

AFT Pharmaceuticals

R&D update

Expanded R&D pipeline to fuel LT growth

Pharma and biotech

29 April 2024

While AFT continues to gain commercial traction from Maxigesic/Combogesic IV sales in the US (launched by partner Hikma in Q1 CY24) and anticipates the launch of Crystaderm in China, a strong R&D pipeline is central to AFT's long-term growth ambitions. AFT recently announced the seventh addition to its R&D portfolio, a non-invasive topical alternative treatment for keloid and hypertrophic scarring, addressing the limited treatment algorithm for keloid scars (raised, thickened scars). This development collaboration is with Massey Ventures and the Gillies McIndoe Research Institute, and continues AFT's initial collaboration with these parties from 2022, for the treatment of strawberry birthmarks.

Year end	Revenue (NZ\$m)	PBT* (NZ\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
03/22	130.3	18.9	19.2	0.00	16.0	N/A
03/23	156.6	16.7	11.0	1.10	27.9	0.4
03/24e	187.5	22.3	15.5	1.55	19.8	0.5
03/25e	223.5	26.3	18.2	1.82	16.9	0.6

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

While details on the compound being developed under the collaboration are undisclosed at present, the initial focus will be on finalising the drug substance (active pharmaceutical ingredient). AFT will then assume responsibility for manufacturing and toxicology studies, followed by clinical development. The keloids and hypertrophic scars treatment market was valued by Zion Market Research [at US\\$6.7bn in 2022](#) and is estimated to reach US\$15.9bn by 2030. AFT's program in this indication will be the seventh addition to the company's R&D pipeline, which consists of programmes for [burning mouth syndrome](#), [strawberry birthmarks](#), [vulva lichen sclerosis](#); its candidate [eye drop for antibiotic resistant eye infections](#); its NasoSURF drug delivery system; and its Pascomer treatment for Port Wine Stains. We note that four of the seven R&D projects are topical treatments.

Keloids and hypertrophic scars result from abnormal wound healing in predisposed individuals following surgery, injury or burns. Keloids are the more problematic of the two as they tend to extend beyond the boundaries of an injury and may cause pain and itching. The available mainstay treatment modalities (wound care dressings, laser treatments, corticosteroids, surgical excision) have limited effectiveness and/or high recurrence rates. While topical creams are available (such as imiquimod 5% cream), these are typically used post-excision and have limited efficacy. AFT's topical treatment aims to target the underlying condition by regulating the skin healing process to prevent excessive collagen deposits, which make up the scar.

An active R&D pipeline is central to AFT's long-term expansion plans (R&D-related expenses were NZ\$7m in H124) and we see the new addition as supporting this vision. In the near term, we expect traction to come from Maxigesic/Combogesic IV sales in the US (launched by partner Hikma in Q1 CY24) and the anticipated launch of Crystaderm in China. We also look forward to the launch of Maxigesic Rapid in the US (expected to launch in FY25, the 12-month period ending March 2025). The drug received FDA approval in [March 2023](#).

Price **NZ\$3.09**
Market cap **NZ\$324m**

NZ\$0.61/US\$

Net debt (NZ\$m) at 30 September 2023 30.6

Shares in issue 104.9m

Free float 25.9%

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.

Analysts

Soo Romanoff +44 (0)20 3077 5700

Jyoti Prakash, CFA +44 (0)20 3077 5700

healthcare@edisongroup.com
[Edison profile page](#)

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