.5m/£1.9m debt relating to the term loan, and had drawn down $0.7m/£0.5m of the RCF. The company also had access to a further $1.1m/£0.8m of the RCF based on available inventory and receivables at that time.

Continued demand for its products provides considerable comfort

Consistent throughout this transitional period has been the demand for its products. The planned introduction of extended product lines, primarily for the urogynaecology markets, coupled with further Group Purchasing Organisations (GPOs) taking coverage in US hospitals to ca.95%, helped boost demand. However, while there is undoubtedly pent-up demand for its orthopaedic products, customers need to be sure that the business is capable of meeting their needs prior to committing to firm orders. With the supply chain reorganisation successfully completed, significant improvements in the availability and quality of donor tissue, and the additional production capabilities, the expectation is that further contracts can be secured in 2020.

- The recruitment and training of additional processors have enabled throughput of orthopaedic products to increase significantly. This extra capacity is expected to result in additional revenues in 2020, due to product lead times.
- The whole supply chain has been realigned to support the increase in manufacturing capacity, although freezer capacity remains strapped until it can be moved into the new facility in San Antonio.
- Outsourced DermaPure capacity has come on stream, and management is seeing an increase in the production of finished products through higher throughput.

- Architects' plans have been drawn up for the new facility, adjacent to the existing manufacturing site, on which TRX has a 10-year lease, with a purchase option. The additional facility is expected to accommodate twice the number of additional clean rooms, compared with the current building.
- TRX has been awarded a local University City grant to fund the infrastructure changes (utilities/loading bays, etc.) needed at the second site.

Next steps

TRX's manufacturing facility

Source: Tissue Regenix

TRX is now sourcing and processing approximately three times the number of donors per month compared with a year ago. This has put pressure on existing freezer storage capacity. To overcome this constraint, phase one of the reorganisation of San Antonio involves moving freezers into the new building. This will provide more freezer capacity and free up space in the existing FDA-approved building for the installation of additional clean rooms, increasing capacity further. However, this can only take place once the company has resolved its working capital requirement. In the meantime, management is considering a third shift at the existing facility, to increase production of BioRinse products.

Even though TRX is able to source and process more material, as evidenced by the increase in throughput by the year-end, it should be pointed out that the full benefits of the increased flow of donor material will not be apparent until the second half of 2020. In addition, the planned next stage of investment in San Antonio to add additional manufacturing capacity is only likely to come on stream in the latter part of fiscal 2020. Taken together, this suggests that the results for fiscal 2020 will have an even greater second-half bias than the 47%:53% reported during fiscal 2019.

Personnel

Reassessment of the business model meant that TRX had less need for indirect employees. Consequently, some areas were restructured, reducing the headcount. This is expected to generate annualised savings of ca.£1.0m from fiscal 2020.

CE marking of OrthoPure XT

OrthoPure XT CE marking expected during 1Q'20

All the audits by the external examiners appointed by the notified body have been completed. Feedback from these audits to the notified body can take up to eight weeks. The main issue, as seen with many companies, is that the notified bodies have a log-jam following the introduction of the new Medical Device Directive. We believe TRX is close to approval, which is expected during 1H'20.

Funding

The company is in a "Catch 22" situation. Development of the second facility in San Antonio, an integral part of management's strategy to satisfy the pent-up product demand highlighted in this report, can start only after the company has secured additional funding. Our forecasts have shown consistently the need for investment in the order of £12m, and, while some of this may be derived from the MidCap loan facility, there is clearly a need for an equity injection. Management indicated that it has a current runway until the end of April 2020.

Conclusion

Positives are emerging after a challenging six months, as evidenced by TRX's best-ever quarterly sales performance. The most consistent aspect throughout 2019 was the underlying demand for products, which will translate into sales once customers can be confident that orders will be delivered in a timely manner.

