5th April 2018

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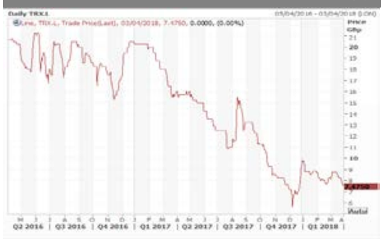
Pharmaceuticals & Biotechnology



Source: Eikon Thomson Reuters

Market data

EPIC/TKR	**TRX**
Price (p)	7.5
12m High (p)	19.0
12m Low (p)	5.5
Shares (m)	1,171.6
Mkt Cap (£m)	87.9
EV (£m)	71.5
Free Float*	28%
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	Steve Couldwell
CFO (interim)	Paul Below
Chairman	John Samuel

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www.tissueregenix.com

Key shareholders

Directors	4.3%
Invesco	29.0%
Woodford Inv. Mgt.	25.1%
IP Group	13.8%
Baillie Gifford	4.3%

Diary

May-18	AGM
Sept-18	Interims

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Tissue Regenix

CellRight hits the right note

Tissue Regenix (TRX) has a broad portfolio of regenerative medicine products for the biosurgery, orthopaedics, dental and cardiac markets. The company has two proprietary decellularised technology platforms for the repair of tissues and bone. 2017 was a dynamic year for the group, growth being boosted by the acquisition of CellRight Technologies. This was borne out by full-year results. Although sales were in line with forecasts, control of costs reduced the EBIT loss and generated a stronger balance sheet. Management is continuing to integrate and streamline the business, and is seeking distribution partnerships to maximise the opportunities.

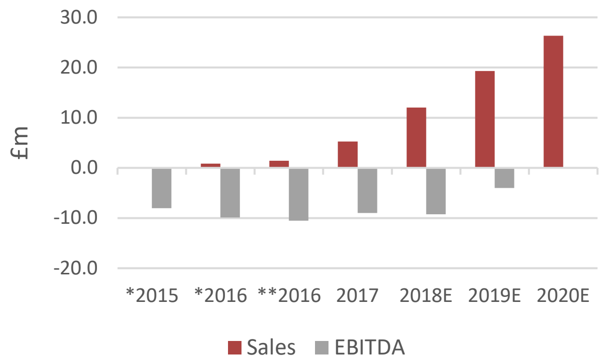
- **Strategy:** To build an international regenerative medicine business with a portfolio of products using proprietary dCELL and BioRinse technology platforms, underpinned by compelling clinical outcomes. TRX is looking to expand its global distribution network, via strategic partnerships, to drive sales momentum.
- **2017 results:** This was the first set of full-year numbers based on a December year-end. On a *pro forma* basis, group sales grew 39%, with DermaPure growing 38% and CellRight 21%. Careful cost control generated an underlying EBIT loss of -£9.7m (-£13.4m), £3.7m better than forecast, giving net cash of £16.4m.
- **Integration process:** TRX moved quickly to integrate its existing San Antonio operation within established facilities acquired with CellRight. While still some way to go, further progress has been made to make CelRight's products available in the EU, and to have TRX's products manufactured in CellRight's facilities.
- **Partnerships:** TRX is looking at more ways to maximise the opportunities for the enlarged group by broadening the product offering and through geographical expansion. To this end, management has signed two US distribution deals: with ARMS Medical for urology and gynaecology and with Arthrex in orthopaedics.
- **Investment summary:** TRX is building commercial momentum through three value drivers: sales of BioSurgery products in the US; expansion of combined CellRight and TRX technologies in Dental, Orthopaedics and Spine; and preparation for OrthoPure XT launch in the EU in 2018. Early signs of the benefits derived from CellRight are apparent, which should hasten the time to reach sustainable profitability.

Financial summary and valuation

Year-end Dec (£m)	*2016	**2016	2017	2018E	2019E	2020E
Sales	0.82	1.44	5.23	12.00	19.30	26.36
EBITDA	-9.86	-10.55	-8.98	-9.23	-4.03	-0.01
Underlying EBIT	-10.11	-10.85	-9.69	-10.39	-5.20	-1.21
Reported EBIT	-10.24	-11.06	-10.82	-10.49	-5.30	-1.31
Underlying PBT	-9.89	-10.74	-9.64	-10.34	-5.20	-1.22
Statutory PBT	-10.03	-10.95	-10.77	-10.44	-5.30	-1.32
Underlying EPS (p)	-1.26	-1.28	-0.90	-0.81	-0.38	-0.05
Statutory EPS (p)	-1.28	-1.30	-1.02	-0.82	-0.39	-0.06
Net (debt)/cash	19.91	8.17	16.42	5.42	-1.66	-3.83
Capital increase	19.02	0.00	37.99	0.00	0.00	0.00
P/E (x)	-	-	-	-	-	-
EV/sales (x)	-	-	13.7	6.0	3.7	2.7

