

24 May 2021

AUDITED FINANCIAL RESULTS FOR THE YEAR TO 31 MARCH 2021

AFT delivers growth amid global disruptions

HIGHLIGHTS

- Revenue reaches a new record of \$113.1 million, up 7% from the \$105.6 million in the prior year, despite Covid-19 disruptions.
- Growth recorded in Australia, New Zealand and the Rest of The World; Asia revenue weaker as the region transitions to higher margin products.
- Profit after tax of \$7.8 million down from \$12.7 million in the prior year, which benefited from a one-off gain of \$9.8 million related to the orphan drug Pascomer.
- Underlying profit after tax, which excludes the prior year's one-off gain, more than double the \$2.9 million¹ in the prior year.
- Gross profit grew by 1% to \$48.8 million from \$48.3 million amid the Covid-19 pandemic disruptions, lower licensing income and higher costs including freight and the effect of adverse foreign currency movements.
- Total assets increase to \$105.0 million from \$87.1 million due primarily to a \$10.9 million increase in inventories to protect supply.
- Maxigesic commercialisation momentum continues with Maxigesic IV licence agreements for more than 20 new territories and new sales.
- New product launches targeted for Australia and New Zealand in FY22 across our seven core therapeutic areas.
- Targeting an operating profit range of \$18 million to \$23 million for FY22.

AFT Pharmaceuticals (NZX; AFT, ASX; AFP) today reports results for the year to 31 March 2021 showing a resilient performance amid continued growth in demand for its portfolio of over the counter and prescription medicines.

It also reports continued progress laying the foundations for long-term growth, including the negotiation of licenses for more than 20 new countries for its Maxigesic pain relief medicine.

FINANCIAL RESULTS

¹Underlying operating profit and underlying profit after tax are non-GAAP measures of financial performance. Definitions and reconciliation to GAAP measures can be found on page 34 of AFT's 2021 Annual Report released to the NZX and ASX today.

Revenue for the 2021 financial year reached a record, growing 7% to \$113.1 million from \$105.6 million in the prior financial year, despite Covid-19 hampering growth in all regions.

Profit after tax more than doubled to \$7.7 million from an underlying \$2.9 million in the prior year, a figure that excludes the prior year's \$9.8 million non-recurring gain related to AFT taking full control of the Pascomer dermatological medicine intellectual property. Including the gain, the 2020 financial year's profit was \$12.7 million.

Gross profit grew by 1% to \$48.8 million from \$48.3 million in the prior year, with revenue growth offset by a margin decline of 2.6 percentage points to 43.2% primarily due to Covid-19 impacts. Licence income (at a 100% margin) was lower while we endured higher costs due to a weakening of the Australian and New Zealand dollars through the earlier months of the pandemic.

Additionally, freight costs, in particular, rose as we made more use of air freight to build up stock levels to ensure continuity of supply. Over the longer term we expect expenses as a proportion of total revenue to continue to reduce as revenue from the Rest of the World grows.

The 2021 financial year net profit result benefitted from the significant finance cost savings that emerged from the company's debt refinancing at the end of the 2020 financial year.

Further detail on AFT's financial performance, including a detailed discussion of the regional financial performance, is covered in the AFT Pharmaceuticals 2021 Annual Report released today.

AFT Pharmaceuticals Chair David Flacks said: "The 2021 financial year has been one of the more challenging in AFT's history as business conditions tightened around the world in the wake of the pandemic.

"Nevertheless, as we report another year of record revenue and a more than doubling in underlying earnings, we can look back on the year with a sense of achievement."

AFT Pharmaceuticals Managing Director Dr Hartley Atkinson said: "We have delivered these improved financial results in the face of multiple supply disruptions, delays to product launches, to regulatory approvals and to manufacturing audits around the world.

"Negotiations on licensing and distribution agreements have taken longer than we planned, while lockdowns, travel restrictions and government-imposed limits to medicine supply have disrupted sales through our Over the Counter, Hospital, and Prescription channels.

"We have dealt with the immediate challenges by adapting AFT's operations. We have launched new products. We have increased inventories to manage supply

disruptions, particularly in those products where we have seen a surge in Covid-19 related demand, including antibiotics, vitamins and pain management medicines.

“We have diversified our manufacturing base. We have also re-engineered our business to engage more online with our stakeholders around the world, in addition to dealing with them face-to-face.

“But importantly, we have still retained our focus on the long-term. We are repurposing existing medicines, leveraging our network of international partnerships and then drawing on our years of experience working with regulators, suppliers and distributors to bring these medicines to market.

“Over the last year, on multiple counts, we have continued to execute on this strategy. Consequently, we can look through the current turmoil and we remain confident that we can continue to build on our long uninterrupted record of growth.”

MAXIGESIC COMMERCIALISATION AND NEW PRODUCTS:

We have made very good progress with Maxigesic in terms of advancing licensing and registrations.

