



Working to improve your health

22 May 2023

FINANCIAL RESULTS FOR THE 12 MONTHS TO 31 MARCH 2023

## AFT declares maiden dividend; record revenue

### HIGHLIGHTS

- Operating revenue up 20% on the prior year to \$156.6 million, lifted by strong product sales growth in all regions and market channels.
- Operating profit of \$19.7 million in line with the prior year's \$20.4 million which was bolstered by significant licensing income.
- Operating profit from product sales and royalties (excluding licensing income) rose 38% to \$18.8 million from \$13.7 million in the prior year, despite increased investment to capitalise on growth opportunities.
- EBITDA<sup>1</sup> steady at \$21.4 million; Net profit after tax of \$10.7 million amid higher finance costs and a return to paying tax.
- Net debt at \$29.9 million in line with \$29.3 million at the end of March 2022, with investments for growth funded through operating cash flows.
- Board declares maiden dividend of 1.1 cents per share.
- Near term rolling twelve-month stretch revenue target of \$200 million in sight, underpinned by strong ongoing demand, product launches and the Maxigesic commercialisation programme.
- FY24 guidance for operating profit of \$22 million to \$24 million; this does not include \$6 million of licensing income which is expected in the first half of calendar year 2024 on the launch of Maxigesic IV in the US.

AFT Pharmaceuticals (NZX: AFT, ASX: AFP) today announces record revenue for the year to the end of March 2023 and a maiden dividend.

It also reports continued growth in Australasian demand for its portfolio of medicines, growing demand for its unique intellectual property in international markets, the easing of COVID pressures in most markets and strong progress on its program of new product launches.

Annual operating revenue reached \$156.6 million up a strong 20% from the \$130.3 million in the same period a year ago, amid strong growth both in the core Australasian business and global product sales.

AFT achieved the result despite a significant reduction in one-off licensing income, which amounted to \$6.7 million in the prior year. Excluding licensing income, revenue

<sup>1</sup> EBITDA is non-GAAP measure of earnings before interest tax depreciation and amortisation. It is defined and reconciled to GAAP measure of net profit after tax on page 35 of the company's Annual Report and page 24 of the investor presentation released to the NZX and ASX today.

from product sales and royalties increased by a significant 26% to \$155.8 million from \$123.6 million in the prior year.

Operating profit from product sales and royalties (excluding licensing income) rose 38% to \$18.8 million from \$13.7 million in the prior year, despite the investment of \$8 million in sales and marketing to capitalise on growth opportunities. These investments included a new sales force in Australia targeted at general practitioners and an expanding presence in international markets.

Operating profit including licensing income was \$19.7 million, marginally lower than the prior year's \$20.4 million and – as previously signalled – was lower than originally expected due to delays in obtaining US regulatory approval for Maxigesic IV<sup>®</sup>, the intravenous form of our patented pain relief medicine.

EBITDA of \$21.4 million was in line with the prior year's \$21.4 million. Net profit after tax was \$10.7 million, down from the \$19.8 million in the same period a year ago, primarily reflecting a return of taxation expenses with the previous tax losses now fully utilised but also to a lesser extent lower operating earnings, and higher finance costs.

AFT Pharmaceuticals Chair David Flacks said: "We are delighted with the progress the company has made over the last year as we have again extended what has been an uninterrupted two-decade record of revenue growth.

"As forecast, we have seen a stronger second half supported by product launches and continuing strong demand for our broad portfolio of medicines in the Australasian markets and our growing portfolio in other markets around the world.

"Operating profit from product sales and royalties has grown very strongly even though we have this year significantly invested in a new sales capability in Australia, made new investments in international markets and importantly extended our product development pipeline.

"Reflecting our confidence in the future and the growth prospects of the business, AFT directors have elected to declare a maiden dividend of 1.1 cent per share," Mr Flacks said.

Managing Director Dr Hartley Atkinson said: "AFT has over the last year achieved several important milestones, as it continues to execute on its strategy of identifying and then meeting health needs with in licensed and proprietary medicines in our Australasian markets and offshore.

"Following 22 new product launches during the year, our Australasian portfolio now extends to more than 150 medicines, spanning seven therapeutic areas ranging from pain management through to eyecare, dermatology and gastrointestinal medicines, among others. We are also on track with our target to launch a further 68 new products by the end of the 2026 financial year.

"Our international portfolio, which is founded on our family of patented Maxigesic pain relief medicines, continues to expand in both scale and scope. Maxigesic is now sold in 61 countries globally in a variety of dose forms. We this year registered a prescription fast release tablet version of our Maxigesic pain relief medicine with the US Food and Drug Administration (FDA), a first for a New Zealand company.

"The FDA is meanwhile considering our application for registration of Maxigesic IV. Earlier this month it confirmed receipt of a complete response to its review questions. It also provided a 17 October 2023 PDUFA date, the date on which the regulator must respond to our application.