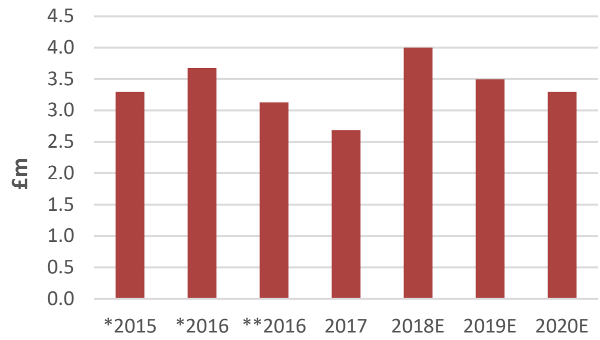
**Year to January; **11-months to December*
Source: Hardman & Co Life Sciences Research

Sales and EBITDA



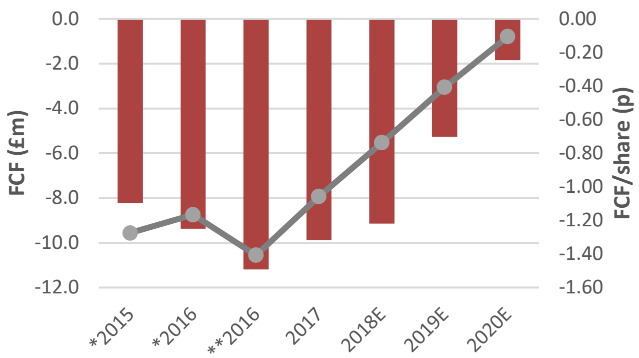
- Underling sales growth in 2017 was 39% on a *pro forma* basis
- Sales of DermaPure in the US for full-year 2017 were $2.73m/£1.93m, or growth of 38% on a *pro forma* basis
- *Pro forma* sales growth of CellRight was 21% to $6.58m/£5.10m
- EBITDA losses in 2018 are expected to remain flat on 2017 and then rapidly trend towards breakeven in fiscal 2020, driven by strong sales growth

R&D spend



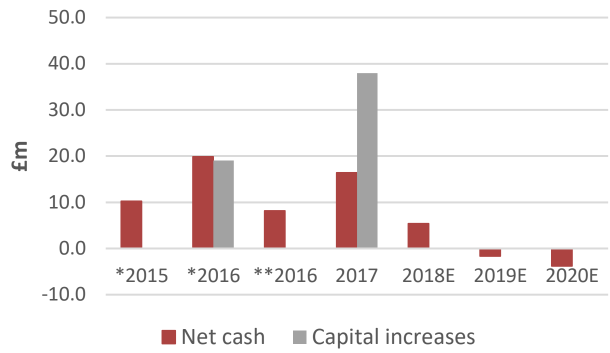
- R&D spend reduced to -£2.7m, affected by the timing of trials, this looks set to rise in 2018 and 2019 to fund specific clinical case studies
- Cumulative R&D investment to date is around £19m to reach US regulatory approval of DermaPure and EU regulatory filings for OrthoPure products
- Modest capitalisation of some R&D spend on approved products is likely to continue

Free cashflow and FCF/share



- Free cashflow was -£9.9m in 2017, a broadly similar figure is expected in fiscal 2018, after which cash burn reduces very quickly
- Cashflow starts to improve significantly once sales rise to a level >£20m in 2019/20
- Working capital requirements in 12 months' time could be in the form of debt (operational needs) or an equity raise (to invest in more manufacturing capacity)

Net cash and capital increases



- Net cash was £16.4m on 31st December 2017, almost £3m better than forecast
- The capital increase in 2017 is the £40m cash raise to fund the CellRight acquisition and working capital needs
- The deferred CellRight consideration (2 x $2.04m) affects the cash position in each of 2018 and 2019
- Forecasts assume that management retains flexibility regarding working capital needs

**Year to January; **11-months to December; Source: Company data; Hardman & Co Life Sciences Research*

2017 results

Full-year results from TRX were important for two reasons: i) they were the first clean set of numbers based on a December reporting period; ii) they provided early indications about the performance of CellRight following its acquisition last August. 2017 has been a particularly dynamic year for the enlarged group.

