PITT STREET RESEARCH

AFT Pharmaceuticals
ASX:AFP

INITIATION

A broader pipeline is emerging

ASX:AFP · Sector: Healthcare · 24 July 2026 **Share Price NZ$3.95**

AFT Pharmaceuticals (ASX:AFP) is a New Zealand-based specialty pharmaceutical company that offers investors both the stability established, cash-generative Maxigesic franchise sold across 87 countries but also significant upside from a pipeline of new commercial opportunities that the market is ascribing little to no value to.

AFT is a well-established business

AFT has increased its revenue every year for close to two decades, a record that is rare among ASX-listed healthcare companies. In FY26, the company reported revenue of NZ$254.7m, up 22%, with operating profit rising 39% to NZ$24.4m. AFT's fixed-dose paracetamol-ibuprofen analgesic holds the number one position in the Australian and New Zealand combination analgesic category and continues to generate licensing and royalty income from international partners. Management has guided to at least NZ$300m in FY27 revenue, supported by nine licensing agreements closed in FY26 and a step-up in R&D spending to NZ$25m.

AFT is building a broader portfolio and has several near-term catalysts to come

The more important shift is the emergence of a broader clinical pipeline that positions AFT as a diversified pharmaceutical platform rather than a single-asset analgesic company. The most commercially significant include Combogesic which in the US has secured a Medicare HCPCS J-code and a national shelf presence through a 2026 agreement with Cost Plus Drugs, opening AFT's largest addressable market. Pascomer, Crystaderm's China approval, and partnerships with Stablepharma and Sinoject add further licensing optionality.

Legacy business worth A$4.57/6.31 per share with pipeline opportunities significantly larger

We value AFT as A$10.55 per share in a base case and A$13.08 per share in an optimistic (or bull) case which is NZ$12.63/16.42 per share at current exchange rates. This is a sum of the parts valuation with a traditional DCF of AFT's legacy business (A$4.57/6.31 per share) and then NPVs of 3 of AFT's most prominent pipeline opportunities (A$6.66/8.44 per share). Our modelling estimates there's at least ~NZ$700m/A$600m of value to be unlocked in AFT's pipeline. Please see page 21 for further details and p.23 for the key risks.

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Key Metrics

Market cap. (A$m)	**414.2**
Shares outstanding (m)	**104.9**
Shares fully diluted (m)	**104.9**
Market cap ful. dil. (A$m)	**414.2**
Free float	**100%**
52-week high / low (A$)	**3.97 / 2.56**
Avg. 12M daily volume	**16,893.9**

Share Price (NZ$) and avg. daily volume (r.h.s)

Source: Refinitiv Eikon, Pitt Street Research

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The Key Reasons to Look at AFT Pharmaceuticals

1. AFT has an unbroken growth record stretching back two decades. The company has grown its revenue every year for 17 to 20 consecutive years, a record that is genuinely rare among ASX-listed healthcare companies of any size. The company's FY26 revenue of NZ$254.7m represented a 22% increase on the prior year and has compounded at double-digit rates through multiple cycles.

The company's FY26 revenue of NZ$254.7m represented a 22% increase on the prior year.

2. In Maxigesic, AFT has a proven global analgesic franchise. Maxigesic registered in 76 countries[1], sold or ordered in 87, and holds the number one position in the para-ibu combination category in Australia. The product has been commercially validated across diverse regulatory environments and reimbursement systems over more than a decade, which meaningfully reduces the execution risk that typically attaches to earlier-stage specialty pharma franchises. The royalty and licensing income it generates from international partners provides a capital-light earnings stream alongside the direct sales contribution in Australasia.

3. Maxigesic has an ever-growing addressable market opportunity. The US FDA approved Maxigesic IV (marketed as Combogesic IV) in October 2023 and Maxigesic Rapid (Combogesic Rapid) in March 2023. The US hospital analgesic market is substantial, and Combogesic IV's opioid-free positioning is directly relevant given ongoing clinical and regulatory pressure to reduce opioid prescribing in post-operative settings. AFT's 2026 commercial agreement with Mark Cuban's Cost Plus Drugs for Combogesic Rapid gives the product immediate shelf presence across all 50 US states through a platform that has demonstrated a strong consumer following built on price transparency. Cost Plus operates on a cost-plus-15% model, which constrains margin per unit but provides high-volume, high-visibility exposure at a critical point in the US launch cycle. Reaching national distribution in the US without a major pharmaceutical partner is an outcome that many ASX specialty pharma companies never achieve, but AFT has.

4. AFT has a broadening R&D pipeline with multiple near-term licensing inflection points. AFT's R&D pipeline has expanded well beyond Maxigesic into a diversified program of clinical-stage and late-stage assets including a novel IV iron formulation (targeting a US$7.4bn global market following constructive FDA meetings in 2026), Pascomer for dermatology conditions (specifically facial angiofibromas and Port Wine Stains), Crystaderm (approved in China in November 2023), antibiotic eyedrops, treatments for strawberry birthmarks and keloid scars, and Combogesic IV. The company closed nine licensing agreements in FY26 alone and guided R&D investment to NZ$25m in FY27, suggesting a pipeline that is being actively monetised rather than held speculatively. Our modelling estimates that there is at least NZ$300m/A$250m of upside in shareholder value that can be realised just by executing on the 3 biggest opportunities (Novel IV, Pascomer and Stablepharma Stability.

AFT's R&D pipeline has extended well beyond Maxigesic.

5. The company's growth potential and operating leverage is already visible in the financial results. AFT's FY26 results showed operating expenses falling to 33.8% of product sales, compared with 35.6% in FY25, even as the company increased R&D

[1] Tablets in 76 countries although IV is in 72 and some do not overlap.

and hub establishment spending. Operating profit rose 39% on revenue growth of 22%, which is the kind of positive operating leverage that indicates the fixed-cost base is being absorbed by a scaling top line. For FY27 (the 12 months to 31 March 2027), AFT has guided to at least NZ$300m in revenue for FY27. Given that the company generated NZ$254.7m in FY26 and has produced double-digit growth in every recent year, this is not an unreasonable assumption at all. The Australasia business alone contributes over NZ$210m annually and is still growing at high single to double-digit rates, providing a resilient foundation before any contribution from US commercialisation, new hubs, or pipeline licensing is required to close the gap.

AFT has guided to at least NZ$300m in revenue for FY27.

6. AFT has an opportunity in Asia, now that disruptions have been resolved. AFT's Asian segment, which contracted in FY25 due to disruption in the Korean market related to Maxigesic IV, recovered strongly in FY26, delivering revenue of NZ$15.6m, up 41%, with operating profit more than doubling to NZ$3.8m. The approval of Crystaderm for sale in China in November 2023 gave AFT its first direct commercial foothold in the world's second-largest healthcare market. China's OTC pharmaceutical market is very large and structurally underpenetrated by international branded products, and Crystaderm's approval represents an early but potentially meaningful step toward building a material Asia contribution over the medium term, particularly Japan.

7. AFT has a proven management team. Founder and CEO Dr Hartley Atkinson has led the company from inception through global commercialisation, regulatory approvals, multi-territory licensing and now into a more ambitious clinical development phase. Very few sub-A$1bn companies combine deep scientific literacy with proven commercial execution, and AFT’s leadership team has repeatedly demonstrated both. The company’s ability to secure more than 100 international partnerships, navigate complex regulatory pathways and advance a broader pipeline reflects a management bench that knows how to build value over long cycles rather than short bursts.

8. AFT is undervalued. We’ve valued AFT at A$10.55 per share in a base case and A$13.39 per share in a bull case or NZ$12.63/16.42 per share at current exchange rates. For a company with a two-decade growth record, active US commercialisation, and a broadening international pipeline, we think AFT represents an attractive risk-reward profile for equity investors with a medium-term horizon. Our modelling has valued the existing business at A$4.57/A$6.31 per share but there is a further A$5.67/A$6.77 per share (which from a market capitalisation standpoint is A$600m/A$709.9m respectively) that can be unlocked if AFT successfully executes on just 3 of the pipeline opportunities that we have identified as most likely to be realised.

We’ve valued AFT at A$10.55 in a base case and A$13.39 in a bull case.

Note: Because AFT follows the New Zealand financial year, references to any financial years allude to the 12 months to 31 March of the calendar year – FY26 is the 12 months to 31 March 2026.