Financial forecasts

Profit & Loss

- **Sales:** During 2019, sales of orthopaedic products were constrained. The increased manufacturing capacity should result in a return to growth in orthopaedics sales in 2020, as evidenced by the stronger 4Q'19 performance. Underlying sales growth in 2019 of 8% is forecast to rebound to ca.20% in fiscal 2020, provided the necessary investment in facilities can be started quickly.
- **COGS:** The mixed sales model, the signing of new distributors, the use of external processing capacity and the move to two-shift manufacturing are likely to have an impact on COGS, reducing the gross margin from 50.9% in 2018 to 47.0% in 2019.
- **Underlying SG&A:** Despite making some senior appointments, the move away from direct sales and careful control of administration costs are expected to result in flat underlying SG&A over the forecast period. Restructuring savings will benefit fiscal 2020.
- **EBITDA:** Management remains focused on the continuing trend towards EBITDA breakeven by the end of fiscal 2021.

Profit & loss account

Year-end Dec (£m)	*2016	2017	2018	2019E	2020E	2021E
GBP:USD	1.347	1.289	1.335	1.278	1.278	1.278
BioSurgery	1.32	1.93	3.38	4.19	5.90	8.24
Orthopaedics/dental	0.00	2.17	6.40	6.74	7.90	10.18
GBM-V (JV)	0.12	1.14	1.84	2.07	2.67	3.18
Sales	**1.44**	**5.23**	**11.62**	**13.00**	**16.50**	**21.70**
COGS	-0.73	-2.63	-5.70	-6.88	-8.42	-10.06
Gross profit	0.71	2.61	5.92	6.11	8.08	11.64
Gross margin	49.2%	49.8%	50.9%	47.0%	49.0%	53.6%
SG&A	-8.44	-10.94	-12.61	-12.75	-11.36	-11.47
Share-based costs	-0.21	-0.03	0.06	-0.02	-0.02	-0.02
R&D	-3.13	-1.35	-1.64	-1.05	-1.30	-1.40
Underlying EBITDA	**-11.14**	**-9.01**	**-7.09**	**-6.52**	**-3.39**	**-0.01**
Depreciation	-0.30	-0.48	-0.60	-0.62	-0.65	-0.68
Amortisation	0.00	-0.23	-0.58	-0.56	-0.56	-0.56
Underlying EBIT	**-11.44**	**-9.72**	**-8.27**	**-7.70**	**-4.60**	**-1.26**
Exceptional items	0.00	-1.10	-0.42	0.00	0.00	0.00
Statutory EBIT	-11.44	-10.82	-8.69	-7.70	-4.60	-1.26
Net interest	0.11	0.05	-0.19	-0.29	-0.85	-0.91
Underlying PBT	**-11.33**	**-9.67**	**-8.46**	**-8.00**	**-5.45**	**-2.16**
Extraordinary items	0.00	0.00	0.00	0.00	0.00	0.00
Statutory PBT	-11.33	-10.77	-8.88	-8.00	-5.45	-2.16
Tax payable/credit	1.03	1.35	0.62	0.25	0.30	0.32
Underlying net income	**-10.29**	**-8.32**	**-7.84**	**-7.75**	**-5.16**	**-1.84**
Statutory net income	-10.29	-9.42	-8.26	-7.75	-5.16	-1.84
Ordinary 0.5p shares:						
Period-end (m)	760.1	1,171.0	1,171.7	1,172.7	2,173.7	2,174.7
Weighted average (m)	760.1	920.5	1,171.6	1,172.2	1,923.5	2,174.2
Fully-diluted (m)	806.6	960.8	1,224.4	1,225.0	1,976.3	2,227.0
Underlying basic EPS (p)	**-1.35**	**-0.90**	**-0.67**	**-0.66**	**-0.27**	**-0.08**
Statutory basic EPS (p)	-1.35	-1.02	-0.70	-0.66	-0.27	-0.08
Underlying fully-dil. EPS (p)	-1.28	-0.87	-0.64	-0.63	-0.26	-0.08
Statutory fully-dil. EPS (p)	-1.28	-0.98	-0.67	-0.63	-0.26	-0.08
DPS (p)	0.0	0.0	0.0	0.0	0.0	0.0

**11 months to December Source: Hardman & Co Life Sciences Research*

Balance sheet

- **R&D:** A modest amount of R&D investment in products that have received regulatory approval is capitalised and included in intangible assets, which will then be amortised in line with IAS38 once the product is launched.
- **Capitalised R&D:** Our stated capitalised R&D in the balance sheet is to allow for the calculation of ROIC, which is based on NOPLAT divided by invested capital, both of which require written-off R&D to be added back and amortised.
- **Net cash/(debt):** At 31 December 2019, TRX had net cash of £0.1m, comprised of gross cash of £2.4m/$3.2m offset by the MidCap facility of £2.3m/$3.0m.
- **Debt drawdown:** During fiscal 2020, TRX could still have the possibility of drawing down the revised second tranche ($10.0m) of the MidCap term loan facility, but this remains subject to the lender's discretion.