Financial features

- **Sales:** Reported group sales were just ahead of forecasts at £5.23m. To put this in perspective, on a *pro forma* basis, this represented growth of 39%.
- **BioSurgery:** In fiscal 2017, underlying sales of DermPure advanced 38% to \$2.73m/£1.93m (\$1.98m/£1.46m *pro forma*), reflecting increased utilisation in the wound-care market, coupled with an expansion into other therapeutic areas.
- **Orthopaedics:** Reported sales of CellRight in the five months since acquisition were in line with expectations at £2.17m. This was reassuring and showed that there was no significant pipeline fill ahead of closing the deal. Underlying *pro forma* sales growth was 21% to \$6.58m/£5.10m (\$5.42m/£4.00m).
- **GBM-V:** Underlying CER sales increased nearly eight-fold to €1.30m/£1.14m (€0.15m/£0.12m) from the German JV, reflecting the full year of activity (versus three months) and substantial growth in demand for its corneal grafts.
- **EBIT:** Although COGS were higher than forecast, careful control of marketing and administrative costs meant that the EBIT loss was significantly better than forecast at -£9.69m (-£13.36m *pro forma*).
- **Net cash:** The improvement in EBIT carried all the way through the cashflow statement, to give a net cash position of £16.4m vs. our forecast of £13.7m.

TRX full-year 2017 – actual vs expectations

Year-end December (£m)	2016 *Pro forma*	2017 actual	Growth %	2017 forecast	Delta Δ
DermaPure (\$m)	1.98	2.73	38%	2.45	+0.28
CellRight (\$m)	5.42	6.58	21%	6.85	-0.27
Reported group sales	1.58	5.23	230%	5.15	+0.08
Underlying EBIT	**-13.36**	**-9.69**	**27%**	**-13.41**	**+3.72**
Net cash/(debt)	8.17	16.42	-	13.69	+2.73

Source: Hardman & Co Life Sciences Research

Operational features

- Acquired CellRight Technologies and initiated the integration process to create a streamlined regenerative medicines business based on decellularised bone and tissue scaffolds.
- Commenced the technology transfer process for the in-house manufacture of DermaPure into CellRight's existing manufacturing facility.
- Commenced processing of SurgiPure XD at TRX's UK manufacturing facility in preparation for launch in the US.
- Expanded the DermaPure opportunity into urology and gynaecology, and signed an exclusive agreement with specialist uro-gyn distributor, ARMS Medical.
- Signed a long-term, multi-year agreement with Arthrex Inc for the supply and distribution of CellRight's osteobiologic products, under OEM label Allosync, into the US sports medicine market.

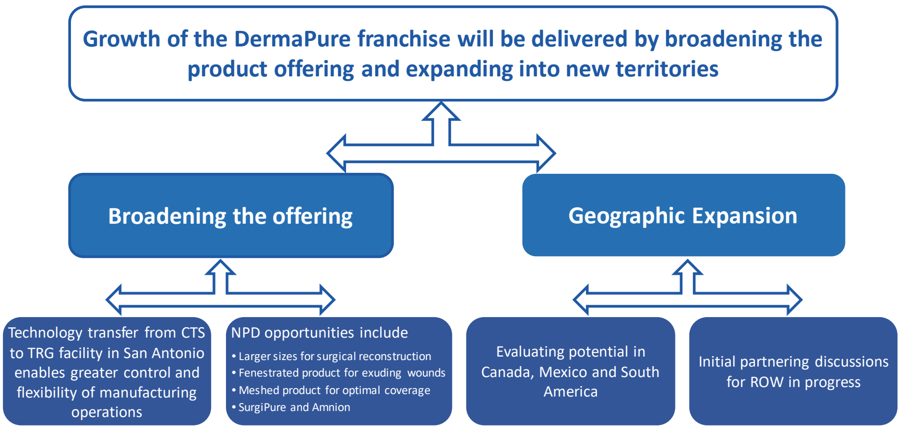
Operational update

Modified strategy

2017 was a year of transition for TRX. The acquisition of CellRight Technologies added a complementary bone decellularisation technology platform, BioRinse, and provided an experienced research, regulatory and manufacturing team that also adopted a different approach to the marketing of its products. In addition, TRX saw its own personnel changes at the executive level. This has provided the new management team with an opportunity to review all aspects of the enlarged business, which has resulted in a slightly modified strategy to maximise the market opportunities afforded the enlarged group.

There are two main goals: i) to broaden and maximise the product offering; and ii) to expand the offering geographically. Until the acquisition of CellRight, TRX's strategy had been to commercialise products itself, but the CellRight model used a network of distributors. The new TRX management team is adopting a blend of these two models, with more products being sold through distributors on a more widespread basis.

Tissue Regenix – revised strategic plan



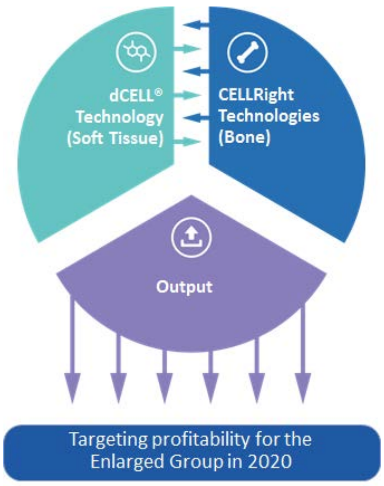
Source: Tissue Regenix

Although the graphic above is demonstrating the revised strategy to drive the BioSurgery franchise, a similar approach is being adopted across all business areas.