All figures are in NZ$ unless otherwise stated.

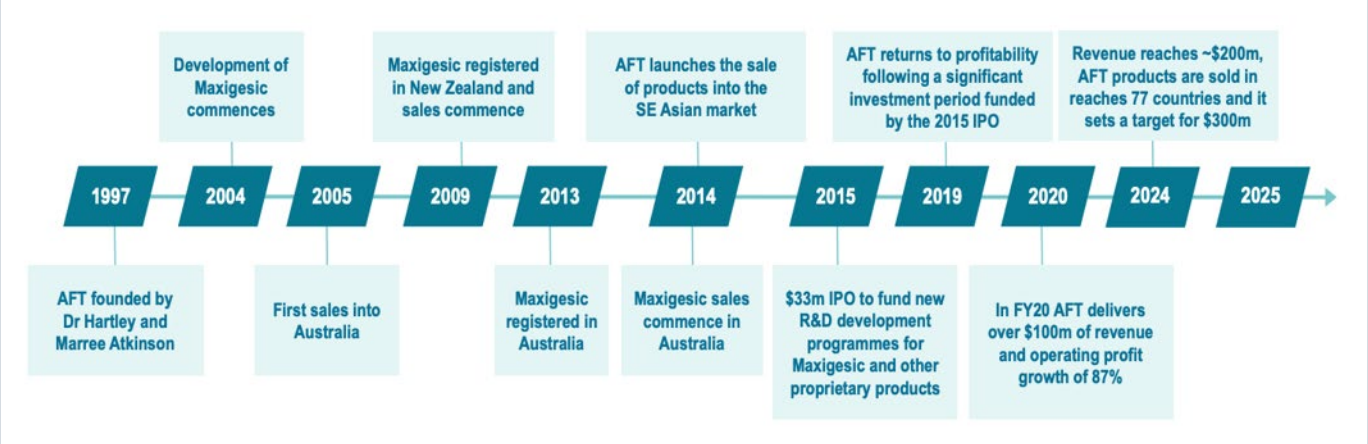
Overview of AFT Pharmaceuticals (ASX:AFP)

AFT Pharmaceuticals (ASX/NZX: AFP) is a New Zealand-based specialty pharmaceutical company focused on the development, licensing, and commercialisation of branded medicines across a growing range of therapeutic categories.

Founded in 1997, headquartered in Auckland and dual listed on both sides of the Tasman, the company has built its business over nearly three decades from a domestic ANZ-focused distributor of branded OTC products into a multinational pharmaceutical operation with commercial activity spanning 87 countries (Figure 1). The pathway from that starting point to the company's current scale has been shaped almost entirely by organic product development, disciplined IP licensing, and selective geographic expansion rather than large-scale acquisition, which distinguishes AFT from most specialty pharma businesses of comparable revenue size.

AFT Pharmaceuticals has built its business over nearly three decades into a multinational operation present in 87 countries.

Figure 1: AFT's history



Source: Company

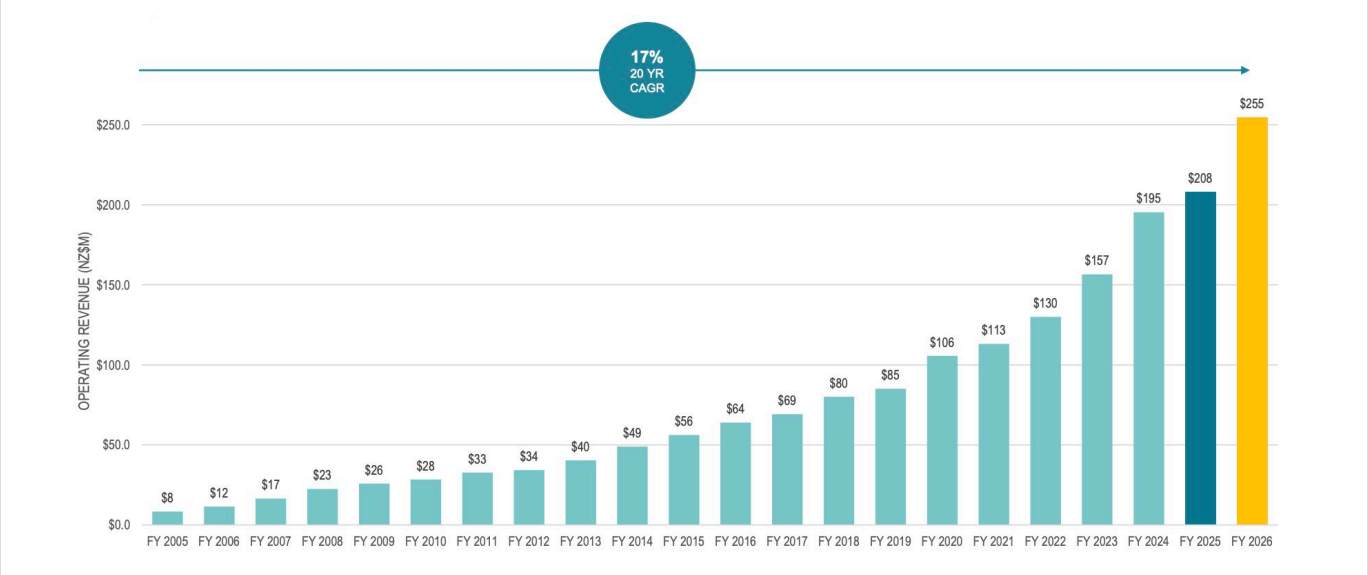
AFT has three revenue streams. The first and largest is direct product sales, predominantly in Australia and New Zealand, where the company sells a portfolio of branded OTC and hospital medicines through pharmacy, grocery, and hospital channels. The second is product sales and royalties from international partners, where AFT licenses its proprietary formulations, most notably Maxigesic, to local commercial partners who manage registration, distribution, and marketing in their respective markets in exchange for upfront fees, milestones, and ongoing royalties. The third, smaller but strategically significant, stream is pure licensing income from deals where AFT provides access to its IP or manufacturing know-how without taking a direct commercial role.

This structure means AFT's earnings profile has a capital-light international component alongside the operationally intensive ANZ sales business, a combination that provides some natural diversification in terms of both geography and margin profile. Licensing and royalty income tends to carry higher margins than direct product sales, and as the international footprint matures, we would expect that mix to become more pronounced. This also means AFT will have not have a forseeable need to raise dilutive capital in a way other biotechs would be more likely to.

AFT has significant financial leverage

AFT has a long-term track record of both top and bottom-line growth and this continued in FY26. Specifically, it recorded total revenue of NZ$254.7m representing a 22% increase on NZ$208.0m in FY25; operating profit rose 39% to NZ$24.4m from NZ$17.6m, and EBITDA increased to NZ$28.8m from NZ$20.9m (Figure 2).

Figure 2: AFT's total revenue growth



Source: Company

Although AFT's reach spans dozens of countries globally, its operational centre of gravity remains in Australasia, where its Australia and New Zealand segments together contributed NZ$210.5m of the NZ$254.7m in total revenue reported for FY26. The two markets are managed as separate reporting segments with distinct product mixes and competitive dynamics, but both benefit from AFT's established distribution relationships, brand recognition in the OTC analgesic category, and its regulatory track record with the Therapeutic Goods Administration and Medsafe respectively.

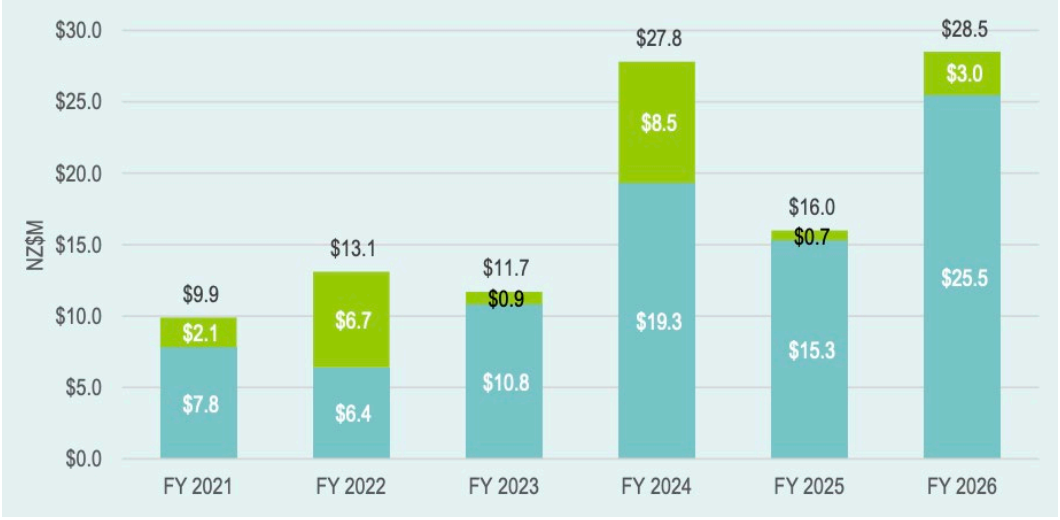
NZ$208m of the company's NZ$254.7m revenue was made in Australia/New Zealand.

