



Working to improve your health

23 May 2022

AUDITED FINANCIAL RESULTS FOR THE YEAR TO 31 MARCH 2022

## Expanding globally from a strong and growing core

*Operating profit in line with guidance, AFT announces its dividend policy and guides to maiden payment in relation to the FY2023 financial year, highlighting strengths of the growing and defensible Australasian business and fast-growing international operations*

### HIGHLIGHTS

- Annual operating revenue up 15.2% to \$130.3 million. All regions posted strong double-digit revenue growth, with the international business supported by Maxigesic licensing income
- Stronger second half as Covid-19 became more endemic and previously delayed product launches delivered benefits
- Gross profit increased by 26.7% to \$61.8 million
- Operating profit rose strongly to \$20.4 million from \$10.7 million, in line with May 2021 guidance
- Net profit after tax increased to \$19.8 million from \$7.8 million.
- Net debt at \$29.3 million – down from \$35.2 million a year ago – and within the targeted net debt range
- Easing of pandemic restrictions, robust new product pipeline, and ongoing Maxigesic commercialisation program continue to offer strong growth prospects
- Targeting an operating profit range for the year to 31 March 2023 of between \$27 million and \$32 million
- Dividend policy announced – Board's intention to pay a dividend (in relation to the 2023 financial year in the 20-30% range of normalised net profit after tax

AFT Pharmaceuticals (NZX: AFT, ASX: AFP) today reports results for the year to 31 March 2022 showing strong growth across all regions, new products and growth in product royalties and licensing income.

### Financial results

Annual operating revenue for the 2022 financial year grew by 15.2% to \$130.3 million from \$113.1 million in the same period a year ago.

All regions posted strong revenue growth, with Australia and New Zealand delivering growth of 12.3% and 14.9% respectively, despite Covid-19 slowing sales growth, particularly in the third quarter. AFT's fast growing Asian and international business saw

growth of 24.4% and 32.2% respectively, although the pandemic continued to be a significant head wind in all markets.

Gross profit increased by 26.7% to \$61.8 million from \$48.7 million while margins improved 4.3 percentage points to 47.4%. The strong growth in licensing income following the licensing of Maxigesic IV in the United States was a key factor in an improvement in margins, however, when this higher-margin licensing revenue is removed, gross profit margins still increased primarily due to favourable product mix and currency.

Operating profits rose strongly to \$20.4 million from \$10.7 million in the prior year, a figure in the middle of the May 2021 guidance. Net profit after tax increased to \$19.8 million from \$7.8 million in the same period a year ago.

AFT Pharmaceuticals Chair David Flacks said: "The growth AFT has experienced - despite the onset of the pandemic in 2020 and subsequent supply chain disruptions and serious constraints around our ability to conduct international business - is testament to the strength of our strategy, market position, execution and capability - including our people. Our strong defensible and growing core - alongside an expanding international business built on our unique IP - is a powerful combination."

AFT Pharmaceuticals Managing Director Dr Hartley Atkinson said: "In line with our expectations, we have benefitted from a traditionally stronger second half of the year as Covid-19 became endemic around the world and we benefited from previously delayed and new product launches in the second half of the year.

"The result was also underpinned by revenue generated from our unique IP, including growth in product royalties, and licensing income, including income from the licensing of Maxigesic IV in the US market."

### **Commercialisation and new products**

Maxigesic, the flagship of AFT's IP commercialisation programme, delivered a strong contribution to the company. The tablet form of the medication is now sold in 46 countries, including most of the major markets of Europe, and AFT is hopeful of regulatory approval for tablets in the US later in 2022. Registration is being actively progressed across multiple markets in Asia and South America.

Maxigesic IV, an intravenous formulation, has had its first launches in European markets and, in the United States, the FDA has accepted AFT's filing application to register the medicine in that market. A programme to commercialise the oral liquid formulation has commenced.

The launch of Maxigesic hot drink sachets in Australia has been well received. The new product is the first of its kind in the combined paracetamol/ibuprofen market and this will be rolled out in additional markets.

### **Research & Development Pipeline**

AFT has continued to strengthen its R&D pipeline. Key projects include the continued expansion of the Maxigesic family of medicines, NasoSURF® our patented nasal drug

nebuliser, as well as a growing number of development projects in dermatology: broader indications of Pascomer other than the initial skin ailment it targeted, a topical product (Project SD), a topical analgesic (Project HS); gastro-intestinal health: a low risk project that AFT has purchased (Project BT); a product in two dose forms and a novel version for which we will seek IP protection in early development (Project KW), and medicinal CBD

"The expanded R&D programs represent a significant opportunity for both our International and local Australasian business going forward" noted Dr Atkinson.

## **Balance sheet**

AFT remains well funded. Net debt at the end of the half year was \$29.3 million, down from \$35.2 million a year ago. The company has met its targeted net debt of \$25 million to \$30 million outlined at the half year.

Higher than normal inventory levels have been purposely retained as a buffer against ongoing disruption in the global supply chain. This approach, despite additional holding costs, has provided considerable support to the company over the last year, largely ensuring continuity of supply across our distribution networks and ongoing sales.

## **Introduction of dividend policy**

The Board is pleased to announce the introduction of a dividend policy reflecting its confidence in AFT's ability to build on its decades-long record of uninterrupted sales growth. Commencing in relation to the FY2023 year, the Board intends, all other things being equal, to pay a dividend in the 20-30% range of normalised net profit after tax<sup>1</sup> on an ongoing basis. The Board regards this measure as an underlying indicator of the performance of the business.

The Board expects to declare a maiden dividend to shareholders for the 2023 financial year.

Chair David Flacks said: "Our move to setting a dividend policy is a strong statement of confidence in AFT's future. The Board believes this policy allows the company sufficient headroom to also fund the ongoing significant growth opportunities we continue to see."

The declaration of any dividend remains at the Board's discretion and is subject to the usual caveats including AFT's earnings, overall financial condition, the outlook for the industry and future capital requirements or research and development investment expectations.

## **Outlook**

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<sup>1</sup> Normalised net profit after tax is non-GAAP financial measure, which adjust the GAAP measure of net profit after tax for extraordinary one-off gains and losses.

Dr Atkinson said: “We continue to see considerable opportunities for growth and have significantly increased both our in-licensing and product R&D pipeline activities. We also believe the gradual move worldwide to living with Covid-19 and our ability to now travel across borders to meet with both existing and new customers will allow a gradual return to a more normal trading environment.

“We have already identified a broad portfolio of new products we have in-licensed into our domestic and Asian markets, and additionally we see considerable potential for our own intellectual property in these markets and further afield.

“We also see significant opportunities to accelerate growth with investments into sales and marketing and e-commerce initiatives both at home and offshore. The contribution of these opportunities will be bolstered by the ongoing roll out of Maxigesic and its line extensions in international markets and after this, products from our expanded R&D pipeline.

“On this basis we now expect operating profit for the year to 31 March 2023 to range between \$27 million and \$32 million.

“We look forward to providing a further update at our annual meeting in August.”

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