

Euronext Growth Conference



Friulchem spa

May 24, 2022

Today's speakers

**Disma Giovanni
Mazzola**



***CEO & Investor
Relations***

**Carlo
Marelli**



CFO

Agenda

- Company Overview
- Market Vet & Human
- BU Vet & Human
- Strategic Guidelines
- Achievements
- Financials FY2021
- Appendix

Company Overview

Friulchem at a glance

Leading Italian operator active at an international level in R&D and in the production for third party of semi-finished and finished products containing active pharmaceutical ingredients and food supplements.

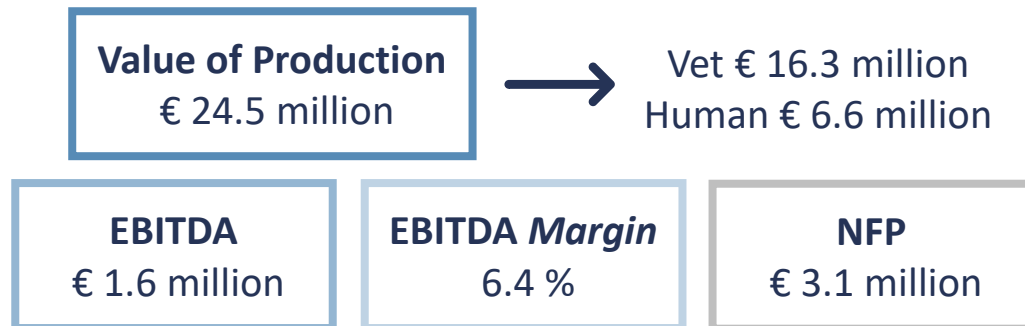
Specialization in:

- drug delivery for the **Veterinary sector** - BU VET
- development of dossiers for generic drugs in the **Human sector** - BU Human

Listed at the EGM since July 2019.

Headquartered in **Milan** with the production plants located in the industrial area of Vivaro (Friuli Venezia Giulia) and in Magny-en-Vexin (France).

FY2021 CONSOLIDATED FINANCIAL HIGHLIGHTS



MAIN CLIENTS

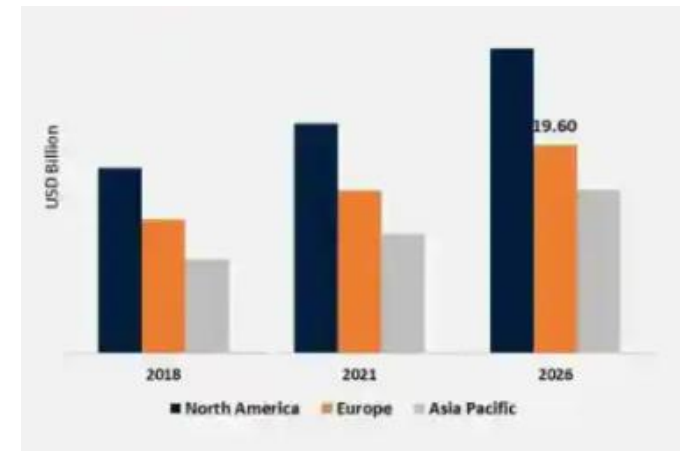


Market Vet & Human

The Veterinary Market

1/2

- The global animal health market is expected to reach **USD 79.29 Billion in 2028**
- The **Asia Pacific** region is expected to record the highest growth rate of 7% owing to developing healthcare and pharmaceutical industry in this region.
- In 2018, **North America** had the largest market share and it is expected to maintain its dominance owing to the presence of a mature veterinary industry
- Key factor of growth:
 - high prevalence of various **zoonotic** and **food-borne diseases and infections**
 - increasing **research and development activities in veterinary medicine**
 - favorable **government initiatives**.



