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Daily news on ASX-listed biotechnology companies

Dr Boreham's Crucible: Aroa Biosurgery

By TIM BOREHAM

ASX code: ARX

Share price: 55.5 cents

Shares on issue: 345,902,653

Market cap: $192.0 million

Founder and chief executive officer: Dr Brian Ward

Board: James (Jim) McLean (chair), Dr Ward, Darla Hutton, Phil McCaw, Dr Catherine Mohr, Paul Shearer

Financials (year to March 31, 2026): revenue $NZ103.9 million ($A84.9 million) (up 23%), earnings before interest and tax $NZ5.68 million ($NZ2.92 million loss previously), net profit after tax $NZ4.7 million ($NZ3.8 million loss previously), cash $NZ27 million (up 164%)

Identifiable major holders: Dr Ward 9.58%, First Cape Group (Harbour Capital Management) 8.79%, Phil McCaw 5.8%, Acorn Capital 8.63%

In Australian vernacular, 'the duck's guts' refers to something that is outstandingly excellent … rather like the 'bee's knees'.

Over the Ditch, wound care house Aroa Biosurgery is "the sheep's guts" as it continues to penetrate the US market with its approved range of four products.

And the company literally is the sheep’s guts, as its devices derive from ovine forestomach material.

As founder and CEO Dr Brian Ward told Aroa’s August AGM, the company had a “fantastic” year to March 2026, marked by 23 percent revenue growth and positive earnings.

“The company's in really good shape and we've now had five consecutive years of good growth,” he said.

“We feel like that growth trajectory is proven and … the company is in good order.”

To date, Aroa’s products have been applied to more than six million wounds.

Aroa’s first salve, Endoform, has been used for non-healing wounds such as diabetic and venous foot ulcers.

Other iterations include Myriad Matrix and Myriad Morcells (soft tissue reconstruction and complex wounds), Ovitex (reinforced scaffold for abdominal wall reconstruction) and Ovitex PRS (plastic and reconstructive surgery - such as breast reconstruction).

Ovitex is distributed by the Nasdaq-listed Tela Bio.

Then there’s Symphony, a skin substitute for diabetic foot ulcers and venous leg ulcers.

Nothing to be sheepish about

A veterinarian, Dr Ward spent time in clinical practice before working for medical technology and pharmaceutical companies in Europe.

Dr Ward and his partner, who is also a veterinarian, decided to return to practice in New Zealand.

Dr Ward became interested in the use of non-human bio-material for wound healing. But the largely porcine-derived material was not easy to use and costly, so he sought an alternative.

“I looked out of the window and there were a lot of sheep, so that seemed like a good place to start,” he says.

“I started at the nose and worked towards the tail [with scans] and ended up looking at the characteristics of the extracellular matrix that comes from the forestomach.”

He quickly discovered the tissue had high turnover and thus good growth, with an “incredibly thick layer” of extracellular matrix.

“It's also a very open porous material, so that cells can migrate easily and it's very vascular as well.”

With his own money, Dr Ward did further animal studies with a research institute.

In a classic case of quitting one's day job, Dr Ward founded the company - then called Mesynthes - in 2008.

In 2010, the US Food and Drug Administration approved Endoform Natural for nonhealing wounds. First sales flowed in 2013.

The agency approved Myriad Matrix in June 2017, Symphony in July 2020 and Myriad Morcells in April 2021.

Aroa listed on the ASX July 24, 2020, having raised $45 million at 75 cents apiece.

US 'numbers game'

Introducing new drugs or devices to US surgeons can be tricky: they won't jump at them just because they are the new, shiny thing.

Dr Ward says that rather than hiring a large sales team at once, the company grew one, incrementally.

He stresses the importance of strong clinical data (see below).

"A few early adopters always will try it," he says. "But once you start to go a bit more mainstream, you need more data."

Dr Ward says when Aroa launched the products, it didn't understand what procedures generated the best value.

The company knows a lot more now.

"It's a number game: doing more cases and a bigger breadth of cases," he says.

"Having three cases is not the same as having 40 or 400 of them".

Did someone mention economics?

Dr Ward says because surgeons have different techniques, it's important to be able to replicate product performance across various settings.

With outpatients, the physicians providing the services usually own the business and "that creates a different dynamic".

While some doctors may settle for cheaper or better reimbursed products to save money, most of them simply want to use the best products.

Aroa claims its products are 20 to 60 percent cheaper than competing biologics-based products, “while offering superior regenerative performance”.

Biologics-based scaffolds tend to be more expensive than the synthetic ones, but high-load applications such as hernias still require synthetic support.

Finances and performance

Aroa posted revenue of $NZ103.9 million for the year to March 2026, up 23 percent. The net profit of $NZ4.7 million compared with a previous $NZ3.8 million loss.

Underlying earnings (Ebitda) of $NZ13 million compared with management’s previous guidance of $NZ5 million to $NZ8 million – the second year of profitability.

Sales of Myriad, the star product, improved 54 percent.

Sales of the Tela Bio-intermediated Ovitex were flat.