Product	Maxigesic tablets		Maxigesic IV		Maxigesic oral solution	
	31 March 2021*	31 March 2020	31 March 2021*	31 March 2020	31 March 2021*	31 March 2020
Licensed	125+	125+	100+	80	100+	100+
Registered	49	44	21	3	-	-
Sold in	43	28	3	-	-	-

**Post balance date we licensed Maxigesic IV in the US and six countries in Latin America and registered the medicine in Israel and Panama.*

During the 2021 financial year we increased the number of territories where the tablet form of the medication is sold by fifteen to 43 with launches in Canada, Eastern Europe, Germany, and Mexico. The intravenous form has been licensed in more than 20 territories since the start of the 2021 financial year.

Shortly after the end of the financial year we achieved the important milestone of licensing Maxigesic IV in the US, a deal that has the potential to deliver milestone payments of up to US\$18.8 million as well as a share of future profits.

Over the coming year we are working to build on this record, increasing the number of territories where the product is sold and continuing to out license the intellectual property.

Meanwhile, we expect new product launches in Australasia across our seven core therapeutic areas of Eye care, Dermatology, Pain (including further Maxigesic line extensions), Hospital, Allergy, Gastrointestinal and Medicated vitamins, to drive growth in the coming year.

RESEARCH AND DEVELOPMENT:

We have achieved some significant research and development milestones.

We completed our final Maxigesic IV study of 225 patients in the US and New Zealand despite Covid-19 shutting down many hospitals and restricting patient enrolment. This research has recently been published in a significant medical journal.

We have rapidly innovated to deliver products that meet the new public health requirements including our long-lasting hand sanitiser Crystawash® Extend. Trials of our orphan drug, Pascomer, a topical treatment for facial angiofibromas in tuberous sclerosis complex, have progressed (although there were some delays in the opening months of the pandemic).

We have initiated the development of the first dose form for our NasoSURF drug delivery device and expect to start clinical studies during this financial year. Development of NasoSURF has significant potential to increase the number of drugs used in this revolutionary and patented device.

Meanwhile, AFT continues to carefully manage its research and development budgets and to investigate other sources of funding such as international research grants, including grants from the US.

BALANCE SHEET

AFT remains well funded following the \$12 million capital raise during the financial year. We had initially anticipated using the new equity to reduce more debt. However, as the ongoing nature of the pandemic disruption became more apparent, we took the prudent approach of building inventory levels which with the benefit of hindsight has proven to be an important strategic decision.

As a direct result, total assets increased to \$105.0 million from \$87.1 million, due primarily to a \$10.9 million increase in inventories to \$33.7 million. Net debt has fallen to \$35.2 million from the \$37.1 million at last year end and we have sufficient headroom in our facilities.

This proactive approach to inventories, which was adopted early in the pandemic, has protected us to some extent against the risk of stock-outs due to shipping and manufacturing delays. We expect to maintain significant safety stock until we see the supply risks retreating.

OUTLOOK

“We are encouraged by the progress global health authorities are making in key markets with their vaccination programmes and we have seen some positive signs in US, Western Europe and China. However, we are taking nothing for granted,” Dr Atkinson said.

“We continue to monitor the economic and financial effects of the pandemic and we are particularly attuned to the impact on sales, prices and supply interruptions and we will continue to take steps to mitigate these risks.

“We are still pursuing plans to assess the potential for a dividend policy but first need to reduce our net debt down to the targeted \$25 million - \$30 million. The achievement of this goal will turn on our earnings progress and the reduction of inventory as the pandemic effects subside.

“Nevertheless, we are confident the changes we have made in the business, our continued innovation, and our strong network of relationships around the world position AFT for continued success.

“The outlook for the 2022 financial year is subject to some uncertainty. However, we expect, and are targeting, continued growth. Our best estimate is for operating profit to range between \$18 million and \$23 million.

“We look forward to providing a further update at our annual meeting in August, if not before.”

For and on behalf of AFT Pharmaceuticals Limited, Malcolm Tubby, CFO

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 in certain Southeast Asian markets, and to out-license 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.



APPENDIX 1: AFT Pharmaceuticals summary financial statements:

Summary Financial Results	Year Ended 31 March	
	2021 \$'000	2020 \$'000
Revenue	113,105	105,597
Cost of Sales	(64,364)	(57,332)
Gross Profit	48,741	48,265
Other Income	626	535
Selling and distribution expenses	(27,438)	(26,203)
General and administrative expenses	(7,784)	(9,111)
Research and development expenses	(3,437)	(1,984)
Equity accounted loss of joint venture entity	-	(80)
Gain on acquisition of previously equity accounted joint venture entity	-	9,784
Operating Profit	10,708	21,206
Underlying Operating Profit	10,708	11,422
Adjusted for the \$9,784 non-recurring gain on acquisition		