Source: Animal Health Market Size, Share, and Industry By Animal Type, By Product, By Dosage, By Distribution Channel, By End-use, and By Region Forecast to 2028

MAIN DRIVERS*

1

Escalating disposable
income

2

Growing demand for
animal protein

3

Rising **veterinary**
healthcare expenditure

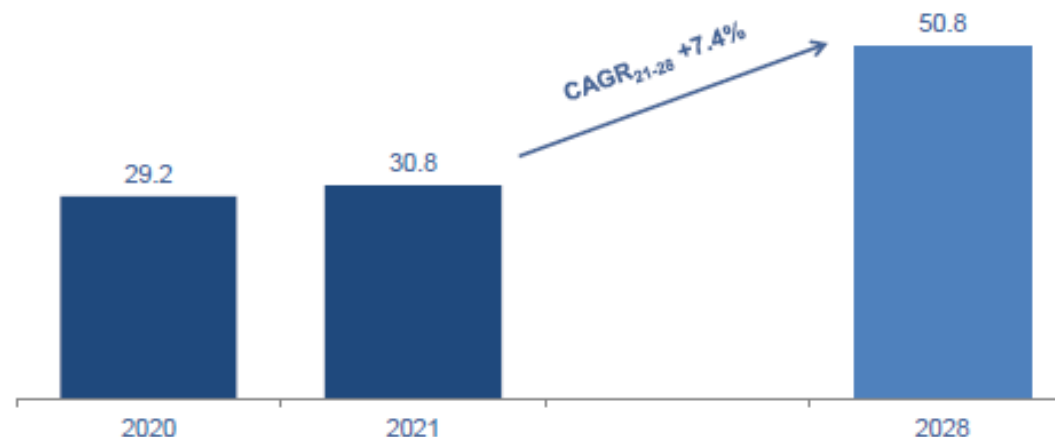
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Augmenting awareness of
animal health

The Veterinary Market

2/2

The size of the **global veterinary medicine market** is anticipated at \$ 29.2bn in 2020 and is expected to grow by 5.5% in 2021 and to expand at a CAGR₂₁₋₂₈ of 7.4%, reaching \$ 50.8 billion in 2028.



Source: Grand View Research 2021

MAIN DRIVERS

1

Increasing **cases of zoonotic and chronic diseases**, globally

2

Rising health expenditure on pets linked to the need of better treatment options for companion animals

3

Demand for mandatory vaccination for animals, related to the growing consumption of meat

The Human Market

1/2

GLOBAL PHARMACEUTICAL MARKET 2019*

The **global pharmaceutical market** reached a turnover of **€ 750 bn**. North America (USA & Canada) is confirmed as the leading market with a share of business volume of approx. **45.3%**. **Global pharma market is expected to be worth USD 1.57 trillion by 2023.**



* Source: <https://www.marketresearchreports.com/>

GLOBAL MARKET FOR GENERIC DRUGS**

Another reference market for the Company is the **generic drugs market**, which consist in reproducing an original product without patent protection and launch on the market without a defined brand.

This market has the **following characteristics**:

- The market is anticipated to reach a value of **497 bn \$ Billion by 2025**, growing at a **CAGR of 5.2%** during 2020-2025
- Dominated by few leading companies, mainly distributed in Europe (world leader), USA and Japan
- **Stability**, maintaining a stable fluctuation of demand rates over the years
- Made up of strong **economies of scale and scope**, with important **entry barriers** for new entrants