AFT's international markets are growing strongly

The company reports Asia and other overseas markets separately to Australia and New Zealand. While these markets' share of revenue is smaller, the growth is much faster. In Asia, FY26 was a year of recovery following supply disruption issues in Korea. It made NZ$15.6m, up 41%, and its operating profit more than doubled to NZ$3.8m. Internationally, it made NZ$28.5m, comprising of NZ$25.5m in sales and royalties, and NZ$3m in licensing income. The NZ$25.5m figure was up 66% from the year before representing the scaling of international business hubs as well as the addition of Taiwan and Egypt to the number of countries where products are sold or ordered (Figure 3 and Figure 4).

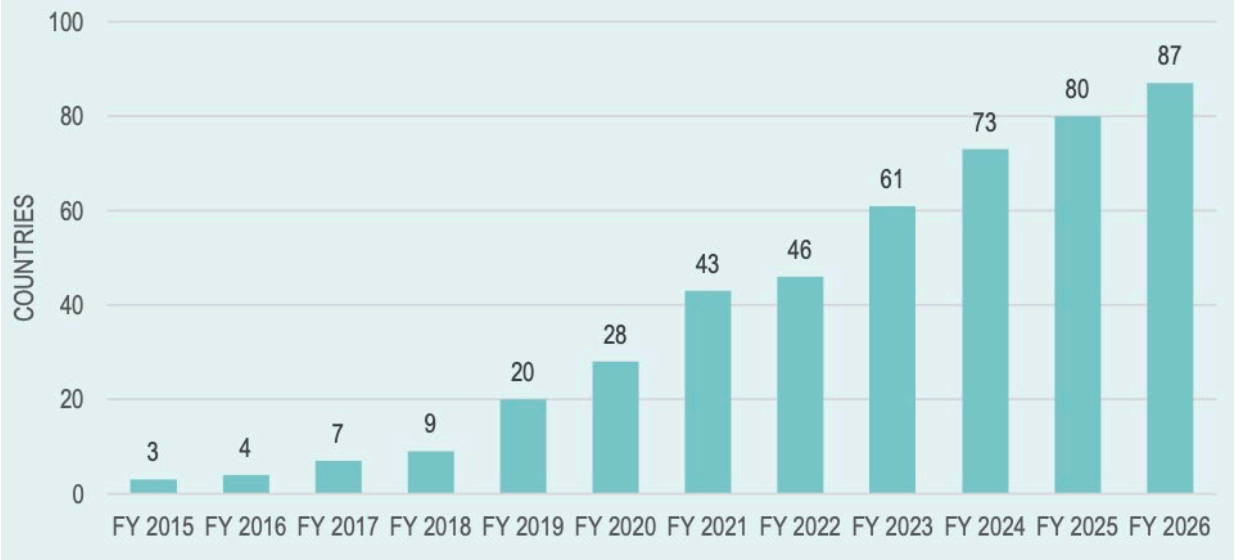
AFT's revenues are growing much faster than in Australia and New Zealand.

Figure 3: AFT's international revenue



Source: Company

Figure 4: AFT's operating profit growth



Source: Company

AFT's operating leverage and balance sheet are growing stronger

AFT is growing its margins by reducing tota expenses, even as it increases R&D spending.

The most analytically significant feature of AFT's FY26 results is the operating leverage that is now visible at the group level. Total operating expenses fell to 33.8% of product sales in FY26 from 35.6% in FY25, despite the company increasing absolute R&D expenditure to NZ$18m and continuing to invest in hub establishment costs across multiple geographies (Figure 5).

The fact that AFT's expense ratio contracted even as underlying investment intensity increased indicates that the ANZ revenue base is now large enough that incremental group overhead and investment spending is being absorbed without expanding the cost ratio. This is a qualitatively different financial dynamic from the earlier phases of AFT's growth, when the expense ratio was more volatile and the margin profile was more sensitive to single-year investment decisions.

The company's operating profit growth of 39% on revenue growth of 22% in FY26 is the quantitative expression of that leverage. We would expect the relationship between revenue growth and operating profit growth to remain favourable as long as the ANZ base continues to grow at high single to low double-digit rates and the international segment's operating loss continues to narrow, two conditions that the current trajectory supports.

AFT's net debt position increased to NZ$38.6m at the end of FY26 from NZ$14.5m at the end of FY25, a movement that the company attributed to three deliberate decisions: a strategic inventory build in response to geopolitical supply chain risk, the South Africa hospital portfolio acquisition, and the establishment of a new NZ$50m debt facility to support the ongoing hub investment programme. This is

the consequence of active capital deployment rather than operational cash consumption and it therefore wouldn't be unreasonable to expect the company's net debt position to decline in the coming years.

Figure 5: AFT's FY26 results

Year to 31 March	2026 $000	Revenue %	2025 $000	Revenue	Δ%
Revenue	254,705		208,021		22%
Gross profit	110,551	43.4%	91,713	44.1%	
Operating expenses and other income	(86,106)	33.8%	(74,065)	35.6%	16%
Operating profit	24,445		17,648		38%
Finance expenses and other income	(2,571)		(1,614)		
Tax	(7, 795)		(4,634)		
Profit/(loss) after tax	14,079		11,400		24%

Source: Company

Maxigesic: AFT's historic growth engine

Maxigesic has been the company's primary growth engine for over a decade, the centrepiece of its international licensing strategy, and the asset that first demonstrated AFT's capacity to take a proprietary formulation from development through to regulatory approval and commercial scale across multiple markets simultaneously. As of the end of FY26, Maxigesic is sold in 87 countries (Figure 6) and in most markets, the company pursues a licensing model. The licensing model is capital-light from AFT's perspective: the company bears the cost of the original development and registration work in jurisdictions where it files directly, but local commercialisation expenditure is borne by the licensee.

Maxigesic is sold in 87 countries.

Figure 6: Maxigesic

Source: Company

Maxigesic is a fixed-dose combination of paracetamol and ibuprofen, formulated in a single tablet and is most commonly deployed for pain relief. The clinical rationale rests on a well-established body of evidence showing that the combination of a COX-non-selective NSAID with paracetamol provides superior analgesia to either agent administered alone at comparable doses, through complementary and partially non-overlapping mechanisms of action. Paracetamol exerts its analgesic effect primarily through central pathways, while ibuprofen acts peripherally via inhibition of prostaglandin synthesis. The combination allows for lower doses of each component than would be required if either were used as a monotherapy to achieve equivalent pain relief, which carries a favourable implication for tolerability and adverse event profile at the population level.

Maxigesic is most commonly deployed for pain relief.

AFT's proprietary contribution is the specific ratio and formulation of the two agents, which is protected by patents across key markets. The combination concept itself predates AFT, but the company's formulation, clinical data package, and regulatory strategy have given it a defensible and licensable IP position that generic manufacturers cannot easily replicate without conducting their own bioequivalence and efficacy work.

AFT's Maxigesic franchise has expanded well beyond its original tablet form over the past several years. The current suite comprises Maxigesic tablets, Maxigesic IV (an intravenous formulation for hospital use), Maxigesic Rapid (a faster-onset oral formulation), and a hot drink sachet format. Each formulation targets a distinct use context: the tablet for standard OTC analgesic use, the IV for post-operative and acute hospital pain management, the Rapid for consumers seeking faster onset, and the sachet for cold-and-flu-adjacent OTC occasions. AFT also has an oral liquid which is approved in many EU countries and is expected to be approved in Australia down the track, not to mention a dry stick sachet which will be filed with regulators this year as well. This breadth of formulation is commercially significant because it allows a single licensee to build out a multi-SKU Maxigesic portfolio across both OTC and hospital channels, deepening their commitment to the franchise and increasing the royalty surface area for AFT.