- **Commercial execution:** Direct sales and medical affairs team to deliver the differentiated scientific message to decision-makers and build scale through regional and national distribution partners.
- **Strategic partnerships:** Build scientific and commercial collaborations with industry leaders to accelerate adoption of its technologies.
- **Clinical evidence:** Build a registry of product utilisation and clinical outcomes to generate health economic data for marketing literature and distributor support.
- **Geographical expansion:** Increase availability of existing portfolio in certain identified territories outside the US, and to explore the potential use of regional and global distribution partnerships.
- **Portfolio development:** Focus investment into priority R&D projects with clear commercial pathways; establish R&D collaborations with leading universities

CellRight Technologies

Complementary activities



Source: CellRight Technologies; Tissue Regenix

On 9th August 2017, TRX completed the acquisition of CellRight for up to $30.0m payable in cash. The strategy, expertise, and technology platform of CellRight appeared to be totally aligned to those of TRX. Whereas the technology of CellRight was based on proprietary human bone processing technology, BioRinse, for use in spinal, dental and sports medicine applications, that of TRX (dCell) is based on a similar technology, but for human and porcine soft tissues. As such, CellRight was considered to be a highly complementary business. Results for 2017 have provided the first indications of how CellRight has performed following its acquisition.

In fiscal 2017, CellRight contributed $2.86m/£2.17m to sales and $0.37m/£0.28m to group income, following its acquisition. On a *pro forma* basis, in 2017 CellRight had sales of $6.58m/£5.10m, representing underlying growth of 21%. Compared with forecasts, the 2017 sales contribution to TRX was broadly in line with our figure of $2.93m/£2.22m. This confirms that there were no unusual selling patterns by the business in the run-up to deal completion. TRX disclosed that DentalFix, a portfolio of recently launched traditional and innovative dental biologics, made an important sales contribution, representing ca.20% of CellRight's sales.

The gross margin in 2017 held steady at 61.7% (62.0%). Making comparisons at the EBIT level is more difficult, because it is unclear from documents issued in relation to the acquisition whether costs were fully allocated, and the accounts were prepared on the same basis. However, even taking a 'worst-case' scenario that full costings were not applied historically, the EBIT margin was down five percentage points, but still around 20%, as detailed in the following table.

CellRight financial performance

Year-end Dec ($m)	*2013	*2014	**2015	**2016	2017
Sales	**1,291**	**2,251**	**4,649**	**5,422**	**6,576**
COGS			-1,817	-2,061	-2,520
Gross profit			2,832	3,361	4,055
Gross margin			60.9%	62.0%	61.7%
Overheads			-1,371	-1,778	**-2,777**
EBITDA	**-624**	**102**	**1,461**	**1,583**	**1,475**
EBITDA margin	-48.3%	4.5%	31.4%	29.2%	22.4%
Depreciation	-170	-175	-180	-190	-197
EBIT	**-794**	**-73**	**1,281**	**1,393**	**1,278**
EBIT margin	-61.5%	-3.2%	27.6%	25.7%	19.4%
EV/sales (x)	23.2	13.3	6.5	5.5	4.6
EV/EBITDA (x)	-	-	20.5	19.0	20.3

** CellRight management accounts; **Acquisition documentation*
Source: Hardman & Co Life Sciences Research

Since acquisition, CellRight has hit several milestones, such that sales have started strongly in fiscal 2018, and with a number of initiatives having commenced, expectations remain high. See details below:

- Rapid integration of TRX's existing small San Antonio operation into CellRight's 13,650 sq.ft. state-of-the-art facility in the same city, centralising US operations.
- Launch of the DentalFix range of traditional and innovative dental products, based mostly on the Matrix OI scaffold, and also the use of DermaPure in dental applications, which management considers to be a significant growth opportunity for the group.

- Initiation of the technology transfer process for the in-house manufacture of DermaPure at CellRight's manufacturing facility. This is likely to complete in 1H'18 and reduce the risk from having a sole supplier.
- Application for a Human Tissue Authority licence, which will allow the import of CellRight's osteobologics products into TRX's Leeds facility for distribution throughout Europe. First sales are expected in 2H'18.
- Preparation work for the import into the US of TRX's 510(k) approved SurgiPure XD from the Leeds manufacturing facility. Discussions are underway with potential distribution partners to optimise the route to market.
- Conclusion of a long-term multi-year distribution agreement with Arthrex Inc. for the group's osteobiologic products.
- The integration process is likely to be a 12- to 18-month process to combine management, working cultures, manufacturing and infrastructure, and to maximise the opportunities for the enlarged entity.