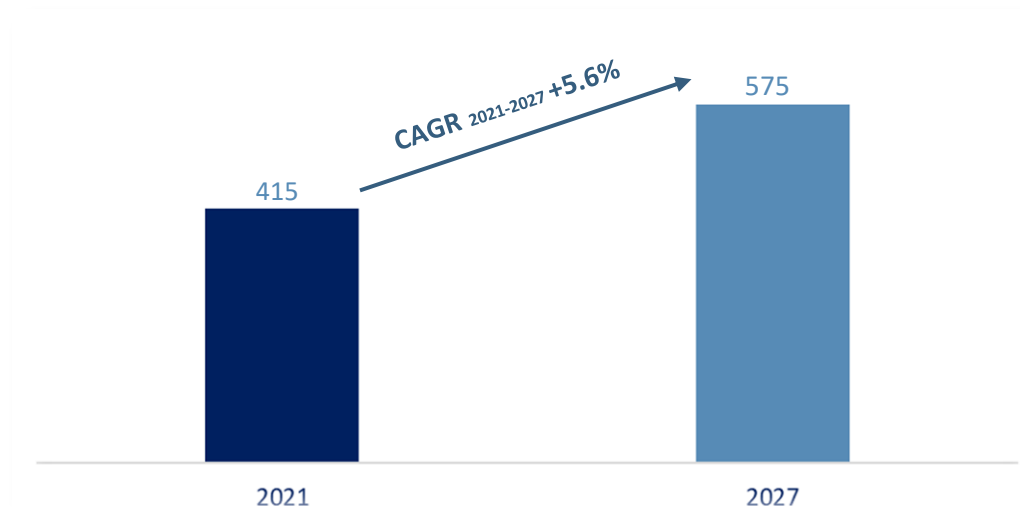
**Source: <https://www.medgadgets.com/>

The Human Market

2/2



The **global generic drugs market** is valued at approximately \$ 415bn in 2021 and is anticipated to grow at a CAGR21-27 of 5.6%, reaching \$ 575bn in 2027



Source: Mordor Intelligence 2020

MAIN DRIVERS

1

Rising demand for
**newer versions of
generic drugs**

2

Rising demand for
**additional number of
clinical trials**

3

Increasing numbers of
**licensing & partnering
strategies** to launch new
products by key vendors

BU Vet & Human

Business Unit – Vet



Over the years, FC has increased its field of action by **developing a BU veterinary medicinal products and animal feeds / supplements**, also thanks to the strengthening of the **internal R&D laboratory**. The Company complies with the GMP (European Good Manufacturing Standards) EU since 2007.

Plant dedicated to the **production** of finished and semi-finished: **nutraceuticals** and **pharmaceutical** products (granules or powders) through the following production technologies: **Granulation, Micronization, Atomization , Liquids, Premixes, Powders, Bolus and Pastes.**

NUTRACEUTICAL

- Vitamins
- Minerals
- Probiotics

PHARMACEUTICAL

- Antibiotics
- Penicillins

END PRODUCTS

1. **Premix** (granules sent to the client in bulk for refilling or further processing onsite)
2. **Soluble**
3. **Injectable**

DEDICATED TO FARM ANIMALS

Plant dedicated to development and production as the result of previous **investments in R&D** specific systems (**FC-CUBES®** and **FC-BALLS®**) for the administration of drugs and products/supplements both for the health of **farm animals** and **pets**.

FC-BALLS® TECHNOLOGY

Applicable to all finished products using water as the excipient, diluent or carrier. It allows the distribution of active ingredients, although insoluble, in all concentrations:

- In the drinking water
- In the pour on formulations, avoiding leaching by rain
- Preparation of shampoos, lotions and similar
- Environmental protection

DEDICATED TO FARM ANIMALS & PETS

FC-CUBES® TECHNOLOGY

Different manufacturing method to reach a chewable matrix with all the benefits presented for the drugs. Due to the high palatability, FC-CUBES® could be used to prepare formulations that include:

- Pharmaceutical ingredients: Antibiotics, Antiparasitic, Insecticide, Anti-inflammatory,
- Nutraceutical products: Additives, Vitamins, Minerals

DEDICATED TO PETS

Business Unit – Vet



Friulchem launched **Suppleo**, the new line of **complementary feeds for dogs and cats**, based on the Italian technology FC-CUBE® patented by Friulchem.

Suppleo comes in the form of **highly palatable tablets** formulated to preserve the organoleptic properties of the **100% natural ingredients**. Each product of the Suppleo line is the result of specific research and constitutes a concentrated source of nutrients to support the good health of dogs and cats.

Suppleo will initially include a **line of products** useful for strengthening the **immune defenses**, for **hair and skin care**, for the management of joint and **muscle problems**, for the improvement of difficulties related to **digestion** and for the management of **stressful situations**. Afterwards, products for dental hygiene, urinary tract, memory, sight and bones will be added.