Maxigesic has extended well beyond its original tablet form over the past several years.

Before we proceed further, we should note the risk of generic substitution. This cannot be eliminated entirely, but we believe the continued formulation line extension depicts that the company is aware of the risk and is responding to it.

Maxigesic is dominant in Australia and New Zealand, but overseas expansion will be key

In Australasia, Maxigesic holds the number one position in the paracetamol-ibuprofen combination analgesic category. The ANZ OTC analgesic market is mature and well-penetrated, but Maxigesic has continued to grow its contribution to AFT's Australasian revenue through a combination of pricing, line extensions, and continued brand investment. The Australia segment delivered revenue of NZ$150.8m in FY26, up 19%, and New Zealand contributed NZ$59.7m, up 11%. While not all of either figure is attributable to Maxigesic, the product remains the anchor of the Australasian branded portfolio and the primary driver of AFT's domestic competitive moat.

But overseas is where the growth engine will be and the US is the most consequential near-term commercialisation. The FDA approved Maxigesic IV (known as Combogesic IV in the US) in October 2023, following which AFT moved to establish hospital formulary access through the standard US hospital market entry pathway. A critical milestone in that process was the assignment of a HCPCS J-code to Combogesic IV, which is required for hospitals to obtain reimbursement for the product under Medicare and commercial insurance programmes. Without a J-code, hospital procurement committees are unlikely to approve formulary inclusion regardless of clinical merit, because the administrative burden of seeking

reimbursement without a designated code is prohibitive for most hospital pharmacy departments.

Maxigesic's key selling point is that it is opioid-free.

Maxigesic IV's key selling point is that it is opioid-free. The opioid crisis has created sustained institutional and regulatory pressure on US hospitals to reduce opioid prescribing, and analgesics that can provide clinically meaningful post-operative pain relief without opioid exposure occupy an increasingly attractive formulary position. Maxigesic IV is positioned directly into this demand environment. This will also help the company's ambitions to gain approval in paediatric populations. To this end, the company sought and gained FDA approval for a Maxigesic study in those populations and the first site is expected to start in the second half of 2026.

The FDA gave approval to Combogesic Rapid in March 2023, opening the Rx (i.e. prescription) market. It is important to note at this point there is no intermediate 'behind-the-counter' designation in the US as is the case in other markets (such as Australia) meaning the OTC and Rx markets have a more rigid barrier between them. The two challenges with both markets is the schenenagans of Pharmacy Benefit Managers (PBM) mark up drugs sold for health insurance plans compared to pharmacies and pocketing the difference. presence at scale without the marketing budget of a major consumer health company, and AFT's response to that challenge was the 2026 commercial agreement with Cost Plus Drugs. Cost Plus, founded by Mark Cuban, distributes medicines directly to consumers at cost plus a fixed 15% margin, operating without the traditional pharmacy intermediary markup and with a consumer value proposition built explicitly on price transparency.

The platform has developed a substantial and price-conscious consumer base, and its willingness to list Combogesic Rapid provides AFT with nationwide US distribution and meaningful consumer visibility through a channel that is structurally aligned with value-oriented Rx purchasing decisions. The Cost Plus margin structure is thinner than a traditional pharmacy PBM model, but at this stage of US launch, volume and visibility is more important than per-unit margins.

Beyond Maxigesic

Over the past three to four years, AFT has undertaken an expansion of its commercial and clinical focus beyond the Maxigesic franchise. Even though Maxigesic is still its best-selling product, it is no longer fair to call it a 'one trick pony' - AFT is a diversified branded pharmaceutical platform rather than a single-product business that happens to also have some pipeline assets (Figure 7).

AFT has expanded its commercial and clinical focus beyond the Maxigesic franchise.

Figure 7: AFT's pipeline

Program	Indication	Market Size	Stage
IV Iron	Iron deficiency anaemia	U$7.4bn	Licensed in China, US study Q3/Q4 CY26
Vancomycin Eyedrops	Resistant ocular infection	~US$1.5bn	IND pending
Hemangioma Topical	Infantile hemangioma	~US$0.5bn	IND Q1 CY27
Burning Mouth Syndrome	Neuropathic oral pain	~US$0.3–0.5bn	Formulation finalising
Keloid Topical	Keloid scarring	>US$10bn	Pre-IND Q4 CY26
Sinoject Injectables	Generic hospital injectables	>US$100bn	First filings FY27
Fridge-Free Injectables	Temp-stable injectables	>US$6bn	First two in dev
Crystaderm	Skin infection; acne	>US$5bn	Marketed
Pascomer	TSC angiofibromas; PWS	~US$1bn+	Filed (TSC); Phase II (PWS)
ANZ OTC	GI & general OTC	~A$6bn	Various stages

Source: Company

Looking at the pipeline: multiple products are now registered and generating revenue in new markets, several late-stage clinical programs are approaching monetisation, and two significant partnership structures have been established to extend the company's injectable manufacturing and formulation capabilities.

AFT prioritises programs where it can make a difference but also where development costs are not excessive, whilst the payoff is in (at least) the hundreds of millions of dollars. Maxigesic in different formats is a part of that but we addressed this earlier in the report. And so, we turn to the remainder of the pipeline. We do not intend to provide an exhaustive list but have listed the most important in the sense of being closest to commercialisation and/or meaningful inflection points to that end as having the largest opportunities.

The 3 most notable non-Maxigesic programs

We believe the 3 most notable non-Maxigesic programs are novel IV iron, Pascomer and the Stability project. There are further programs that we will address once we have dealt with these but we address these first because we have ascribed stand alone value to them. The value is too big to be 'lost' in the rest of the business, and these indications are closer to the market than the indications listed in the next section.

The Novel IV program AFT's most consequential non-Maxigesic asset not only because the market is licensed but because it has been licensed in China.

AFT's **novel IV iron program** is the most consequential non-Maxigesic asset currently in its pipeline, not only because the market is the largest (as iron deficiency anaemia affects 1.2bn globally), but because AFT licensed it to Chengdu-based Grand Life Sciences Group back in mid-May – China's 4th largest pharmaceutical company. AFT already had a footprint in China by securing regulatory approvals in China and having already utilised the Cross-Border E-Commerce (CBEC) pilot scheme to sell other brands across China (including Crystaderm), but this licensing deal will ensure the market potential is unlocked too.

Like Maxigesic IV, it is delivered intravenously but rather than for hospital pain, it is to fight Iron Deficiency Anaemia. Iron Deficiency Anaemia shows up as a symptom of many diseases including Inflammatory Bowel Disease and Chronic Kidney Disease. When this happens, patients need to be supplemented with iron. Low iron levels can cause symptoms ranging from extreme fatigue and shortness of breath to reduced immunity and impaired mental function. Often iron is delivered intravenously when the patient's body cannot absorb it orally, or the patient cannot tolerate which is quite common.

AFT's formulation in co-development with Belgium's Hyloris Pharmaceuticals has fewer side effects and lower toxicity and is easier to administer compared to ferric carboxymaltose, marketed in North America as Injectafer by Daiichi Sankyo as well as Ferinject in Europe and Australia by CSL. AFT is also seeking US approval and the company reported a constructive FDA meeting earlier in 2026. AFT is aspiring to run a Phase 3 trial globally with over 1,366 patients so that it can obtain approval in the US. Study initiation is planned in the second half of this year. In our model, we assumed it could be commercialised by the end of the decade. AFT has told investors the market is worth US$7.41bn and we think this is reasonable. For our part, we have used a market of 10m people in our model because IV iron is generally only used in severe cases or where patients are intolerant to iron.