BioSurgery

Since approval of DermaPure in 2015, the commercial approach has been to gain traction in the US wound-care markets. TRX has achieved 100% Medicare coverage, mostly for the out-patient market and, over the last 18 months has been transitioning into the in-patient market via Group Purchasing Organisation (GPO) agreements. In 2017, underlying sales grew a creditable 38% to $2.73m ($1.98m *pro forma*), as additional accounts were successfully signed under the existing GPOs. This was about 10% better than our forecast.

The new management team has identified that the properties of DermaPure, together with its single application and clinical outcomes, create further opportunities in a number of clinical uses outside traditional advanced woundcare, such as orthopaedic trauma and urogynaecology. Consequently, this division has been renamed BioSurgey to better reflect the commercial opportunities.

Reflecting this change and to maximise the opportunity in urology and gynaecology, TRX has signed an exclusive distribution agreement with ARMS Medical, a specialist uro-gyn distributor with established important relationships in this field.

Given the better-than-expected outcome for DermaPure in 2017 and with the additional distribution channel, expectations for BioSurgery have been modified upwards from $4.0m to $4.5m for 2018.

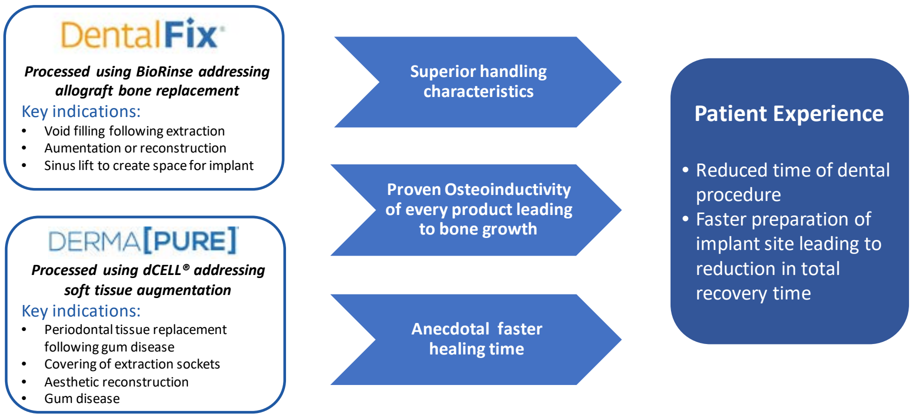
Orthopaedics

The existing CellRight product portfolio fits within TRX orthopaedics. Significant products and commercial synergies are expected to be derived from this division. The dCELL and BioRinse decellularised technology platforms can be used either alone, or in combination, to regenerate a number of tissues and bone. Initially, the focus is on sports medicine and spine. The new management team has set out a clear commercial strategy to maximise these opportunities, adopting a direct sales approach for sports medicine, while using OEM partnerships in spine, many of which were already in place for the distribution of CellRight's products

DentalFix

TRX has launched a range of traditional and innovative dental biologicals under the DentalFix banner. Current innovative products are based upon CellRight's flexible Matrix OI product, and are already generating ca.20% of divisional sales. Alongside this, an opportunity for the utilisation of DermaPure in dental applications has been identified.

Dental opportunity



Source: Tissue Regenix

OrthoPure XT

Changes to the European Medical Device Regulations have significantly extended the time taken to achieve CE Marking of products for all companies, and TRX is no exception. OrthoPure XT for the repair of anterior cruciate ligament (ACL) is still awaiting CE Marking, although this should be received during 2018.

However, TRX has taken the opportunity to submit an extension to the application to include other ligament indications, which would accelerate and broaden the commercial opportunity.

In preparation for launch, TRX has engaged with distributors in key European markets to facilitate a timely roll-out of OrthoPure XT when country registrations are received.

Arthrex Inc

In March 2018, TRX announced that it had signed a long-term, multi-year agreement with Arthrex, for the distribution of selected CellRight products under the Arthrex-owned Allosync brand, a leading global medical device company specialising in new product development to help orthopaedic surgeons achieve better patient outcomes. Arthrex is interested in repairs to all types of bone, but is increasingly focusing on orthobiologics, combining bone scaffolds with cell therapies and growth factors, which, in turn, is increasingly attracting the attention of surgeons in many fields. CellRight's products for spine, foot and ankle procedures fit well within Arthrex's long-term vision.

At the results meeting, management indicated that an initial stocking order had been received, together with a small follow-up order. This augurs well for a positive contribution during 2018 and beyond.

Financial performance

Good transparency was provided in the results release, such that new models can be built going forward concerning the new divisional split. Commentary regarding sales growth has been provided elsewhere in this document.