The new Suppleo line will be on sale from November and **exclusively** through the **online channel** www.suppleo.life and **Amazon**.



Business Unit – Vet

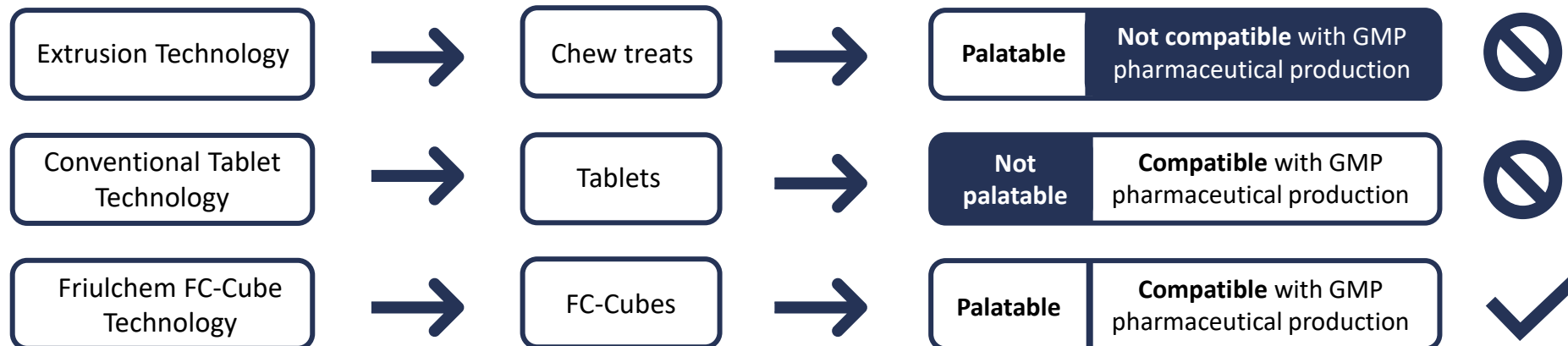


Friulchem has grown in the **VET Market USA**, thanks to the acquisition of 13% of **Pharmabbie inc**, an American company specialized in the **development of veterinary drugs**. Through Pharmabbie, Friulchem will be able to validate the the **FC-technology. CUBE®** owned by Friulchem.

Pharmabbie Inc., with registered office in Delaware, was incorporated with the mission to **develop drugs for the US veterinary market**, and the **international market**, to be distributed through Friulchem's FC-CUBE® technology.

SOLVING A MAJOR TECHNICAL ISSUE: PALATABILITY VS. PHARMACEUTICAL PRODUCTION

The **solid oral dosage forms** currently on the market are **not convenient for dogs or cats** neither for dosage strength nor palatability. In collaboration with Friulchem SpA, PharmAbbie has developed proprietary dosage strength, palatable, flavored **compressed tablets**.



Business Unit – Human



BU dedicated to **research and development of generic drugs or that should become generic**, where the formulation presents a **high degree of production and development complexity**.

The **production is outsourced** to partner companies with appropriate certifications of their plants, while the **ownership of the formulation** remains to **Friulchem**.

FC has developed a line dedicated to the production of **cosmeceuticals** (i.e. K5 Cryolaser, cutaneous anti-brown lipogel distributed under the «Friulchem» brand), with a **large growth potential**, especially on the Asian markets.