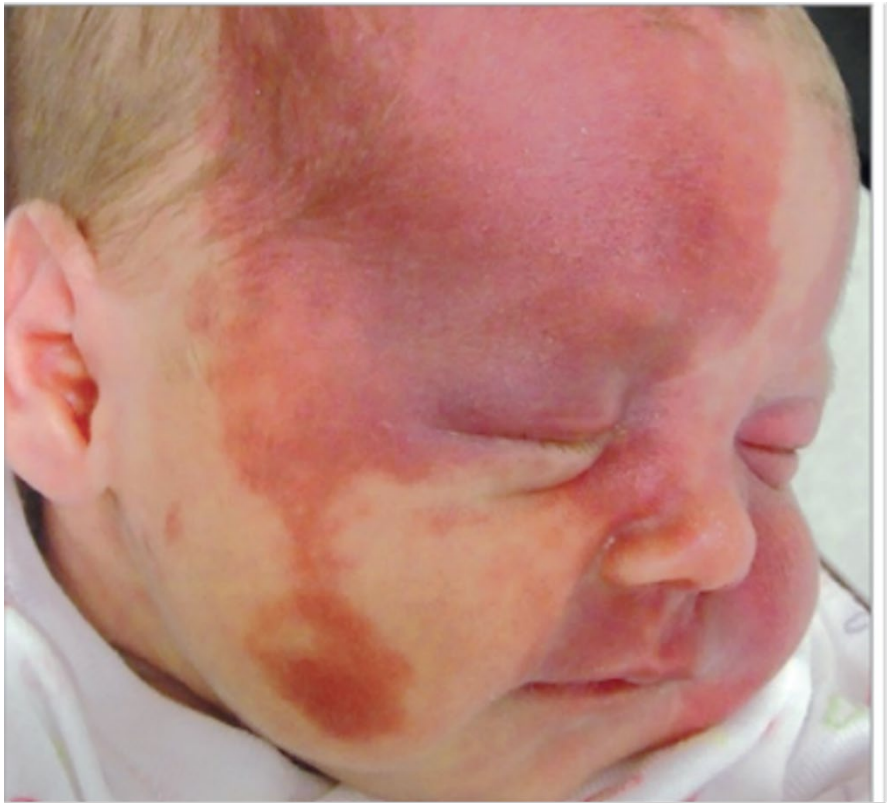
Pascomer treats facial angiofibromas associated with Tuberous Sclerosis complex.

Pascomer is a room temperature stable topical formulation of rapamycin, developed to treat facial angiofibromas associated with Tuberous Sclerosis Complex. This is an Orphan indication and first regulatory filings have already been made. This is a small market with 30,000 in the US and 50,000 in the EU. Nonetheless, the pricing is significant – potentially in the tens of thousands of dollars when one accounts for how treatments need to be taken regularly. For instance a small tube of Hyftor costs US$1,750 (in North America when paid out of pocket without insurance) but single tubes generally only last a month. And more importantly, the company has earlier this month received FDA approval for the US market where it is known as Scomara. Although the launch will not be able to happen until 2029 because it is subject to

existing orphan exclusivity for another product that was granted in 2022 for 7 years, this green light will support approvals in other markets.

A further non-Orphan indication is for the treatment of Port Wine Stains after laser treatment. This indication is currently in Phase II clinical development. A Port Wine Stain is (as its name suggests) a birthmark that results in 'stains' appearing on the skin (Figure 8). While pricing could be significantly less, the incidence is far larger with 3 million patients in the US alone.

Figure 8: Port Wine 'Stains'



Source: Company

AFT's Stability project aims to improve the stability of treatments when they cannot be stored at an ideal temperature.

The Stability project. AFT has a relationship with Stablepharma tied to the Stability project. The goal of this is to take an existing intravenous product required to be stored under refrigerated conditions and ensure it can still maintain shelf life stability even when kept at room temperature. This is made possible through Stablepharma's proprietary technology with capability to stabilise active pharmaceutical ingredients, reduce degradation under heat or humidity. The aim is to improve the stability profile and shelf life – to ensure they do not lose their efficacy when stored at room temperature instead of refrigerated storage conditions. The World Health Organisation estimates the 'spoilage rate' could be as high as 50% globally. In Australia alone, cold chain breaches resulted in $25.9m worth of vaccines being lost

between 2014 and 2019 according to the Royal Australian College of General Practitioners.

While AFT has not specifically revealed which drug or drugs just yet, it will be powders for reconstitution for injection. would speculate that it would be Pascomer because it has been designed to be stable at room temperature and because Starpharma's dendrimers are well-suited to stabilising macrolide compounds like rapamycin.

Other programs

AFT has an IND submission pending for antibiotic eye drops and plans to file two additional INDs in the next 12 months.

We now turn our attention to AFT's other programs. It realistically will be a few years before most are commercialised so we have not included them as standalone programs, but they could be down the track. The commonality with all of them is that AFT will either be the only drug in the market or has clear advantages over existing treatments. AFT also has IP programs to protect drugs as well.

Antibiotic eyedrops. AFT has developed a vancomycin eyedrop for which an IND submission is pending. The programme targets drug-resistant ocular infections, where current options are limited and physicians often have to obtain compounded products. A feature of this product is that it is preservative-free.

A topical treatment for strawberry birthmarks. A 'strawberry birthmark', more technically called an infantile hemangioma, is a raised, bright red clump of tiny blood vessels that appears in the first few weeks of life. AFT is developing a new product to treat this condition developed at New Zealand's Gillies McIndoe Research Institute which involves the topical delivery of ACE inhibitors and beta blockers that can dismantle the abnormal vasculature. The IND application will be filed during the first quarter of calendar 2027. The cell line was the method to establish activity. Agents were identified and then synergistic ratios were calculated by computer modelling to identify the best ingredients and ratio. The only treatment on the market is an oral treatment called propranolol which has a reputation for side-effects to is only used in extreme cases. AFT believes the market could be a $650m market by 2029 on the basis that there are 4m newborns with SBMs and that a $2.5k cost per annum could lead to US$1.5bn in revenue. Moreover, while propranolol is generally only reserved for more severe cases, AFT's topical treatment could also be used in milder cases too.

Burning Mouth Syndrome. Burning Mouth Syndrome is a form of neuropathic pain in the mouth, commonly affects the tongue, lips, and roof of the mouth. AFT is working with Hyloris and have identified a suitable candidate and are finalizing the formulation.

Combogesic IV is Maxigesic under its brand name for the US and the UK. It is like Maxigesic a 'painkiller' that is more effective in not just providing increased pain relief but operating faster and it is administered intravenously. We've included this as one of our 5 'pipeline opportunities' so that we can segment the specific opportunity for investors.

Crystaderm is a cream that treats and prevents infections in minor skin injuries. It is a proprietary hydrogen-peroxide formulation applied topically with high dermal penetration. The product is also useful in treating acne. The product is useful

because of its high level of dermal penetration and avoidance of antibiotic resistance. It was approved for sale in China in November 2023. The OTC wound care category in China is large and growing, supported by rising consumer health awareness, an ageing population, and expanding pharmacy and e-commerce distribution channels. Crystaderm's positioning as a branded, clinically supported antiseptic product gives it a credible value proposition in a market where product quality differentiation is a meaningful purchase driver.

Keloid scars: A 'keloid' scar is a raised scar left on the skin after a wound has healed. AFT has developed a synergistic drug combination that can target the collagen matrix that supports that scarring and is currently working on a topical formulation with the aim of filing a pre-IND application in the fourth quarter of calendar 2026. The global market has no approved drug treatments although AFT believes the market could be US$2bn by 2035.

AFT regularly develops new OTC products for the Australia and New Zealand markets.

Injectables pipeline. AFT has an agreement with a Chinese company to prepare a range of up to 24 off-patent hospital injectables. AFT and a long-term partner, Edge Pharmaceuticals, are working on this in a 70/30 partnership called Sinoject. AFT is the senior partner. The first five drugs will be filed for regulatory approval prior to the end of this FY27 financial year. These will provide AFT affiliates with a strong pipeline and in other selected territories are currently being outlicensed.

NasoSurf. This product allows medication to be nebulised using ultrasonic excitation, for administration directly via the nasal cavity. Unlike other nebulisers which are bulky and mains-powered, the NasoSURF is compact and rechargeable. AFT has deprioritised this product due to low reproducibility of dose delivery results.

OTC products for Australia and New Zealand. AFT regularly develops new OTC products for these markets. Recent examples are Micolette, a micro-enema for bowel obstruction, and Kiwisoothe, a gut discomfort and constipation product available in tablets and soon to be available sachets. Two significant products are currently in development with clinical studies being completed during the 2026 calendar year. AFT boasts of having over 150 proprietary, branded and generic products.