COGS

In a revised approach, total COGS includes the actual cost of manufacturing the products plus the payment of third-party commissions (ca.22% of total COGS) to distributors, as these are considered an integral part of the total product cost. Full disclosure was provided and figures for last year were restated. This change fully accounted for the difference between forecasts and outcomes for 2017.

Moving forward, CellRight products have a lower gross margin than TRX products, so there will be some volatility in the gross margin in the near term, as a full-year contribution is included. In addition, given the revised strategy to accelerate sales growth through partnerships with more distributors, commissions are also likely to rise. However, the medium- to long-term trend is for gross margins to improve.

SG&A

Reported administration costs are comprised of a complex series of numbers. They include the following: i) the commissions paid to in-house salesmen on sales of DermaPure; ii) R&D spend (see below); and iii) central overheads. In 2017, this figure was significantly below forecasts, as management carefully controlled costs.

Moving forward, commissions paid to in-house salesmen had been expected to rise sharply based on sales forecasts for DermaPure. However, with the revised commercial strategy to use more third-party distributors, this is no longer expected. As indicated above, this saving will be offset in part by commissions to the distributors.

From the information provided, it is clear that CellRight was more profitable in the seven-months prior to acquisition compared with the five months included in the TRX results. Part of the reason for this is that senior management packages and incentives were brought into line with normal market rates, and the addition of additional resources as the business continues to expand. For 2018, there will be a full-year effect of this and for all the corporate overhead costs at CellRight.

R&D

R&D was about £0.7m lower than forecast at -£2.69m. The main reason for this was that some of the OrthoPure trials were modestly delayed, given the regulatory position in Europe. This will likely be spent in 2018.

Moreover, the new management team is going to embark on a registry and a data-led clinical study, in order to obtain some health economic data based on clinical outcomes. This will be a multi-state observational study in orthopaedic trauma and is due to start in 2H'18. The overall cost is anticipated to be $0.25m-$0.5m.

Forecasts

Profit & Loss

- **Sales:** Reported sales in 2017 were £5.23m, or £8.16m on a *pro forma* basis. For 2018, we are looking for CER growth of 47% to £12.0m
- **Gross margin:** There will be volatility over the forecast period. On the one hand, underlying costs will initially rise because of CellRight and GBM-V, but, countering this, DermaPure margins are on a rising trend.
- **SG&A:** Short-term administration costs will rise with CellRight included for a full 12 months and aligning senior management remuneration packages. Reduction in in-house salesman commissions on DermaPure will take time to adjust fully.

Profit & Loss account

Year-end Dec (£m)	*2016	**2016	2017	2018E	2019E	2020E
GBP:USD	1.523	1.347	1.289	1.289	1.289	1.289
Sales	**0.82**	**1.44**	**5.23**	**12.00**	**19.30**	**26.36**
COGS	-0.15	-0.73	-2.63	-5.41	-8.00	-10.74
Gross profit	**0.66**	**0.71**	**2.61**	**6.58**	**11.30**	**15.62**
Gross margin	81.1%	49.2%	49.8%	54.9%	58.6%	59.2%
SG&A	-7.09	-8.44	-9.61	-12.97	-13.01	-13.53
R&D	-3.68	-3.13	-2.69	-4.00	-3.50	-3.30
Underlying EBITDA	**-9.86**	**-10.55**	**-8.98**	**-9.23**	**-4.03**	**-0.01**
Depreciation	-0.25	-0.30	-0.48	-0.56	-0.58	-0.60
Amortisation	0.00	0.00	-0.23	-0.60	-0.60	-0.60
Other income	0.00	0.00	0.00	0.00	0.00	0.00
Underlying EBIT	**-10.11**	**-10.85**	**-9.69**	**-10.39**	**-5.20**	**-1.21**
Share-based costs	-0.14	-0.21	-0.03	-0.10	-0.10	-0.10
Exceptional items	0.00	0.00	-1.10	0.00	0.00	0.00
Statutory operating profit	-10.24	-11.06	-10.82	-10.49	-5.30	-1.31
Net interest	0.21	0.11	0.05	0.04	0.01	-0.01
Pre-tax profit	**-9.89**	**-10.74**	**-9.64**	**-10.34**	**-5.20**	**-1.22**
Extraordinary items	0.00	0.00	0.00	0.00	0.00	0.00
Reported pre-tax	-10.03	-10.95	-10.77	-10.44	-5.30	-1.32
Tax payable/credit	0.53	1.03	1.35	0.80	0.70	0.66
Underlying net income	**-9.37**	**-9.71**	**-8.29**	**-9.54**	**-4.50**	**-0.56**
Statutory net income	-9.50	-9.92	-9.42	-9.64	-4.60	-0.66
Ordinary 0.5p shares:						
Period-end (m)	760.1	760.1	1,171.0	1,171.6	1,172.6	1,173.6
Weighted average (m)	743.2	760.1	920.5	1,171.2	1,172.1	1,173.1
Fully-diluted (m)	784.7	806.6	960.8	1,211.5	1,212.5	1,213.5
Underlying basic EPS (p)	**-1.26**	**-1.28**	**-0.90**	**-0.81**	**-0.38**	**-0.05**
Statutory basic EPS (p)	-1.28	-1.30	-1.02	-0.82	-0.39	-0.06
U/I fully-diluted EPS (p)	**-1.19**	**-1.20**	**-0.86**	**-0.79**	**-0.37**	**-0.05**
Stat. fully-diluted EPS (p)	-1.21	-1.23	-0.98	-0.80	-0.38	-0.05
DPS (p)	0.0	0.0	0.0	0.0	0.0	0.0

