

AFT Pharmaceuticals

Maxigesic IV reaches the Chinese shores

Partnership update

Pharma and biotech

30 September 2024

Price **NZ\$3.16**

Market cap **NZ\$331m**

NZ\$0.61/US\$

Net debt (NZ\$m) at 31 March 2024 16.2

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.

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AFT Pharmaceuticals has taken another major step in extending its international footprint, with the signing of an exclusive license agreement for Maxigesic IV in China, the second-largest pharma market globally after the US. The agreement has been signed with Xizang Weixinkang Pharmaceutical, a major hospitals injectables focused company, and includes an upfront payment of US\$300k along with development and sales-related milestones and royalty payments. Partner Hyloris Pharmaceuticals is entitled to a minority share of the payment, which we believe will be 35%, in line with the deal structure with Hikma in the US. China is a key lever for AFT's international growth efforts, and we expect Maxigesic IV to be AFT's second product to be launched in the country, following the anticipated launch of Crystaderm in Q4 CY24.

Year end	Revenue (NZ\$m)	PBT* (NZ\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
03/23	156.6	16.7	11.0	1.10	29.1	0.3
03/24	195.4	23.0	15.8	1.60	20.2	0.5
03/25e	232.4	23.6	16.5	1.65	19.4	0.5
03/26e	278.3	40.8	28.3	2.83	11.3	0.9

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

Maxigesic IV (developed in collaboration with Hyloris Pharmaceuticals) is a double-strength formulation (1,000mg paracetamol and 300mg ibuprofen) of AFT's flagship pain-relief prescription medicine. Unlike the base tablet version, the IV formulation specifically focuses on the hospital setting and targets the treatment of patients with post-operative pain. The IV version already has outlicensing or distribution agreements in place in over 20 countries, including the US, Germany, France, Italy, the UK, Canada, Spain and Brazil. The [licensing agreement](#) with Xizang Weixinkang Pharmaceutical in China includes an upfront payment of US\$300k along with development and sales-related milestones as well as royalty payments, which we expect will support some margin expansion for AFT in FY25. We estimate the company to be eligible for 65% of the inflows, with partner Hyloris entitled to the remaining 35% share.

CY24 has seen AFT make significant headway in expanding its international footprint with the first foray into the US market with the launch of [Maxigesic IV in early CY24](#) (marketed under the brand name Combogesic). AFT has reported that partner Hikma has recently received the permanent J-code from the Centers for Medicare and Medicaid Services, which will aid in billing and reimbursement for the IV formulation. With the anticipated launch of Crystaderm and now Maxigesic IV in China, we see this footprint widening. While AFT already has an e-commerce presence in China, the upcoming launches will provide the company with access to the offline retail and hospital segments, which represent roughly 75% of the country's pharma market. We remind readers that Crystaderm (topical treatment for skin infections) was the first AFT product to be approved by Chinese regulators (in November 2023) and is expected to be [launched](#) in Q4 CY24 by distribution partner Hainan Haiyao. Maxigesic IV has already seen strong sales uptake in Asia, particularly in South Korea, driving the 57% y-o-y growth in revenues in Asia in FY24 (12 months ending March 2024) and we expect momentum to grow with the launch in China.

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