Dr Ward expects that within two years Myriad will account for 70 percent of sales.

“We capture the full value of those sales,” he says.

“Tela Bio is still important to us, but it's going to become less important over time.”

Aroa flags current year revenue of $NZ115 million to $NZ125 million – growth of 13 to 23 percent.

While direct sales should increase 24 to 40 percent, Aroa expects Tela Bio sales to continue to be the opposite to Queenstown’s topography. That is: flat.

Earnings before interest, taxation, depreciation and amortization (Ebitda) should come in at $NZ8 million to $NZ11 million.

This subdued number reflects the company budgeting $NZ9 million to boost Myriad and Symphony sales.

Aroa ended the year with cash of $NZ27 million – enough to self-fund the business and obviate the need for a capital raising.

Dr Ward expects Aroa to increase revenue by more than 20 percent over the next three to four years, to become a circa $NZ200 million-a-year turnover company.

Over the last 12 months Aroa shares have bleated between 80 Australian cents in early November last year and 51 cents in mid-April this year.

Over their listed life Aroa shares have ranged from $A1.48 at listing, to 42 cents in late March last year.

Geographic expansion

About 95 percent of Aroa's revenue comes from the US – the world's biggest healthcare market.

"It's one large, relatively homogeneous environment and we try not to spread ourselves too thinly by doing too many things," Dr Ward says.

But the company wants to rev-up sales elsewhere.

"The UK and Canada are going well for us and we have had some success in India as well," Mr Ward says. "We will have more focus on ex-US over the next couple of years, working with local distributors."

India is tricky, but it has sophisticated healthcare centres that treat large volumes of people. Meanwhile, Dr Ward puts the US sales opportunity for Myriad at $US750 million a year.

Of the sales revenue, Myriad accounted for about $US30 million.

"Myriad has a long way to run over the next five to 10 years … but we want to have success in other parts of the world as well."

In Europe, Tela Bio has been "doing okay" with Ovitex.

"One of the challenges Tela Bio has had in North America has been hospital contracting constraining growth, but they haven't seen that in Europe to the same extent."

Aroa retains the global rights for Myriad, Symphony and Endoform.

Lest we forget, Aroa sells Myriad on its home Kiwi turf and in Australia.

"The tech is from this part of the world, so we need to be here."

Bright note in Symphony pricing disharmony

The US skin substitute market has been disrupted by a change in reimbursement to a flat rate, effective from last January. Until then, surgeons were paid a percentage of the cost of the device, thus incentivizing the scalpel-wielders to use the most expensive product.

The Centers for Medicare and Medicaid Services (CMS) cottoned on to this and introduced a flat fee.

As a result of this, Dr Ward expects the addressable market for Symphony to decline from $US10 billion to a mere $US1 billion to $US2 billion.

But with several rivals leaving the market, Aroa could be among the 'last standing' survivors.

“We've seen some hesitancy from healthcare providers about using products in that category in the short term, because there's been uncertainty around payment levels,” Dr Ward says.

“But we're seeing the market stabilizing a little bit more, with more clarity around reimbursement.”

The CMS has said it plans to maintain the pricing model into 2027.

“We think the way the market has been reshaped fits very well with Symphony”.

Can Myriad MASTRR diabetic foot ulcers?

Dr Ward believes that product rollouts need to be supported by good quality evidence.

Aroa completed a randomized trial to put Symphony through its paces for hard-to-treat diabetic foot ulcers.

The company has said the 143-patient study met its endpoints, of proving superiority over a standard, collagen-based product.

Aroa awaits publication in an esteemed peer reviewed journal, due in the next couple of months.

Myriad is subject to an ongoing observation study called MASTRR, collecting data about patients using a bio-scaffold in complex reconstructions.

In January, the peer-reviewed Journal of Trauma and Injury published positive data from a subset of 49 patients, with a total of 61 defects, which found that Myriad provided good tissue coverage, even with poor blood supply.

Within weeks, Aroa plans to release the results of an interim analysis of 411 patients. All 800 patients should be recruited over the next 24 months.

“It's the largest clinical study of these types of devices that has been published,” Dr Ward says.

Dr Boreham’s diagnosis:

Dr Ward says Americans often view a New Zealand company as a “curiosity”, which can be beneficial as it helps to increase interest in the Aroa story.

“The Americans love the story of an Antipodean company and they like the origin and the background to the company,” he says.

“We've had fantastic interest there.”

Can Aroa continue to be the sheep's guts?

It certainly looks like the company has got to the stage where it just needs to work on increasing sales, rather than rolling out more products.

If there's one aspect where Aroa is not the duck's guts, it's the share price.

The company's market cap of just under $200 million is below its $217 million worth in June 2024, when we last appraised the company.

"We've proven out our model," Dr Ward says.

"We've crossed into being profitable, cash positive, and growing strongly.

"We feel we have a growth track record and we should be able to continue to do that for quite some time."

Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. Hopefully his work still is the duck's guts, the bee's knees and the cat's pyjamas