IN-HOUSE PROJECT

After completing the feasibility study, we proceed with the research for an investor who would support the testing and clinical analysis, necessary to deposit the formulation to the competent authority. **At the end of the process, Friulchem's proprietary formulation can be given in license or sold to industrial player.**

PROJECT FOR THE CLIENT

The activities to be carried out are shared with the client, with an invoice at Milestone (production, verification of stability, market authorization). Activities include assistance with filing the file to the competent authorities. **At the end of the project the client is the owner of the formula/file deposited.**

Strategic Guidelines

Strategic Guidelines

ORGANIC GROWTH

BU VET

Significant growth



Development of new drug delivery technologies

Geographic expansion

- USA
- South America
- Southeast Asia
- Australia & New Zealand

BU HUMAN

Consolidation of the existing market and increasing market share in new markets



Carry out in an opportunistic way to maximize the existing investments

EXTERNAL GROWTH

Growth by external lines

M&A - Vertical integration



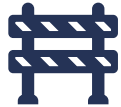
Acquisitions of synergic realities in Italy and abroad that can allow downstream integration (towards the finished product), expand of the range of molecules and the number of customers.

Investment Highlights



Global Vet market size:

- fast growing **Pet economy**
- **Farm animals** market needs continuous and daily care



Market with **high entry barriers** due to huge investments in technology, equipment, laboratories and R&D activity



Friulchem R&D, process quality and the use of cutting-edge technologies.
Friulchem's semi-finished products incorporate a **high level of innovation** that is difficult to replicate



Friulchem is one of the few companies in Europe **focused on the treatment of penicillin** for animal health in a dedicated manufacturing area



Ability to **offer tailor made solutions**. Important attitude to gain the **customers loyalty** and to be considered a **reliable partner**



Management important track record from 30 years

Achievements

BU Vet – Purchase of a company branch

Purchase of a production company branch including the production site of products for the **veterinary pharmaceutical industry** located in Magny-en-Vexin owned by Virbac.

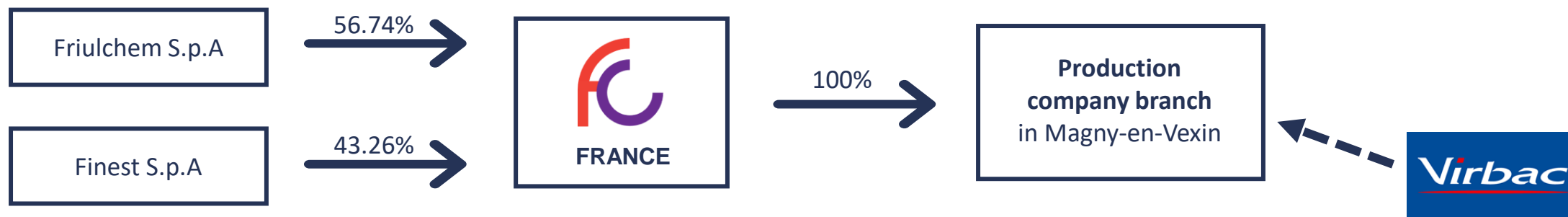
The **acquisition price** is equal to **€ 4.8 million**, including € 2.4 million of the net book value of the inventories as June 25, 2021*, that is financed in part by a 15-year property lease issued by Credit Agricole to FC France for an amount equal to € 2.30 million and the remainder by cash on hand.

The **payment of the acquisition price** took place today for € 2.9 million and the remaining part in 6 monthly instalments of the same amount within the end of December 2021.

The **closing** was signed on July 2, 2021.

