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FINANCIAL RESULTS FOR THE SIX MONTHS TO 30 SEPTEMBER 2023

AFT Pharma reports growth and global expansion

AFT Pharmaceuticals (NZX:AFT, ASX:AFP) today reports financial results for the six months to the end of September 2023 showing continued strong growth led by sales of over-the-counter medicines in Australasia and rising demand in International and Asian markets.

HIGHLIGHTS

- Half-year operating revenue up 27% to \$84 million, lifted by 24% growth in product sales and royalties across all channels and territories and \$2.0 million of licensing income.
- Sales in International and Asian markets (excluding licensing income) rise 94%.
- Operating profit of \$3.3 million down 6% following ongoing significant investment in research and development and marketing; spend is weighted toward 1H 24. EBITDA¹ of \$4.1 million down 8%.
- Net profit after tax increases 17% to \$1.8 million;
- Maxigesic® IV approved by the US FDA in October following on from the approval of Maxigesic Rapid in March, setting the stage for launches into the world's largest healthcare market in the next calendar year.
- Approval in November of Crystaderm® for sale in China, the world's second largest healthcare market, setting the stage for a launch next calendar year.
- 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.
- FY 24 guidance for operating profit of \$22 million to \$24 million unchanged.
(All comparisons are to 1H 23 unless otherwise stated)

FINANCIAL RESULTS

Revenue from the sale of existing products, new products and product royalties grew by 24% to \$82 million from \$66 million, with the company's family of Maxigesic pain relief medicines and the Australian OTC business making the strongest contribution. Total revenue, which includes licensing income of \$2.0 million, rose 27% to \$84 million from \$66 million.

Operating profit of \$3.3 million was marginally down from \$3.5 million, with investments in new product in licencing and research and development (R&D), and the marketing investment in new products in Australasia offsetting the impact of

¹EBITDA 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 14 of the company's Interim Report and page 25 of the investor presentation released to the NZX and ASX today.

increased revenue. The investment, which is planned to reduce in intensity in the second half of the year, is consistent with AFT's growth objectives and its opportunistic move to increase its R&D pipeline to take advantage of new projects now being available at attractive economics.

EBITDA of \$4.1 million was 8% lower than the \$4.5 million in the prior half year period, while net profit after tax increased 17% to \$1.8 million from \$1.5 million.

Chair David Flacks said: "AFT has delivered another strong half year. The company has significantly extended its presence in international markets, while continuing to build on its strong record of consistent growth in its home markets of Australia and New Zealand.

"With the US FDA approving for sale intravenous and rapid dissolving dose forms of our patented Maxigesic pain relief medicine this year, we are well positioned to establish a presence in the world's largest healthcare market and a truly global footprint."

Co-Founder and Managing Director Dr Hartley Atkinson said: "We are pleased with our progress. We have delivered strong growth across all territories, but especially in our International and Asian businesses, where the barriers present during the pandemic have receded.

"Our Asian business' operating revenue grew 50% supported by the strong uptake for the intravenous form of our Maxigesic pain relief medicine. It was also supported by growing demand for our portfolio of over-the-counter medicines through our China-focused Cross Border E-Commerce (CBEC) sites.

"Pleasingly, as announced recently, we have also secured approval for the sale of our Crystaderm antiseptic cream in China. We believe the local sales channels in China offer more potential than the CBEC channel.

"We are seeing the expected momentum in our international business amid growing demand for the Maxigesic family of medicines across a range of markets. We have also significantly extended our growth plans with the establishment of sales hubs in Singapore and Hong Kong and our 70%-owned AFT Pharmaceuticals UK business, which is now in the midst of its first product launches.

"Growth has been supported with ongoing investment in product marketing. This investment has been deliberately weighted to the first half of the financial year to support newly launched products in Australasia. It has resulted in what we see as a temporary dilution in operating profits. However, we believe these will normalise as the brands grow in strength."

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

MAXIGESIC COMMERCIALISATION

AFT is determined to offer the world's largest range of combination paracetamol and ibuprofen products globally to maximise the potential of our intellectual property and the value of our brands. We have a strong program of innovation and development to achieve that goal.

Maxigesic is now sold or ordered in 66 countries up from 61 in March 2023 and 51 countries at the same time a year ago, with several launches planned in the remaining four months of the financial year.

The tablet and intravenous dose forms are becoming well established in several major markets, and we are seeing momentum building especially in markets such as Italy and Germany where the product has been available for some time.

We have also been impressed with the traction the intravenous form has gained in new markets such as Korea. It is important to appreciate that in-market growth is expected to continue over a number of years, and it will be augmented by additional launches.

The global roll out of the oral liquid, hot drink sachet, and Maxigesic Rapid forms is now underway. We are meanwhile completing development for additional dose forms such as the Maxigesic dry stick sachet and additional variants are also under investigation.

Following the US FDA approval for sale of Maxigesic IV in October, our US licensee Hikma Pharmaceuticals is targeting launch towards the end of this financial year or the start of the new financial year.

The launch of the medicine will trigger the payment of a US\$6 million license fee to be shared 65:35 with our Maxigesic IV development partner Hyloris Pharmaceuticals.

AFT continues to finalise strategies for the US commercialisation of Maxigesic Rapid, and advance plans for its launch in other markets.

RESEARCH AND DEVELOPMENT

Research and development expenditure in the half year period has increased to \$7 million.

Recent additions to our pipeline include an eyedrop targeting antibiotic resistant infections and our project to develop a topical treatment for strawberry birthmarks.

Our gastroenterology and dermatology development projects (projects KW, BT, and SD) are proceeding broadly in line with our expectations. We are presently undertaking a pilot dermatology study in Europe and completing additional development work on our NasoSURF drug delivery system.

As signalled at the company's annual meeting in August we are looking to extend our product development pipeline with two projects currently under consideration.

AFT will meanwhile commence studies to demonstrate the safety and efficacy of Maxigesic in children with a program of clinical studies that will continue through to 2026. These studies will be accommodated within the existing research and development budget.

BALANCE SHEET

AFT remains well funded. Net debt at the end of the half year was \$30.6 million largely in line with the \$29.9 million at the end of March 2023 and the \$29.4 million at the same time a year ago.

The company has deliberately invested for growth and maintained inventory at elevated levels as a buffer against disruptions in global supply chains. We have started to reduce inventory stock cover as global logistics have significantly improved. However, given the length of product lead-times this will still take some time to execute.

Expected licensing payments, regulatory fee reimbursements and inventory cover reduction in the coming months will flow through into a reduction of net debt towards our target of one-times EBITDA.

OUTLOOK

Dr Atkinson said the company is expecting growth for the year to the end of March 2024 to continue in the second half.

“The ongoing roll out of Maxigesic and its line extensions and the launch of new products in Australasia, coupled with increasing rates of growth in other markets around the world, position the company well for the remainder of the financial year and beyond,” Dr Atkinson said.

“Our goal of \$200 million in annual revenue on a moving annual total is in sight. We continue to target operating profit to range between \$22 million to \$24 million.

“As we highlighted in August, however, this guidance is subject to the company determining its strategy to commercialise Maxigesic Rapid in the US.

“Finally, Directors continue to expect to declare a dividend for the full year. We look forward to providing an update to shareholders in the New Year.”

Released 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.