AFT's partnership with **Sinoject** is one of the quieter projects. Sinoject is a specialist injectable manufacturer based in China with GMP-certified facilities and deep experience in sterile production. The collaboration gives AFT access to high-quality injectable manufacturing capacity without having to build its own sterile plant: a capital-intensive undertaking that would be difficult to justify for a company of AFT's size. AFT brings the IP and Sinoject provides the facilities.

The most visible output of the partnership is Combogesic IV, the intravenous formulation of Maxigesic. Sinoject's manufacturing capability was essential in scaling production for US and European regulatory submissions, and the partnership remains central as AFT expands hospital-channel distribution globally. It could also be important if or when Combogesic IV expands into China. Moreover, the collaboration could also support AFT's other injectable ambitions, including IV iron, antibiotic injectables, other hospital-use formulations that require sterile production as well as some of the Stablepharma developments. On top of all this, it could offset production risk associated with single sites by enabling production at multiple sites.

The South Africa hub: The acquisition of a hospital drug portfolio in South Africa, integrated into AFT's start up South African hub during FY26, extended the company's commercial footprint into the hospital channel in one of Africa's most developed pharmaceutical markets. The South African private hospital sector operates to a comparable standard with developed-market peers in terms of procurement and clinical governance, and branded hospital medicines with established clinical profiles can command durable pricing. AFT has planned to sell the drugs into South African hospitals and this is underway right now. Accordingly, AFT's management has told investors that the South African hub, will contribute positively to group earnings in FY27. We have accounted for it in the broader valuation of AFT.

AFT Pharmaceuticals enters FY27 with a clearer and more concrete set of near-term catalysts than at any prior point in its listed history.

The upcoming catalysts investors should watch for

AFT Pharmaceuticals enters FY27 with a clearer and more concrete set of near-term catalysts than at any prior point in its listed history. The combination of US commercialisation in active progress, two hubs approaching earnings contribution, a guided revenue target that is within reach of the existing run-rate, and a pipeline with multiple data and licensing milestones on the horizon creates an unusually dense catalyst calendar for a company of AFT's size

The next 12-18 months

AFT meeting its FY27 revenue guidance of at least NZ$300m will be a major milestone if achieved, a figure 18% higher than FY26 but consistent with the company's recent growth trajectory. We would note that it does not require any material contribution from the US hub or from new pipeline licensing to be achieved. We think the Australasian base growing at high single to low double-digit rates, Asia continuing its FY26 recovery, and the international segment maintaining its FY26 product sales run-rate would together be sufficient.

The next most important transition of the UK and South Africa hubs to the stage where they are meaningfully contributing to earnings and this is expected in FY27. If achieved, this would validate the hub model's economics in a concrete and replicable way. We would also expect it to shift investor focus toward the trajectory of the US hub and toward the question of when the other developing hubs begin to approach a similar inflection, which would represent a re-rating catalyst in its own right.

In the US, the near-term catalyst is evidence of Combogesic IV gaining hospital formulary traction. Formulary inclusion decisions are made at the hospital or health system level and are not always publicly disclosed, but volume data from distributor reports and any ASX announcements regarding US commercial progress will be closely watched. Combogesic Rapid volumes through the Cost Plus channel will similarly be monitored as an indicator of consumer uptake and repeat purchase behaviour in the US Rx market.

The company has told investors it will ramp up its R&D expenditure from NZ$18m to NZ$25m in FY27. Management noted in its FY26 commentary that new R&D

opportunities were available at what it described as attractive economics, a formulation that suggests AFT is finding the current environment favourable for in-licensing or acquiring development-stage assets at a reasonable cost.

Catalysts in the medium-term

In the medium term, the rollouts of the IV iron program, Pascomer and Combogesic will be growth catalysts.

The medium-term catalyst horizon is dominated by three programs: IV iron program, Pascomer and Combogesic IV in the US. For IV iron, AFT has an open-IND with the US FDA and it will be able to file for approval if it conducts one final study and it is a success. AFT is confident that the study is low-risk because it is a non-inferiority study and there is existing data that already shows this. The key is to reconfirm the data in a larger and more ethnically diverse populations. Given the size of the global IV iron market at US$7.4bn, even a modest licensing transaction for the program prior to approval and commercialisation would represent a material event relative to AFT's current market capitalisation.

Pascomer data readouts from its ongoing clinical program are a second medium-term catalyst. The dermatology licensing market is active, and a positive clinical data package would position AFT to seek a licensing or partnership transaction for the asset across multiple geographies simultaneously.

Combogesic/Maxigesic IV will be important too. If it achieves broad formulary adoption across US health systems and Combogesic Rapid establishes a durable Rx market position, this would transform AFT's earnings profile and support a substantial re-rating of the company’s share price.

AFT's management

Hartley Atkinson is CEO and Managing Director. He founded AFT in 1997, prior to which Hartley worked at Swiss multinational pharmaceutical company, Roche, for eight years where he held positions as Sales & Marketing Director, Medical Director, Product Manager and Medical Manager.

Prior to his work at Roche, Hartley was a Drug Information Pharmacist and Researcher at the Department of Clinical Pharmacology, Christchurch Hospital. Hartley is the author of a number of scientific publications. Hartley's work has been published in the prestigious The New England Journal of Medicine.

Hartley holds a doctorate in Pharmacology, a Masters in Pharmaceutical Chemistry with distinction, and a Degree in Pharmacy, all from the University of Otago.

David Flacks is Chairman of AFT and has been since the IPO in 2015. David is also chair of the Suncorp New Zealand group of companies. He is also a director of Todd Corporation and a number of environmentally focused pro bono organisations.

He is a former chair of the NZ Markets Disciplinary Tribunal and the NZX Regulatory Governance Committee and a former member of the Takeovers Panel. He is also a director of boutique corporate law firm Flacks & Wong.

David was for many years a senior corporate partner at Bell Gully and was general counsel and company secretary of Carter Holt Harvey during the 1990's. He is a law graduate from Cambridge University.

Marree Atkinson is an Independent Non-Executive Director and Chief of Staff. She has been involved in all aspects of AFT's business since its establishment in 1997, including roles in sales, regulatory affairs, customer services and logistics. Marree's role as Chief of Staff sees her involved in the day-today running of AFT's head office including managing staffing requirements and special projects involving AFT's head and affiliate offices. Marree is a registered nurse previously practising at Waikato Hospital.

Hartley Atkinson founded AFT in 1997.

Andrew Lane is a Director. Andrew has more than 30 years' experience of leadership in the global pharmaceuticals industry with expertise across a broad range of disciplines including finance, manufacturing, sales, marketing, and strategy.

Most recently he was Global President of Abbott Laboratories Pharma Division where he led a multi-billion-dollar operation that had 30 manufacturing plants, 12 Innovation and Development sites and 40,000 staff covering more than 100 countries. Before that he was Vice President of Takeda, Asia Pacific, where he managed the company's operations in 12 countries, which included three factories and 2,000 staff. He has also held senior roles with multi-national pharmaceutical companies Nycomed, DKSH, Novartis, and Sandoz.

Ted Witek is a Director. Dr. Witek served Boehringer Ingelheim Pharmaceuticals for nearly 25 years where he held various pharmacology and clinical research positions, including Director of Respiratory and Immunology Clinical Research leading to his roles as President and CEO of Boehringer Ingelheim's Canadian and Portuguese operations. He led the Global Operating Team for Spiriva serving as Co-Chair of the Global Alliance with Pfizer.

Dr. Witek also was Chief Scientific Officer & Senior Vice President, Corporate Partnerships, at Innoviva (Formerly Theravance, Inc.). He also served on the Board of Directors of Canada's Research-Based Pharmaceutical Companies including Chair of the Health Technology Assessment and Public Relations Committee. He was appointed to the Ontario Health Innovation Council and advisor to the Design for Health Program at OCAD University. He is currently Professor & Senior Fellow at the University of Toronto's School of Public Health & Leslie Dan Faculty of Pharmacy. He serves as Director of the DrPH program. Dr. Witek is the author of more than 100 scientific papers as well as several chapters and books.

Dr. Witek holds a Doctor of Public Health from Columbia University and a Master of Public Health from Yale University and an MBA from Henley Management College in the UK.

