



**AFT Pharmaceuticals
2023 Annual Meeting
Milford Cruising Club
Friday, 4 August 2023
Chairman's address**

The financial year ending 31 March 2023 has been another good year for AFT. Your board's decision this year to declare a maiden dividend represents the start of a new chapter in the history of AFT and another significant achievement.

The payment of the dividend is a strong statement of confidence in the future of AFT; that the company can continue to self-fund ongoing growth and at the same time deliver an income stream to shareholders.

Revenue for the 2023 year reached another record of \$157 million. It represented an increase of 20% over the previous financial year and extended an uninterrupted record of revenue growth that is now running at a 10-year average annual compound rate of nearly 15%.

We have also notched up several important strategic achievements. We extended our portfolio to more than 150 products and bolstered our strong product development pipeline.

We consolidated our strong position in both Australia and New Zealand with further investment into market presence in Australia and multiple new product launches.

We continued to extend our reach into new markets around the world including the United States where a rapid-dissolving prescription-only version of our Maxigesic pain relief medicine was approved for sale by the US Food and Drug Administration.

This is a first for AFT and New Zealand. Until now, no other company in the country has had a patented locally developed medicine with clinical studies approved by the United States FDA for sale in the world's largest healthcare market. We are also expecting additional FDA approval later this year – this time for the intravenous version of the medicine that we call Maxigesic IV.

We are proud of these achievements.

We have also continued to consistently grow earnings.

Operating profit of \$19.7 million was in line with the prior year's \$20.4 million. However – as we have seen in prior years – this topline figure masks the significant and consistent growth the company has delivered in operating profit in product sales and royalties, which are ultimately the most significant driver of shareholder value.

Operating profit from these sources rose a very strong 38% to \$18.8 million and as you will see from this slide this extends a strong record of growth.

Licensing income – which is the revenue we receive in exchange for giving others the right to use our intellectual property in international markets – was lower than we received in the prior year when we received a significant milestone payment related to Maxigesic IV.

This is not to diminish the significance or value of licensing income. Importantly it is revenue that drops almost directly to the bottom line. However, it is lumpy and is linked to certain regulatory or commercial milestones that are often unpredictable.

Pandemic

The strong lift in operating profit from product sales and royalties in the 2023 financial year is a return to form as we have shaken off many of the challenges caused by the global pandemic.

The pandemic had a bigger impact on our growth plans than we had previously realised – particularly our international growth ambitions. Now that Hartley and his team have been able to recommence travel we realise how critical it is get face to face with customers and suppliers.

So – it is vital that Hartley and his team have been able to get back out into international markets, drive sales and expand the research and development pipeline which is the source of the company's future growth. The performance we have seen this year reflects the company starting to reap the rewards of these efforts.

Funding

AFT remains well funded. Net debt of \$29.3 million at the end of the financial year is in line with the prior year and this has been achieved despite lower-than-expected licensing income and increased investment in our market presence, and into research and development. The company has also continued to maintain higher inventory levels in order to manage the ongoing supply chain disruptions, although these are slowly easing and inventory levels will normalise over time.

Dividend

Those investments in market presence, and our significant continued R&D expenditure, together with lower-than-expected licensing income meant that our debt level was higher than forecast and above our policy of one times EBITDA.

This is the key reason we opted to pay a maiden dividend in July of 1.1 cents per share that represented 11% of net profit after tax. This is below our stated policy of 20% to 30% of (normalised) net profit after tax. Directors felt that a below policy dividend was also appropriate given the significant growth opportunities available to the company and capital required to fund them. Our intention is to operate the company within both the dividend and debt policy level over the coming year.

Governance

AFT, with its mission of 'working to improve your health,' is founded on sustainability. Consequently, the increased requirement from shareholders and international investors that we report on our sustainability strategies is a movement that we have fully understand and will embrace over time so as to ensure that we continue to do the right thing.