**Year to January, **11months to 31st December*
Source: Hardman & Co Life Sciences Research

Balance sheet

- **Net cash:** The net cash position was significantly better than forecast because of the lower administration costs falling through. The overall net cash position at 31st December 2017 was £16.4m.
- **R&D:** A modest amount of R&D investment (£0.1m in 2017) 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.
- **Future funding:** Forecasts simply show the effect of the cashflow statement on the cash position. At the end of fiscal 2019E, there appears to be a modest (ca. £1.5m-£2.0m) net debt position, which rises to ca.£4.0m in fiscal 2020E. In the event that there is good sales traction, management might take on some debt to fund the working capital requirements. On the other hand, if progress is very rapid and there need to be increased investment in new manufacturing capacity, then it is more likely that a further capital increase is sought. At this stage, we believe that management will retain as much flexibility as possible.

Balance sheet

@31st Dec (£m)	*2016	2016	2017	2018E	2019E	2020E
Shareholders' funds	21.24	11.54	39.52	29.88	25.28	24.62
Cumulated goodwill	0.00	0.00	0.00	0.00	0.00	0.00
Total equity	21.24	11.54	39.52	29.88	25.28	24.62
Share capital	3.80	3.80	5.86	5.86	5.86	5.87
Reserves	17.44	7.74	33.67	24.02	19.42	18.75
Capitalised R&D	7.45	9.24	10.21	10.45	11.59	11.92
Long-term debt	0.00	0.00	0.00	0.00	0.00	0.00
Short-term loans	0.00	0.00	0.00	0.00	0.00	0.00
less: Cash	19.91	8.17	16.42	5.42	-1.66	-3.83
Invested capital	**8.78**	**12.60**	**34.76**	**35.73**	**39.35**	**41.20**
Fixed assets	0.90	1.09	2.99	2.93	2.86	2.85
Intangible assets	0.00	0.55	19.31	20.76	22.22	22.22
Capitalised R&D	7.45	9.24	10.21	10.45	11.59	11.92
Inventories	0.06	0.66	2.87	2.44	3.43	4.68
Trade debtors	*0.40*	*0.43*	*0.85*	*1.45*	*2.33*	*3.18*
Other debtors	*1.93*	*2.70*	*3.32*	*3.02*	*2.52*	*2.52*
Tax liability/credit	*-0.07*	*-0.15*	*-0.20*	*-0.20*	*-0.30*	*-0.34*
Trade creditors	*-0.50*	*-0.62*	*-1.02*	*-1.58*	*-1.90*	*-2.28*
Other creditors	*-1.39*	*-1.30*	*-3.56*	*-4.14*	*-3.39*	*-3.56*
Debtors less creditors	0.37	1.07	-0.61	-1.46	-0.74	-0.48
Invested capital	**8.78**	**12.60**	**34.76**	**35.73**	**39.35**	**41.20**
Net cash/(debt)	**19.91**	**8.17**	**16.42**	**5.42**	**-1.66**	**-3.83**

**@31st January*

Source: Hardman & Co Life Sciences Research

Cashflow

- **Working capital:** The working capital requirement has settled down well following the acquisition of CellRight. Forecasts suggest that there is a small working capital requirement each year, reflecting the growth of the company.
- **Amortisation:** The amortisation charge for the first five months of CellRight ownership was £0.23m, which will rise to £0.6m on an annualised basis.
- **Capex:** With a marked increase in manufacturing capability following the acquisition of CellRight, it is reasonable to expect that capex will rise. In the event that management needs to invest to increase manufacturing capacity to meet demand, capex would rise even further.
- **Funding:** As stated earlier, forecasts show the cash requirement over the next three years. Management is retaining the flexibility to fund this requirement either by debt, or, if business is very strong and manufacturing investment is needed, by a capital increase.

