

AFT Pharmaceuticals

Expanding reach into China

AFT Pharmaceuticals has announced the online launch of a wider range of its over-the-counter (OTC) medicines in China following registration under China's Cross Border E-Commerce (CBEC) OTC pilot scheme introduced in 2019. The products will be sold through AFT's Kiwi Health Global Flagship Store on Tmall Global, China's largest cross-border marketplace. The store was launched in 2020 and had been carrying a limited trial range of products until now. Following the recent registration, AFT has launched a number of new products in China, with further launches planned in the next few months, including its flagship pain relief drug, Maxigesic. The Chinese OTC drug market is the second largest globally (worth US\$16.3bn in 2020) and we see the current development as encouraging, with potential to boost the company's sales in Asia.

Year end	Revenue (NZ\$m)	PBT* (NZ\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
03/21	113.1	8.2	7.1	0.00	N/A	N/A
03/22	130.3	18.9	19.2	0.00	N/A	N/A
03/23e	155.9	27.0	20.4	4.04	N/A	N/A
03/24e	194.2	43.5	30.0	5.94	N/A	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Following registration under China's CBEC OTC pilot scheme, AFT has become the first New Zealand company to sell New Zealand-registered OTC medicines on Alibaba-owned Tmall Global. Chinese operations will be carried out in collaboration with partner RooLife (an Australia-based digital marketing and customer acquisition service provider). RooLife will assist AFT in digital marketing, store operation and product distribution services to drive online sales according to the partnership terms.

AFT plans to expand its product portfolio in China in a phased manner. In the first phase, it has launched a range of health and wellbeing products including Vitamin C Lipo-Sachet, Vitamin D Lipo-Sachet, Ferro Sachet, Kiwisoothe, Crystawash Extend, Loraclear hay fever relief, and Histaclear non-drowsy allergy relief. The second phase, which is expected in the next few months, will include Maxigesic and a further five OTC products.

The progress of its Kiwi Health Global Flagship Store is an important step towards tapping the promising OTC medicines market in China, which is the second largest outside the US and is estimated to reach US\$22.7bn by 2023. Importantly, AFT management notes that more than 58% of OTC medicine sales in China are generated online. Expanding its geographic presence online allows AFT to enhance awareness of its brand in China without incurring significant launch and distribution costs.

Product launch update

Pharma and biotech

8 July 2022

Price **NZ\$3.85**

Market cap **NZ\$404m**

NZ\$0.62/US\$

Net debt (NZ\$m) at 31 March 2022 29.3

Shares in issue 104.9m

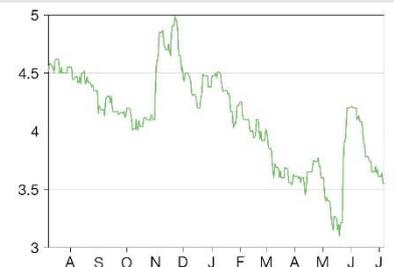
Free float 26.8%

Code AFT

Primary exchange NZX

Secondary exchange ASX

Share price performance



Business description

AFT Pharmaceuticals is a specialty pharmaceutical company that operates primarily in Australasia but has product distribution agreements across the globe. The company's product portfolio includes prescription and over-the-counter drugs to treat a range of conditions, and a proprietary nebuliser.

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