



Working to improve your health

23 MAY 2024

FINANCIAL RESULTS FOR THE TWELVE MONTHS TO 31 MARCH 2024

AFT reports record revenue and earnings

AFT Pharmaceuticals (NZX:AFT, ASX:AFP) today reports financial results for the twelve months to the end of March 2024 delivering record profits and strong growth led by sales of over-the-counter medicines in Australasia and rising demand for its medicines in International markets.

The company has achieved this result while reducing debt and continuing to significantly invest for the future with the expansion of its product development portfolio, its presence in new markets such as the UK and North America and its support for a strong programme of new product launches.

HIGHLIGHTS¹

- Full-year operating revenue up 25% to \$195.4 million, lifted by 20% growth in product sales and royalties across all channels and territories and \$8.5 million of licensing income.
- Sales in International and Asian markets (excluding licensing income) rise 70%.
- Record EBITDA² of \$26.2 million up 22% and Operating Profit of \$24.2 million up 23%.
- Net profit after tax increases 46% to \$15.6 million.
- Net debt of \$16.2 million down from \$29.9 million at the end of FY23.
- Dividend declared of 1.6 cents per share, (1.1 cents declared FY23).
- Maxigesic® IV launched in the US in February 2024 following FDA approval. Advancing plans for the launch of the antiseptic cream Crystaderm® this calendar year in China, the world's second largest healthcare market.
- Near term rolling twelve-month stretch revenue target of \$200 million in touching distance and now focused on \$300 million target.
- FY 25 guidance for operating profit of \$22 million to \$25 million.

Chair David Flacks said: "Today's announcement underscores the strengths of AFT's approach to international expansion and sustainable growth. We've benefited from growing demand for our products in both our home markets and further afield,

¹ All comparisons are to FY 23 and all figures are in New Zealand dollars unless otherwise stated.

² EBITDA is a non-GAAP measure of financial performance. It is defined and reconciled to AFT's standard profit measure under New Zealand GAAP of Net Profit After Tax in the Annual Report

reaping the rewards of careful and consistent investment into research and development and the product pipeline.

“With the recent launch of the intravenous form of our Maxigesic® pain relief medicine in the US and the impending US launch of the line extension, the rapid dissolving tablet Maxigesic Rapid, our proprietary products are now positioned in a significant number of the world's major healthcare markets.

“This achievement marks a significant milestone in our journey towards becoming a truly global pharmaceutical company and it is a major achievement for an Australasian company.”

Co-Founder and Managing Director Dr Hartley Atkinson said: “Over the last year we have enjoyed strong topline growth across all territories, especially in our International and Asian businesses, extending the company's decades long record for consistent growth.

“We have meanwhile positioned the company to build on that record with investments for the future. These growth projects have included the establishment of new business hubs in the US, Canada, further investment in the UK and Europe and setting up in South Africa. We have extended our existing products to new territories, signed 122³ new in-licensing agreements for markets around the world, and expanded our product development pipeline.

“We continue to see considerable potential in all of the markets we operate in, and we are pleased with the progress we have made capitalising on it. We are looking to the years ahead with confidence.”

FINANCIAL RESULTS

Revenue from the sale of existing products, new products and product royalties grew by 20% to \$186.9 million from \$155.8 million, with the company's family of Maxigesic pain relief medicines and the Australian over the counter (OTC) business making the strongest contribution.

Growth has also been supported by ongoing investment in product marketing including the launch of Maxigesic tablets and the intravenous dose forms in the UK (marketed as Combogesic®) and our E-commerce platforms.

Total revenue, which included licensing income of \$8.5 million, rose 25% to \$195.4 million from \$156.6 million in the prior year. The majority of the licensing income came from a milestone payment of circa \$6 million from the US licensee Hikma Pharmaceuticals following the launch of Maxigesic IV in February.

Operating profit rose 23% to \$24.2 million from \$19.7 million in the prior year. The result was in line with guidance issued in February 2024, but lower than our initial guidance of \$22 million to \$24 million which excluded the Hikma license income, due principally to slower than expected Australian sales from newly launched products and our

³ Count includes one product in one territory.

decision to accelerate our investment into important growth projects utilizing proceeds of the Maxigesic IV milestone payment.

Meanwhile, we saw what we believe is a short-term reduction of margins in Australasia due to some overstocking and subsequent price discounting of some key high margin lines, stronger sales of lower margin products plus some stock write offs including some one off's dating back to the pandemic.

EBITDA of \$26.2 million was 22% higher than the \$21.4 million in the prior period, while net profit after tax increased 46% to \$15.6 million from \$10.7 million.

INTERNATIONAL EXPANSION

AFT has significantly expanded its international operations with the establishment of business operations in a number of countries: US, Canada, UK, Europe through its subsidiary based in Ireland, Singapore and Hong Kong. Additionally, we are setting up AFT Pharmaceuticals South Africa. A number of product licenses have been acquired in the UK and European markets in order to accelerate future sales growth. For example, in Europe, AFT Pharmaceuticals Europe successfully bid for six product licenses from an insolvent company in Germany.