Cashflow

Year-end Dec (£m)	*2016	**2016	2017	2018E	2019E	2020E
Underlying EBIT	-10.11	-10.85	-9.69	-10.39	-5.20	-1.21
Depreciation	0.25	0.30	0.48	0.56	0.58	0.60
Amortisation	0.00	0.00	0.23	0.60	0.60	0.60
Inventories	*-0.03*	*-0.60*	*-0.50*	*-0.07*	*-0.99*	*-1.25*
Receivables	*-0.60*	*-0.09*	*-0.78*	*-0.60*	*-0.88*	*-0.85*
Payables	*0.86*	*0.11*	*0.04*	*0.36*	*0.32*	*0.38*
Change in working cap.	0.24	-0.58	-1.25	-0.31	-1.55	-1.73
Other	0.00	0.00	0.00	0.00	0.00	0.00
Company op. cashflow	**-9.63**	**-11.13**	**-11.33**	**-9.54**	**-5.58**	**-1.74**
Net interest	0.21	0.11	0.05	0.04	0.01	-0.01
Tax paid/received	0.75	0.32	1.54	0.85	0.80	0.50
Operational cashflow	**-8.67**	**-10.70**	**-9.74**	**-8.64**	**-4.77**	**-1.25**
Capital expenditure	-0.71	-0.49	-0.13	-0.50	-0.50	-0.60
Sale of fixed assets	0.00	0.00	0.00	0.00	0.00	0.00
Free cashflow	**-9.38**	**-11.19**	**-9.87**	**-9.14**	**-5.27**	**-1.85**
Dividends	0.00	0.00	0.00	0.00	0.00	0.00
Acquisitions	0.00	0.00	-19.95	-1.46	-1.46	0.00
Other investments	0.00	-0.55	-0.09	-0.40	-0.35	-0.33
Cashflow after invests.	**-9.38**	**-11.74**	**-29.91**	**-11.00**	**-7.08**	**-2.18**
Share repurchases	0.00	0.00	0.00	0.00	0.00	0.00
Share issues	19.02	0.00	37.99	0.00	0.00	0.00
Change in net debt	**9.65**	**-11.74**	**8.25**	**-11.00**	**-7.08**	**-2.18**
Opening net cash	10.26	19.91	8.17	16.42	5.42	-1.66
Closing net cash	**19.91**	**8.17**	**16.42**	**5.42**	**-1.66**	**-3.83**
Hardman FCF/share (p)	-1.17	-1.41	-1.06	-0.74	-0.41	-0.11

**Year to January, **11 months to 31st December*
Source: Hardman & Co Life Sciences Research

Company matters

Registration

Incorporated in the UK with company registration number 05969271

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www.tissueregenix.com

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Universal City
San Antonio
Texas
78148

Board of Directors

When complete, the Board will consist of two executive directors and five non-executive directors. Their representation on the various committees is shown in the following table.

Board of Directors

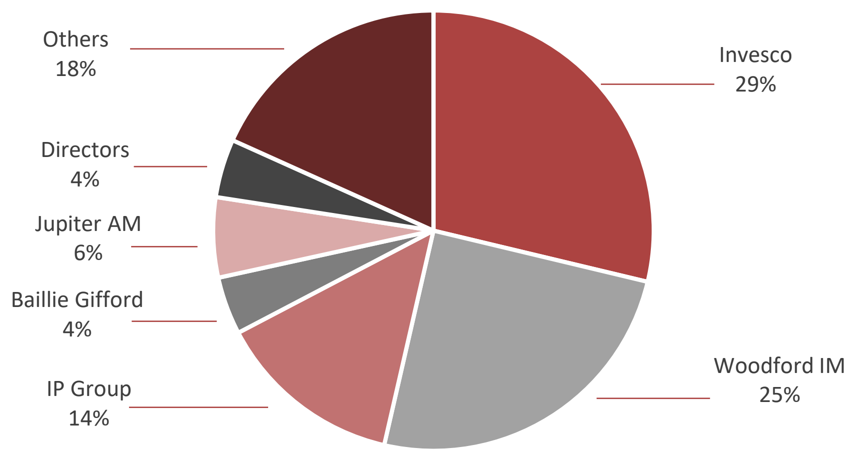
Position	Name	Remuneration	Audit
Chairman	John Samuel		
Chief Executive Officer	Steve Couldwell		
Interim CFO (non-Board)	Paul Below		
Non-executive director	Allan Miler		C
Non-executive director	Jonathan Glenn	M	M
Non-executive director	Randeep Singh Grewal	C	M
Non-executive director	Shervanthi Homer-Vanniasinkam		

M = member; C = chair
Source: Company reports

Share capital

The company has 1,171,649,005 Ordinary shares of 0.5p in issue. There are also 40.31m options outstanding.

Major shareholders



Source: Company reports

Notes

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The fact that we are commissioned to write the research is disclosed in the disclaimer, and the research is widely available.

The full detail is on page 26 of the full directive, which can be accessed here: http://ec.europa.eu/finance/docs/level-2-measures/mifid-delegated-regulation-2016-2031.pdf

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