"Taking advantage of the tight funding conditions faced by biotechs around the world and our cash flows, we have acquired two new projects for our development portfolio, covering topical treatments for strawberry birthmarks and drug-resistant eye infections.

"Our development pipeline, a foundation of our future growth, now encompasses 21 different products, targeting therapeutic applications with significant addressable markets. The projects include nine Maxigesic dose forms and several are at an advanced stage.

"Supported by our consistently strong top line revenue growth and our ability to sustain strong gross margins, we this year decided to increase investment in product promotion and distribution to ensure we fully captured the potential of our portfolio.

"We launched a new Australian sales force directed at general practitioners. We increased marketing expenditure associated with new product launches, launched a broad range of our products into China via the cross-border ecommerce platform T-Mall Global and expanded our international business including the creation of a majority owned subsidiary, AFT Pharmaceuticals UK.

"This investment in distribution and product promotion alongside our investment in research and development has diluted our earnings for the 2023 financial year. However, we remain confident the investment will be a key driver of growth and shareholder value.

"We have already seen the investment in Australia deliver good revenue growth. We expect to see the same in international markets in the coming year and expect both factors to drive growth in operating profit margins."

### **Regional performance**

The core Australasian business made the biggest contribution to growth, adding \$26.3 million in incremental revenue. The combined Australian and New Zealand markets, presently AFT's largest, grew revenue by 23.5% to \$138.1 million, from \$111.8 million in the prior year, further demonstrating their strength and ongoing growth potential.

The international business grew strongly with revenue from product sales and royalties rising 71% to \$10.8 million from \$6.4 million in the same period a year ago. Total international revenue was down on the prior year's \$13.1 million, which was boosted by \$6.7 million of licensing revenue.

Dose forms of Maxigesic are now sold in 61 countries up from 46 at the end of March 2022 and the company continues to advance the commercialisation of line extensions.

The Asian business meanwhile has seen strong growth in the OTC business as the expanded distribution of our products in Singapore starts to deliver on its promise. The

Asian business also benefited from strong sales of Maxigesic in Malaysia, launches in Korea and Indonesia and strong growth in sales of our OTC products on our T-Mall site.

Further detail on the performance of AFT's individual markets is contained in our 2023 annual report and in our investor presentation also released to the NZX and ASX today and available at the following link: <https://investors.aftpharm.com/Investors/>

## **Research and development**

Our research and development programme has continued to strengthen the foundations for AFT's future growth.

The two new patent-protected development projects added this year, a topical treatment for strawberry birthmarks and an eye drop targeted at drug resistant superbugs, if successfully advanced, have significant global sales potential.

The development portfolio now encompasses 21 products, which offers AFT access to significant global markets. This broad diversification of products provides some protection as development paths are never smooth and are often unpredictable.

We are in a strong position, by virtue of being a profitable pharma company, to acquire rights to new projects on attractive terms due to tight global funding conditions.

Nevertheless, we continue to take a disciplined approach to the programme. Research and development expenditure (expensed and capitalised) in the 2023 financial year was \$11.8 million compared to \$10.4 million in the previous year.

## **Balance sheet and dividend**

AFT remains well funded. Net debt at the end of the financial year was \$29.9 million in line with the \$29.4 million at the end of September 2022 and \$29.3 million at the end of March 2022.

However, it is higher than the target of one times EBITDA, due to the increased investment in our distribution networks, lower-than-expected licensing income and the company maintaining higher inventory levels to manage the ongoing, albeit easing, supply chain disruptions.

The maiden dividend of 1.1 cent per share represents 11% of net profit after tax, lower than the policy to pay 20% to 30% of (normalised) net profit after tax. Directors determined a below-policy pay out was appropriate given our growth opportunities, the capital required to fund them, and the desire to reduce debt to our target levels.

The record date for dividend entitlements is 19 June 2023, and the payment date is 4 July 2023.

## **Outlook**

AFT expects the momentum we have seen in the 2023 financial year to continue in the new financial year, supported by successful execution of our planned product launches, continuing growth in the existing portfolio, and the investments we have made to strengthen our global distribution networks. We also expect this growth to drive growth in operating profit.

For the year to the end of March 2024 we expect to generate operating profit of \$22 million and \$24 million. The final outcome is subject to the successful execution of launches in Australasian and International markets. The guidance does not include \$6 million of licensing income which is expected in the first half of calendar year 2024 on the launch of Maxigesic IV in the US.

We continue to progress commercialisation plans for Maxigesic Rapid Tablets in the US market. The approach we take in this market could also influence our results, but presently it is too early to be able to estimate the impact.

Dr Atkinson said: "AFT has entered the new financial year well positioned to extend its record of growth. Our near-term rolling twelve-month stretch revenue target of \$200 million is clearly in sight, as we continue to build our presence in our domestic markets and exploit the opportunities we see in international markets. We look forward to providing a further update at our annual shareholders' meeting in August."

*For and on behalf of AFT Pharmaceuticals Limited by Malcolm Tubby, Chief Financial Officer.*

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**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](http://www.aftpharm.com).