We have always understood that accounting for and managing Environmental, Social and Governance considerations are critical to our long-term ability to create value and improve the health of the customers and communities we serve.

We have this year continued to advance the sophistication of our programme to introduce objective and robust measures of performance in the ESG areas that are material to our business.

Measurement is an important step to help AFT refine our priorities, better manage risks, and identify opportunities for innovation. It also promotes transparency and helps stakeholders better understand how we are managing our sustainability risks and opportunities.

We are proud of our record and have listed some of our key achievements on this slide – and this is also set out in more detail in our annual report.

The ultimate measure of our social contribution is the extent of our medicine portfolio, its reach across the world, and the extent to which we fund its further development. On these measures AFT has delivered a strong performance. We are also constantly seeking new opportunities for health enhancing products that will make a difference to patients lives. Hartley will talk more about some of our exciting new drug development programmes.

On many other important measures, the company is also delivering. The detail of our achievements is covered in the sustainability section of our annual report, but I do want to highlight our record on several key points:

- We lost zero time to injury.
- We pay our people according to their skill and performance, with no bias to gender.
- More than 90% of our suppliers have attested to compliance to the Modern Slavery policy we introduced last year, providing extra assurance on our commitment to ethical and sustainable supply chains.

- We also strengthened this commitment with the introduction of a Supplier Code of Conduct to help ensure our commitment to deal with ethical and responsible counterparties.
- Turning to our environmental footprint; 99% of our packaging waste is diverted from landfill.
- We have also commenced a climate risk assessment and we will be ready to report against the new climate standards for the current financial year.

Social

I also want to note other efforts we undertake generally without publicity but which indicate the values of this company.

One weekend last year some children in Indonesia were poisoned by a tainted medicine. The poison could be mitigated by a product called fomepizole and the only supplies available were in our warehouse in Sydney. So, during the weekend our team worked with the Australian government to get those supplies on transport from our warehouse in Sydney to those children in Indonesia.

We also worked with Chemist Warehouse in Australia to raise money for men's and women's mental health charities by contributing 5% of gross sales of Maxigesic tablets sold through Chemist Warehouse over a promotional period.

Outlook

We expect the momentum we have seen in the last year to continue, supported by growth in the core Australasian markets from market share gains in the existing portfolio and new product launches.

We are also targeting increased growth in International and Asian markets and from an expanded presence in the United Kingdom.

Hartley will be expanding on this shortly in his presentation.

For the 2024 financial year we continue to expect an operating profit of \$22 million to \$24 million. We also expect licensing income, not included in the guidance range, of at least \$6 million on the launch of Maxigesic IV in the US, following the expected FDA approval later this year. Depending on these timings this license income could fall into the end of FY2024 or early FY2025.

The one caveat to this guidance is that it is subject to the manner in which we decide to undertake our Maxigesic Rapid commercialisation strategy in the United States.

Before handing over to Hartley I want to thank the AFT team for all they have delivered over the past year and their ongoing commitment.

We place a high priority on supporting and developing our people and promoting a diverse and inclusive culture that makes AFT attractive to talented people.

And while we are ever vigilant to ensure we deliver on these goals, we recognise AFT's good fortune in having a team that is so committed to the company's success.

We are proud of the way they have embraced the challenges of the last year and delivered such an outstanding result for all of our stakeholders. On behalf of the Board and shareholders we thank them for their efforts.

Thank you also to my colleagues on the Board, and to our Managing Director Hartley Atkinson, for their efforts and commitment to the company's success. In particular, I would like to thank Jon Lamb for his dedication and commitment to the company over a long period of time and to wish him all the best in his retirement. He has played a pivotal role in the growth of the company and personally gave me great support when I joined the board.

On behalf of the Board and the company, I would also like to thank you our shareholders for your continued support.

I will now invite Hartley to address the meeting.

Released for and on behalf of AFT Pharmaceuticals Limited by Chief Financial Officer Malcolm Tubby

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