Allison Yorston is a Director. Allison brings to AFT more than 20 years of blue-chip fast-moving consumer goods, telecommunications and retail marketing experience gained across Australia and New Zealand at senior management and C-suite levels. She has managed brand turnarounds and grown and developed marketing teams to deliver share gains in competitive markets and is experienced at managing multi-brand portfolios including both product and corporate brands.

She is currently Director of Marketing at Griffins Snacks and is a former Director of the Australian Beverages Council and a former Chief Marketing Officer at Suntory Beverage & Food Oceania. Prior to Suntory she held senior marketing roles at Vodafone, Fonterra and Sanitarium. Allison is a Graduate of the Australian Institute of Company Directors Course and a member of the AICD.

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Valuation: A$10.55-13.39 per share (NZ$12.63/16.42)

We've valued AFT at A$10.55-13.39 per share, or NZ$12.63/16.42 per share.

We have valued AFT Pharmaceuticals on a SOTP basis modelling its legacy business on a group-wide DCF basis while modelling the NPV of AFT's 5 biggest opportunities separately. Our total valuation in New Zealand dollars is NZ$12.63 per share in a base case and NZ$16.42 per share in an optimistic (or bull) case. These amount to market capitalisations of NZ$1,362.3m and NZ$1,722.2m. In Australian dollars, at the current exchange rate (A$1=NZ$1.20), we value AFP at A$10.55 per share base case and A$13.39 per share bull case (Figure 10 and Figure 11). Figure 11 shows the 3 biggest pipeline opportunities and our modelling of them and we explain in further detail below. Investors will see the value in the 3 alone is greater than the legacy business. Investors are getting access to upside in the existing business but are also getting hundreds of millions in further upside effectively for free.

Figure 9: The key opportunities in AFT's pipeline

A$m	Average Annual		10-year Total			
Indication	Sales	Royalties	Sales	Royalties	Market size (US$bn)	Market share
Novel IV	1,060	212	5,667	1,133	7,410	16%
PascomerD	1,237	247	6,638	1,328	1,000	3%
Stablepharma	1,327	265	8,893	1,779	1,000	9%
Combination	**3,624**	**725**	**21,198**	**4,240**	**9,410**	

Estimates: Pitt Street Research

Figure 10: Our valuation of AFT in Australian dollars

Sum of the Parts Valuation	Base Case		Bull case	
Drugs	**A$m**	**A$ps**	**A$m**	**A$ps**
Novel IV	201.5	1.921	225.9	2.154
PascomerD	210.9	2.011	249.8	2.382
Stablepharma	182.1	1.736	234.1	2.232
rNPV of new opportunities	**594.5**	**5.67**	**709.8**	**6.77**
Existing business	479.1	4.57	661.7	6.31
Enterprise Value of AFT	**1,073.6**	**10.24**	**1,371.5**	**13.08**
Cash (close of FY26)	(10.2)	-0.08	(10.2)	-0.08
Debt (close of FY26)	48.9	0.39	48.9	0.39
Equity Value	**1,112.3**	**10.55**	**1,410.2**	**13.39**
Current Price		3.19		3.19
Upside		*231%*		*320%*

Estimates: Pitt Street Research

Figure 11: Our valuation of AFT in New Zealand dollars

Sum of the Parts Valuation	Base Case		Bull case	
Drugs	**NZ$m**	**NZ$ps**	**NZ$m**	**NZ$ps**
Novel IV	241.7	2.305	271.1	2.585
PascomerD	250.7	2.391	337.4	3.217
Stablepharma	218.5	2.084	280.9	2.679
rNPV of new opportunities	**710.9**	**6.78**	**889.4**	**8.48**
Existing business	612.7	5.48	794.0	7.57
Enterprise Value of AFT	**1,323.6**	**12.26**	**1,683.4**	**16.05**
Cash (close of FY26)	(10.2)	-0.10	(10.2)	-0.10
Debt (close of FY26)	48.9	0.47	48.9	0.47
Equity Value	**1,362.3**	**12.63**	**1,722.1**	**16.42**
Current Price		3.95		3.95
Upside		*220%*		*316%*

Estimates: Pitt Street Research, Company

AFT's pipeline opportunities

In respect of all 3 we assumed a licensing model where AFT receives 20% royalties and faces cash costs of only 40% of royalty-based sales. To pick these 3 is not to say there is no value elsewhere in the portfolio, just that these are closer to the market than the majority of other opportunities.

We modelled 3 of AFT's individual pipeline opportunities: Novel IV, Pascomer and Stablepharma.

It is inevitable that any licensing deal would include a significant proportion of sales and distribution expenses being paid by the partner. We used New Zealand's 28% corporate tax rate, a US to AUD exchange rate of A$1=US$0.7 as well as a NZ to AUD exchange rate of A$1=NZ$1.20. We used discount rates of 14.7% (derived from a 4% risk-free rate of return, a 6% equity premium and a 1.5x beta) as well as 2% terminal growth beyond the initial 10-year horizon.

We did not model individual development costs (because for some, a fair proportion of them has either been paid or accounted for in the group's general R&D expenses and we have modelled increased R&D expenses in the years ahead) or for the prospect of upfront payments by licensees. Where the segments differed was in respect of the market size, market penetration and pricing. Barring cases where the opportunity was only in one specific country, we modelled a global population and assumed a small market penetration and (where not already commercialised) a gradual ramp up over time. We also did not model terminal growth for these to account for the prospect of biosimilars entering the market once a period of commercial exclusivity was up.

Novel Iron IV: We assumed all necessary clinical trials are passed and that commercialisation occurs in Q4 of 2029. We modelled a potential market of 10m - although global iron-deficiency anaemia could be up to 2bn people[2], IV iron is only used in a minority of cases, hence our smaller assumption. Specifically, it is only used in severe cases or where patients display intolerance to oral iron and where appropriate healthcare infrastructure for IV exists[3]. We used a peak market share of

18% in our base case and 20% in our bull case along with a price of US$300. This is a blended global average of current IV products like Ferinject, Monofer and Injectafer which tend to be US$200-600 per infusion (even if medical insurance or universal healthcare schemes like Medicare cover or subsidise a proportion of the cost) but a typical course can be either 1 or 2.

Crystaderm is being expanded into China and North America.

Pascomer. We assume commercialisation in 2027 for angiofibromas and Port Wine stains in 2019. The market we used was 2,080,000 using 2m cases of Port Wine Stains and 80,000 cases of TSC angiofibromas. For simplicity's sake, we treated it as one combined market. We used a price of US$8,974 – a blended price of $25,000 for angiofibromas and a third of that for Port Wine Stains but assuming the vast majority (96%) are for Port Wine Stains. We assume commercialisation in 2029 and that penetration is 4%. In one sense, this may be considered conservative given the lack of alternatives on the market, although the condition isn't always harmful (at least not at an early stage). The condition can over time result in the skin thickening and bleeding easier making intervention necessary at that point.

Stablepharma. We started with a population of 222.5m, based on the cumulative population of the UK, South Africa, Canada, Australia, Hong Kong, Singapore and New Zealand – 7 of the most important markets for AFT; then assumed a peak 10% penetration accounting for its potential to be used in existing products. We used a price of US$30 per treatment, a blended value of the 4 most common refrigerated drugs (MMR, DTPa, Hepatitis B and Poliovirus). We acknowledge these are all vaccines and it is not only vaccines where the opportunity is as this could be useful for all drugs requiring refrigeration but think using these as a guide for pricing would be most helpful given the size of the market.

As Figure 11 depicted, these 3 alone could derive almost A$4bn in average annual sales at the peak of our model and nearly A$700m in royalties. Figure 10 and Figure 11 depict a cumulative value above and beyond the existing business. Investors could potentially be getting several hundreds of millions of dollars in upside 'for free' – in the sense that none of this is reflected in the business at all even though some are in the early stages of commercialisation.

AFT's current valuation is not reflecting the pipeline beyond Maxigesic at all.