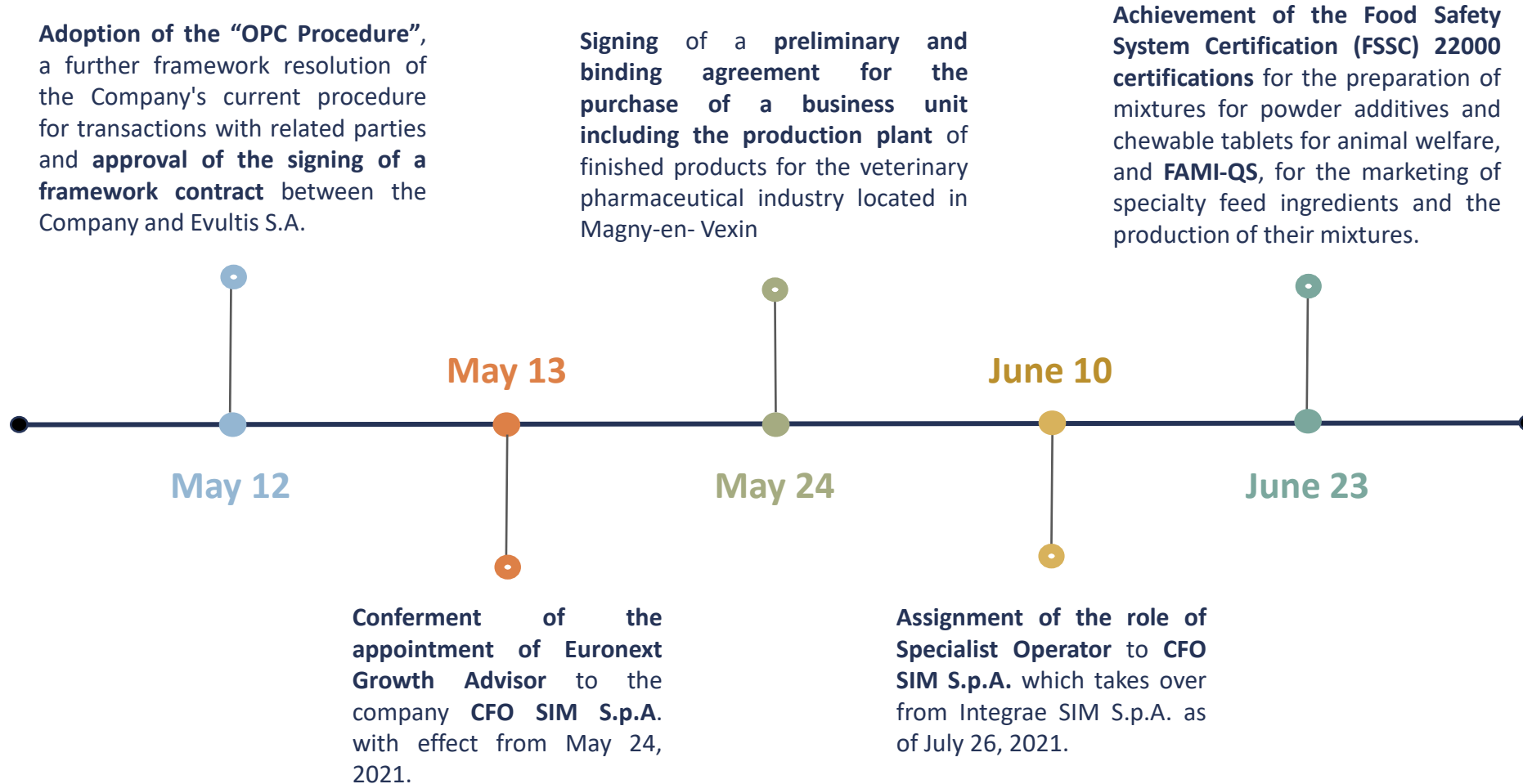
FC France simultaneously signed a commercial agreement with Virbac, for a period of 10 years, which governs the supply to the latter of all products manufactured to date in the plant.

This agreement will allow the immediate **exploitation of the production capacity of the plant** and consequently a positive contribution in terms of turnover and EBITDA from the first year of operation.