AFT is on track to offer the world's largest range of combination paracetamol and ibuprofen products globally. Maxigesic is now sold or ordered in 73 countries up from 61 in March 2023.

The launch of Maxigesic IV in the US, the world's largest market for pain relief medicines, was the most significant of the year. It delivered AFT and our development partner Hyloris Pharmaceuticals a US\$6 million milestone payment that we share 65:35. The launch is also expected to deliver an ongoing and growing stream of payments from our profit share agreement.

AFT has assumed more control of the programme to commercialise Maxigesic in the US, Canada, and the UK, in addition to Australasia, Singapore and Hong Kong which together with Europe and South Africa, offers beachheads to launch our proprietary medicines as well as medicines we have in-licensed.

We are finalising our US strategy for Maxigesic Rapid with a focus on AFT Pharmaceuticals USA securing distributors for specific market channels. We are also advancing plans for launch of the recently approved, Maxigesic IV in Canada through the newly formed AFT Pharmaceuticals Canada. We offer a total of ten different Maxigesic line extensions: Tablets, Oral Liquid, Rapid Dissolve Tablet, Day/Night Tablet, Oral Liquid, Hot Drink, Dry Stick, PE version, Cold/Flu & Sinus Pain Kit and Intravenous and these will be launched in target markets.

Finally, following regulatory approval for the sale of our Crystaderm antiseptic cream in China late last year, we have continued planning for the launch this year in the world's second largest pharmaceutical market.

RESEARCH AND DEVELOPMENT

Research and development expenditure in this financial year was steady at \$12 million.

In the short term we continue to work on launching our already available pipeline into more markets: additional Maxigesic line extensions such as the Maxigesic IV US launch; Crystaderm antiseptic cream; Kiwisoothe® tablets and sachets; Micolette® micro enema; ZoRub® Osteo and HP analgesic creams. Commercialization of these products will help to drive short to medium term sales and offset ongoing R&D expenditure. Development work on this latter group of products has been funded from existing cash-flows.

Our research and development pipeline now extends to seven projects. Four projects in the pipeline exited the development phase and moved to commercialisation and we added three new projects over the year. The new projects include treatments for Burning Mouth Syndrome and Vulva Lichen Sclerosis, in collaboration with our Maxigesic IV development partner Hyloris Pharmaceuticals

Last month we also announced we had extended our collaboration with Massey Ventures and the Gillies McIndoe institute, adding the development of a treatment for Keloid scars to the existing strawberry birthmark medicine project. These additions bring our pre-commercialization R&D pipeline to a total of seven projects, some with multiple indications. This pipeline offers opportunities to significantly drive our global expansion as well as growth in our Australasian markets.

We continue to work to finalise one further agreement for a commercially significant late-stage R&D project which would require a large clinical study.

BALANCE SHEET

AFT has significantly strengthened its balance sheet. Net debt at the end of the year was \$16.2 million, markedly lower than the \$30.6 million at the end of September 2023 and the \$29.9 million at the same time a year ago, and ahead of target of one-times EBITDA.

We continue to target inventory reductions over time which to date have been somewhat delayed by ongoing shipping disruptions, such as those in the Red Sea area. As highlighted above, we have also prioritised growth investments over debt reduction, and we still have additional unused debt facilities available.

Consequently, the Board has declared a full year dividend of 1.6 cents per share up on the 1.1 cents per share of the prior year. The dividend has a record date of 20 June 2024 and a payment date of 4 July 2024.

OUTLOOK

Dr Atkinson said AFT is expecting growth for the coming financial year to continue and is targeting operating profit – excluding any license payments – to range between \$22 million to \$25 million driven by better quality earnings from trading.

"The ongoing roll out of Maxigesic and its line extensions, the planned launch of 61 new products over the next 24 months in Australasia, coupled with numerous new launches and increasing rates of growth in other markets around the world, position the company well for this coming financial year and beyond," Dr Atkinson said.

"Our goal of \$200 million in annual revenue on a moving annual total is now close and we are now focusing on the next target of \$300 million annual revenue with margins trending back to historical averages. We look forward to providing an update to shareholders at our annual meeting in August."

Further detail on the performance of AFT's individual markets is contained in our annual report also released to the NZX and ASX today and available at the following link: <https://investors.aftpharm.com/Investors/>

Released for and on behalf of AFT Pharmaceuticals Limited by Malcolm Tubby, Chief Financial Officer.

For more information:

Investors

Dr Hartley Atkinson
Managing Director
AFT Pharmaceuticals
Tel: +64 9488 0232

Media

Richard Inder
The Project
Tel: +64 21 645 643

About AFT Pharmaceuticals

AFT is a growing multinational pharmaceutical company that develops, markets, and distributes a broad portfolio of pharmaceutical products across a wide range of therapeutic categories which are distributed across all major pharmaceutical distribution channels: over the counter (OTC), prescription and hospital. Our product portfolio comprises both proprietary and in-licensed products, and includes patented, branded, and generic drugs. Our business model is to develop and in-license products for sale by our own dedicated sales teams in our home markets of Australia and New Zealand and to out-license / distribute our products to local licensees and distributors to over 125 countries around the world. For more information about the company, visit our website: www.aftpharm.com.