Balance sheet

@31 Dec (£m)	*2016	2017	2018	2019E	2020E	2021E
Shareholders' funds	11.54	39.52	32.57	24.82	28.67	26.83
Cumulated goodwill	0.00	0.00	0.00	0.00	0.00	0.00
Total equity	11.54	39.52	32.57	24.82	28.67	26.83
Share capital	3.80	5.86	5.86	5.86	10.87	10.87
Reserves	7.74	33.67	26.71	18.96	17.80	15.95
Capitalised R&D	8.76	8.24	7.85	6.83	6.04	5.29
Long-term debt	0.00	0.00	0.00	2.27	9.46	16.08
Short-term loans	0.00	0.00	0.00	0.00	0.00	0.00
less: Cash	8.17	16.42	7.82	2.40	12.04	11.87
Invested capital	12.12	32.80	33.40	32.31	32.92	37.12
Fixed assets	1.09	2.99	2.83	3.21	5.57	6.39
Intangible assets	0.55	19.31	19.94	19.63	19.29	18.96
Capitalised R&D	8.76	8.24	7.85	6.83	6.04	5.29
Inventories	0.66	2.87	2.33	4.50	3.71	4.88
Trade debtors	*0.43*	*1.47*	*2.47*	*2.00*	*2.34*	*2.93*
Other debtors	*2.70*	*2.70*	*1.09*	*1.09*	*1.09*	*1.09*
Tax liability/credit	*-0.15*	*-0.82*	*1.20*	*0.90*	*-0.70*	*-0.68*
Trade creditors	*-0.62*	*-1.52*	*-0.86*	*-1.33*	*-1.73*	*-2.25*
Other creditors	*-1.30*	*-2.44*	*-3.45*	*-4.52*	*-2.68*	*0.52*
Debtors less creditors	1.07	-0.61	0.45	-1.86	-1.69	1.60
Invested capital	12.12	32.80	33.40	32.31	32.92	37.12
Net cash/(debt)	8.17	16.42	7.82	0.13	2.58	-4.21
Inventory days	-	200	73	126	82	82
Debtor days	-	102	77	56	52	49
Creditor days	-	211	55	71	75	82

**11 months to December; Source: Hardman & Co Life Sciences Research*

Cashflow

- **Working capital:** The working capital requirement is expected to increase each year, reflecting the expansion phase of the company and an increase in manufacturing capability.
- **Amortisation:** The increase in the amortisation charge to £0.6m in 2018 reflected the ownership of CellRight for a full 12 months, and it has since been stable. Amortisation costs will rise again when products associated with R&D, which have been capitalised under IAS38, are launched.
- **Capex:** The original increase in capex to expand the San Antonio facility and to increase the number of clean rooms was expected to span a period of 24 to 30 months and cost £8.0m/$10.0m over that period. In leasing a new building ready for fit-out, this timescale and investment are expected to reduce, subject to the raising of additional equity capital.
- **Free cashflow:** Operating cashflow remains negative in the forecast period, with free cashflow affected by loan interest, and capital repayments (from 2021) increasing year-on-year.
- **Funding:** As stated earlier, our forecasts show the cash requirement over the next three years. We have included the drawdown of all three tranches of the term loan, together with the required capital increase, with the expectation that the debt will be refinanced on more favourable terms in 2021.

