

AFT Pharmaceuticals

Recovery driven by strong H222

Financial update

Pharma & biotech

25 May 2022

Price **NZ\$3.91**

Market cap **NZ\$409m**

NZ\$0.65/US\$

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

Shares in issue 104.7m

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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AFT Pharmaceuticals (AFT) reported FY22 revenue of NZ\$130.3m, up from NZ\$113.1m in FY21, driven by improved performance in H222 (versus H122) amid the easing of COVID-19 restrictions. Revenue growth was driven by new product launches and a steady contribution from licensing deals, particularly the international rollout of Maxigesic oral and intravenous formulations. Reported operating profit of NZ\$20.4m was slightly higher than our estimate of NZ\$19.4m. AFT announced plans to initiate a dividend (roughly 20–30% of normalised net income) in FY23. We will be updating our estimates to factor in these developments.

Year end	Revenue (NZ\$m)	PBT* (NZ\$m)	EPS* (NZ\$)	DPS (NZ\$)	P/E (x)	Yield (%)
03/21	113.1	8.2	0.07	0.0	N/A	N/A
03/22	130.3	18.9	0.19	0.0	N/A	N/A
03/23e	150.3	29.4	0.22	0.0	N/A	N/A

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

AFT's revenues increased 15.2% y-o-y driven by growth across all regions. While sales from the domestic Australia and New Zealand markets grew by 12.3% and 14.9%, other Asian markets and international business expanded at faster rates of 24.4% and 32.2%, respectively. Growth was skewed towards H222, benefitting from new product launches (previously delayed due to COVID-19 restrictions) and steady licensing revenues from international operations. We note the strength of Maxigesic, AFT's flagship intellectual property programme.

While operating profit nearly doubled to NZ\$20.4m (FY21: NZ\$10.7m), net profit increased more than 150% to NZ\$19.8m. Management guidance for FY23 operating profit is NZ\$27–32m, which is in line with our estimates. AFT's management announced plans to initiate a dividend in FY23 (20–30% of normalised net income), reflecting its confidence in the company.

During FY22 AFT continued to place significant emphasis on the commercialisation of Maxigesic, including an intravenous form, Maxigesic IV. In April 2021, Maxigesic IV was licensed to Hikma Pharmaceuticals (the third largest US supplier of generic injectable medicines) with the potential to add US\$18.8m in upfront, regulatory and commercial milestone payments along with a profit share from in-market product sales. The IV formulation is marketed in seven countries, including Germany, Austria and South Korea.

We note the recent competitive setback with the US approval of Japan-based, direct competitor of AFT Nobelpharma's topical rapamycin for the treatment for facial angiofibromas. While this was a disappointing development, our estimates did not include the potential contribution from Pascomer and this news does not affect our valuation of the company (NZ\$6.41 per share; see [our previous update](#)).

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