Legacy business

Revenue model: Our model assumes AFT continues its long-term pattern of double-digit revenue growth for the next few years. AFT guided to at least NZ$300m for FY27 and we assume this growth (18% from the year prior) is achieved. Revenue is segmented into the same four operating regions AFT has used in its annual results: Australia, New Zealand, Asia, and Other International. Each region is further broken down by therapeutic category. Australia remains the anchor market, with growth assumptions starting at 16.5% and tapering gradually to 4% by FY36. Maxigesic

[2] Zheng, W. et. al. 2025, Global, regional, and national anemia burden among women of reproductive age (15–49 years) from 1990 to 2021: an analysis of the Global Burden of Disease Study. Front Nutr. Jul 28;12:1588496. Doi: 10.3389/fnut.2025.1588496.
[3] Ning, S. et. al. 2019, Management of iron deficiency, Hermatology Am Soc Hematol Educ Program. 2019 Dec 6; 2019(1):315-322. Doi: 10.1182/hematology.2019000034.

maintains its category leadership but OTC products record sales growth as well. New Zealand follows a similar but slightly lower trajectory, beginning at 12% growth and tapering to 2.5%.

We've assumed AFT hits NZ$300m revenue in FY27.

Turning to the non-ANZ segments, both are modelled with faster top-line growth. Asia starts with at 25% growth which normalises to 8%, reflecting the recovery in Korea, Crystaderm's China approval, and broader regional expansion. Sales are growing in Japan, building in Malaysia and Indonesia and commencing in Thailand and Taiwan. The Phillippines and Vietnam are expected to follow in time.

Other International Markets (including Maxigesic IV, Combogesic tablets, Crystaderm, and licensing) begin at 35% growth, tapering to 8%, consistent with the scaling of AFT's international hubs and new licensing agreements. Our growth assumptions in the latter two markets may sound overly optimistic but these only represent a $14m climb in revenue from $44.2m in FY26 to $58.1m in FY27 and these figures do moderate over time. And again, Asia's growth reflects recovery from the problems in Korea (particularly the doctors strike) which saw sales down 18%. To reiterate, we've modelled AFT to record $300.7m in revenue and this would be 18% higher than the year before – a growth figure actually lower than the 22.4% growth recorded in FY26. By the end of the life of our model, we assume that AFT has more than doubled its revenue. The growth can be justified through AFT's continued innovation and geographical expansion – in particular the South African hub and Combogesic IV could account for a significant uptick in revenue in the business

Cost structure and operating leverage. In FY26, total operating expenses amounted to 90.4% of the company's revenue. Of this 56.6% was cost of sales, 23% was selling and distribution, 6.3% was general and administrative, 4.3% was research and development and the balance was 'other'. We've modelled operating margins in our base case to grow from 10% to 16% over the next 10 years reflecting scale benefits. We kept working capital assumptions as well as intangible and PPE assumptions the same as in FY26. We did model net debt increasing in FY27 reflecting inventory build and the South Africa acquisition, peaking at NZ$38m in FY28 before moderating over time as cash flow rises and the company begins to repay the debt.

Tax rate. We used 28%, the rate for all New Zealand companies.

Discount rate. Our model uses a risk-free rate of 4%, equity risk premium of 6% and a 1.1x beta, deriving a 10% WACC given those inputs as well as an 88% weight of equity and a 6% pre-tax cost of debt. We used a 2% terminal growth rate.

Exchange rate. We used the current exchange rate of A$1=NZ$1.20 to translate our per share valuation back into Australian dollars.

Our bull case differs in modelling a slower 'normalisation of revenues' toward the end of the 2020s – for instance Australia sees 10% growth in FY29 rather than 8% although the rates are the same by the end of the model. assumes faster scaling of the US Maxigesic franchise, stronger licensing uptake, and more rapid hub maturation (South Africa, Asia, Europe). The bull case does keep expenses the same assuming a faster absorption of fixed cost and earlier profitability in international hubs. The result is a 22% operating margin (vs 16%) by the end of the life of our model.

Risks facing AFT

We see the following key risks to our investment thesis:

- **Financial risk:** There is the risk that AFT will not meet its guidance and this could be a key turnoff for investors who would otherwise consider company. Moreover, its expansion in net debt is on the assumption that it will translate into growth and cash flow. Again, the company's reputation could be at stake if this does not happen.
- **R&D risk.** There is the risk that the company's products in development are delayed and this could push out the revenue contribution.
- **Regulatory risk.** The company's ability to commercialise its product is contingent on regulators maintaining approval where it already exists (including meeting ongoing regulatory compliance requirements) and giving approval to new products. A failure to give new products approval, or even a withdrawal of approval, could be catastrophic to its future ambitions.
- **Commercial risk.** There is the risk that the company may fail to execute its commercial objectives for a variety of reasons including supply chain issues and competition from generic and branded competitors alike.
- **Geographic risk:** As the company continues to expand overseas it will be exposed to various geographic factors including the local macroeconomic situations, forex movements and regulatory regimes, amongst others.
- **Key personnel risk:** There is the risk the company may lose key personnel and be unable to replace them and/or their contribution to the business.

Appendix I – Glossary

Active Pharmaceutical Ingredient (API) - The chemical component of a medicine that produces the therapeutic effect.

Analgesic - A medicine used to relieve pain.

Bioequivalence - A scientific test showing that two medicines deliver the same amount of drug into the body at the same rate.

Combination Analgesic - A single pill or formulation containing two medicines at set ratios (e.g., paracetamol + ibuprofen).

Compounded Product - A medicine prepared by a pharmacist when no commercial product exists or when a customised dose is needed.

Dermatology - The medical specialty focused on skin diseases and treatments.

Formulary - A hospital's approved list of medicines that clinicians are allowed to prescribe.

HCPCS J-Code - A US billing code hospitals need to claim reimbursement for a drug.

Hypertrophic Scar - A raised, thick scar caused by excess collagen after a wound heals.

Investigational New Drug Application (IND) - A formal request to the US FDA for permission to begin human clinical trials.

Intravenous (IV) - Delivered directly into a vein.

Nebuliser - A device that turns liquid medicine into a fine mist for inhalation.

Neuropathic Pain - Pain caused by nerve dysfunction rather than tissue injury.

Orphan Indication - A rare disease area with small patient numbers but special regulatory incentives.

OTC (Over-the-Counter) - Medicines sold without a prescription.

Paracetamol - A common pain-relief and fever-reduction medicine (also called acetaminophen).

Port Wine Stain - A birthmark caused by abnormal blood vessels that create a red or purple "stain" on the skin.

Proprietary Formulation - A unique recipe or method for making a drug that is protected by patents.

Topical – Administered via the skin, typically as a cream rather than intravenously.

Tuberous Sclerosis Complex (TSC) - A rare genetic disorder that causes benign tumours, including facial angiofibromas.

Ultrasonic Nebulisation - A method of turning liquid medicine into mist using high-frequency sound waves.

Vancomycin - A powerful antibiotic used for serious or drug-resistant infections.

Appendix II – Analyst Qualifications

Stuart Roberts, lead analyst on this report, has been an equities analyst since 2002.

- Stuart obtained a Master of Applied Finance and Investment from the Securities Institute of Australia in 2002. Previously, from the Securities Institute of Australia, he obtained a Certificate of Financial Markets (1994) and a Graduate Diploma in Finance and Investment (1999).
- Stuart joined Southern Cross Equities as an equities analyst in April 2001. From February 2002 to July 2013, his research speciality at Southern Cross Equities and its acquirer, Bell Potter Securities, was Healthcare and Biotechnology. During this time, he covered a variety of established healthcare companies, such as CSL, Cochlear and Resmed, as well as numerous emerging companies. Stuart was a Healthcare and Biotechnology analyst at Baillieu Holst from October 2013 to January 2015.
- After 15 months over 2015–2016 doing Investor Relations for two ASX-listed cancer drug developers, Stuart founded NDF Research in May 2016 to provide issuer-sponsored equity research on ASX-listed Life Sciences companies.
- In July 2016, with Marc Kennis, Stuart co-founded Pitt Street Research Pty Ltd, which provides issuer-sponsored research on ASX-listed companies across the entire market, including Life Sciences companies.
- Since 2018, Stuart has led Pitt Street Research's Resources Sector franchise, spearheading research on both mining and energy companies.

Nick Sundich is an equities research analyst at Pitt Street Research.

- Nick obtained a Bachelor of Commerce/Bachelor of Arts from the University of Sydney in 2018 and the designation of Financial Modelling & Valuation Analyst by the Corporate Finance Institute. He has also completed the CFA Investment Foundations program.
- He joined Pitt Street Research in January 2022. Previously he worked for over three years as a financial journalist at Stockhead.
- While at university, he worked for a handful of corporate advisory firms

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