Cashflow

Year-end Dec (£m)	*2016	2017	2018	2019E	2020E	2021E
Underlying EBIT	-11.44	-9.72	-8.27	-7.70	-4.60	-1.26
Depreciation	0.30	0.48	0.60	0.62	0.65	0.68
Amortisation	0.00	0.23	0.58	0.56	0.56	0.56
Share-based costs	0.21	0.03	-0.06	0.02	0.02	0.02
Inventories	*-0.60*	*-0.50*	*0.54*	*-2.17*	*0.79*	*-1.17*
Receivables	*-0.09*	*-0.78*	*-1.19*	*0.47*	*-0.34*	*-0.59*
Payables	*0.11*	*0.04*	*0.16*	*0.48*	*0.40*	*0.52*
Change in working capital	-0.58	-1.25	-0.49	-1.23	0.85	-1.24
Other	0.00	0.00	0.00	0.02	0.00	0.00
Company op. cashflow	**-11.51**	**-11.33**	**-8.06**	**-7.71**	**-2.53**	**-1.23**
Net interest	0.11	0.05	0.07	-0.30	-0.85	-3.62
Tax paid/received	0.32	1.54	1.23	0.65	0.05	-0.20
Operational cashflow	**-11.08**	**-9.74**	**-6.77**	**-7.36**	**-3.33**	**-5.05**
Capital expenditure	-0.49	-0.13	-0.29	-1.00	-3.00	-1.50
Capitalised R&D	-0.55	-0.09	-0.12	-0.26	-0.23	-0.23
Sale of fixed assets	0.00	0.00	0.00	0.00	0.00	0.00
Free cashflow	**-12.11**	**-9.96**	**-7.17**	**-8.61**	**-6.56**	**-6.79**
Dividends	0.00	0.00	0.00	0.00	0.00	0.00
Acquisitions	0.00	-19.95	-1.56	0.00	0.00	0.00
Other investments	0.00	0.00	0.00	0.00	0.00	0.00
Cashflow after investments	**-12.11**	**-29.91**	**-8.74**	**-8.61**	**-6.56**	**-6.79**
Share repurchases	0.00	0.00	0.00	0.00	0.00	0.00
Equity issues	0.00	37.99	0.00	0.00	9.00	0.00
Currency effect	0.00	0.17	0.13	0.00	0.00	0.00
Change in net debt	**-12.11**	**8.25**	**-8.61**	**-8.61**	**2.44**	**-6.79**
Opening net cash/(debt)	19.91	7.80	16.42	7.82	0.13	2.58
Closing net cash (debt)	**7.80**	**16.05**	**7.82**	**0.13**	**2.58**	**-4.21**
OCFPS (p)	-1.46	-1.06	-0.58	-0.63	-0.17	-0.23

**11 months to December*

Source: Hardman & Co Life Sciences Research

Valuation

Difficult company to value using traditional metrics

Valuing a company like TRX is extremely difficult. Whereas potential products being developed by biopharmaceutical companies have a finite life through to their patent expiration, on which DCF valuations can be performed, the situation with medical device products is more complex. First, there is often no precedent for the sales and profit potential of the devices to generate a sensible forecast period. Secondly, as would be the case with TRX, there are supply implications (sourcing of human material) and manufacturing "know-how" issues, meaning that there is a terminal value. Therefore, we have to look at alternative measures to derive a valuation.

The equivalent of 8.2p per share has been invested to get the company to where it is today

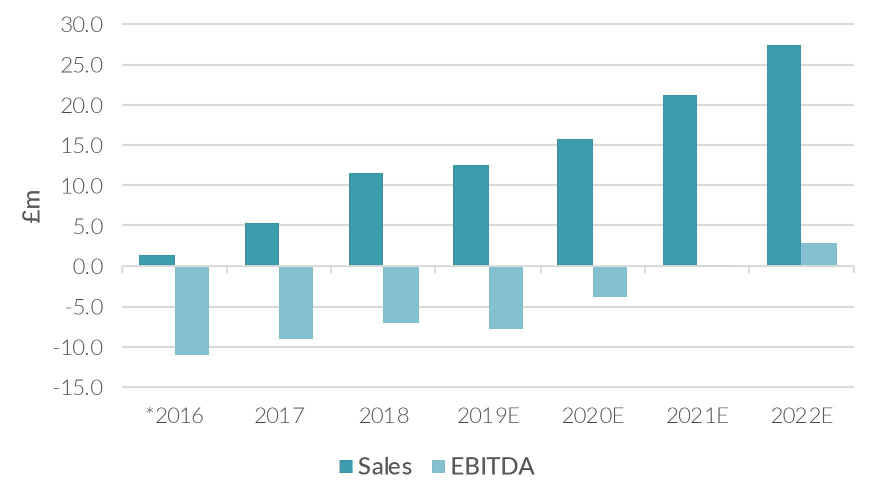
Based on the following facts, it is clear that TRX, with a market capitalisation of £14.1m, is currently being undervalued by the market:

- To get TRX to where it is today, £95.8m – equivalent to 8.2p per share – has been invested into the company, including the £38.0m of shares issued to acquire CellRight Technologies in 2017.
- The R&D investment by TRX to get FDA approval and CE marking for a number of products, excluding all the investment made by CellRight, has been £21.8m.
- The marketing and administrative overheads to establish its products in the market (mostly in the US) and to sign up the network of GPOs and distribution partners have been £62.4m.
- The administrative achievement of obtaining the relevant accreditations and licences for the harvesting and processing of human tissue is considerable.

Positive sales growth, and trending towards EBITDA breakeven by end-2021

Even though the company is still unprofitable, there is a positive trend to it becoming EBITDA-positive by the end of fiscal 2021.

Sales and EBITDA



Source: Hardman & Co Life Sciences Research

Even the revised 2019 goals highlight the mis-match between valuation and market capitalisation

One of the key factors behind the mis-match between valuation and market capitalisation is that major shareholders, Invesco and Baillie Gifford, have both sold down their holdings recently to below 5%. Also, the original large holding by Woodford has been transferred temporarily to Link Fund Solutions. Coupled to this, any purchaser of this stock will be aware that the company needs to issue additional equity early next year. This has become larger in quantum and even more urgent following the required repayment of most of the first tranche of the MidCap term loan facility. The enormous mis-match between the growth prospects, valuation and market capitalisation will not be corrected until the company's funding requirement is resolved.

Company matters

Registration

Incorporated in the UK with company registration number 05969271.

UK operations:
Unit 1&2
Astley Lane Industrial Estate
Astley Way
Swillington
Leeds
LS26 8XT

+44 330 430 3052
www.tissueregenix.com

US operations:
1808 Universal City Boulevard
Universal City
San Antonio
Texas
78148

Board of Directors

The Board consists of two executive directors and five non-executive directors. Their representation on the various committees is shown in the following table.

Board of Directors

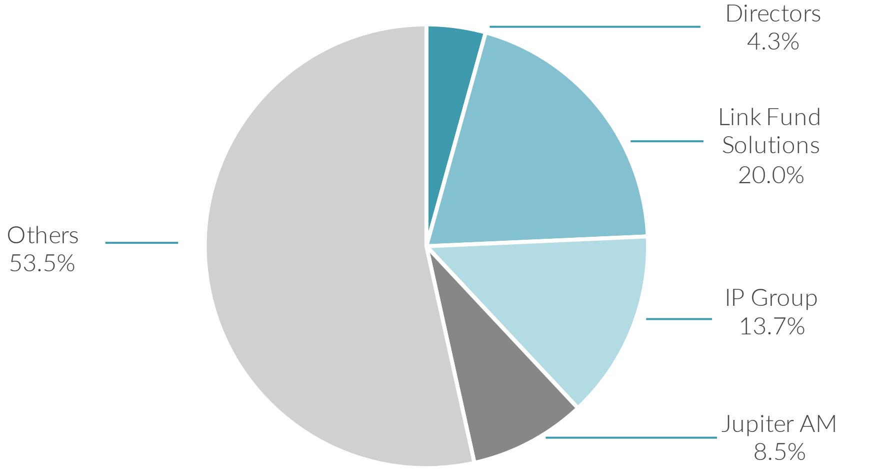
Position	Name	Remuneration	Audit
Executive Chairman	John Samuel		
Chief Executive Officer	Gareth Jones (interim)		
Chief Financial Officer			
Non-executive director	Allan Miller	M	C
Non-executive director	Jonathan Glenn	M	M
Non-executive director	Randeep Singh Grewal	C	M
Non-executive director	Shervanthi Homer-Vanniasinkam		

M = member, C = chair
Source: Company reports

Share capital

The company has 1,171,971,322 Ordinary shares of 0.5p in issue. There are also 46.8m options and ca.2.97 warrants outstanding.

Shareholders



Source: Hardman & Co Life Sciences Research

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