CONTINUES CONSOLIDATION IN THE VETERINARY SECTOR AND INTERNATIONAL EXPANSION

Achievements FY2021

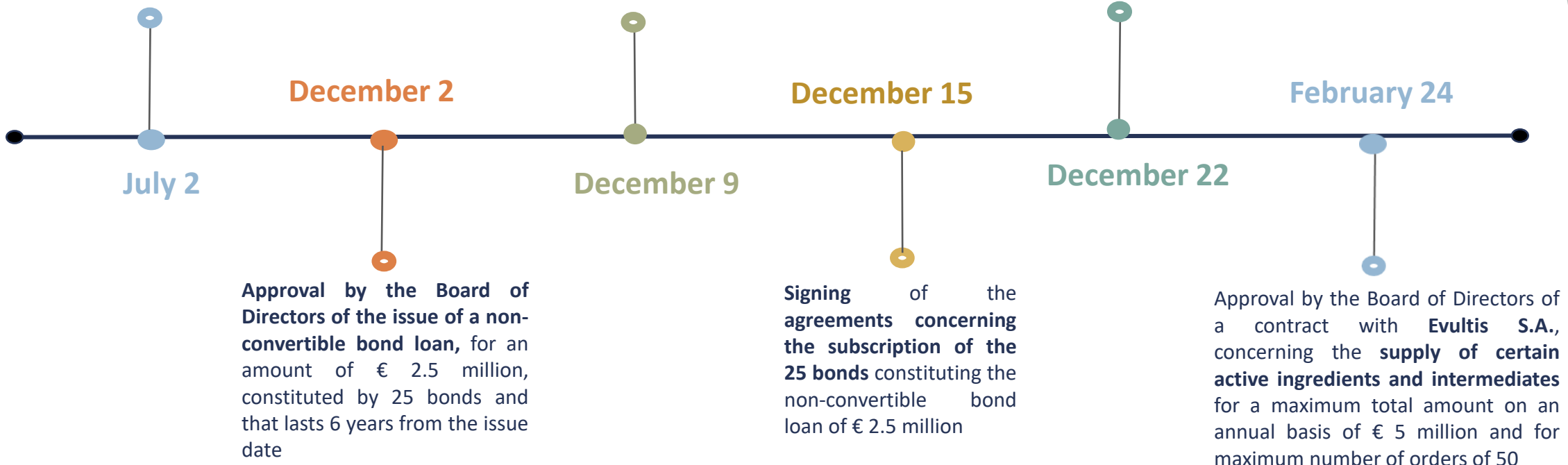


Achievements FY2021 and 1Q2022

Announcement of the successful conclusion of the closing of the operation for the **purchase of a business unit** including the production plant in Magny-en-Vexin

Signing of an agreement with an **Italian pharmaceutical company** for the development and supply of pet supplements with proprietary technology FC-Cubes

Signing of a new **5-year contract** with a major international company that manufactures and markets **pet food**; the agreement concerns the development of a probiotic complementary food in tablet form with proprietary FC-Cubes technology



Financials FY2021

Income Statement Friulchem S.p.A. FY2021

| (€/000) | FY2020 | FY2021 |
|---|---------------|---------------|
| <i>Business Unit Vet</i> | 11.429 | 11.891 |
| <i>Business Unit Human</i> | 5.238 | 6.603 |
| Revenues from sales and services | 16.667 | 18.494 |
| Other characteristic revenues | 176 | 127 |
| Change in inventories of work in progress, semi-finished and finished products | 180 | 134 |
| Increase in fixed assets for internal works | 561 | 398 |
| Other revenues | 112 | 164 |
| PRODUCTION VALUE | 17.696 | 19.316 |
| Consumption of raw materials, ancillary materials and var. of inventories of raw materials and semi-finished products | (11.919) | (12.511) |
| Costs for services | (2.990) | (3.346) |
| Costs for use of third-party assets | (122) | (180) |
| Personnel costs | (1.914) | (1.822) |
| Other charges | (113) | (226) |
| PRODUCTION COSTS | 17.059 | 18.085 |
| EBITDA | 637 | 1.230 |
| <i>VDP Margin (%)</i> | <i>3,6%</i> | <i>6,4%</i> |
| Immaterial amortization | (558) | (452) |
| Material depreciation | (387) | (388) |
| EBIT | (308) | 391 |
| <i>VDP Margin (%)</i> | <i>-1,7%</i> | <i>2,0%</i> |
| Financial income/(charges) | (170) | (300) |
| EBT | (478) | 91 |
| Income taxes for the year | 167 | (81) |
| Profit (loss) | (311) | 9 |

Sales revenues amounted to € 18.5 million, an **increase of 11%** compared to € 16.7 million as at 31 December 2020.

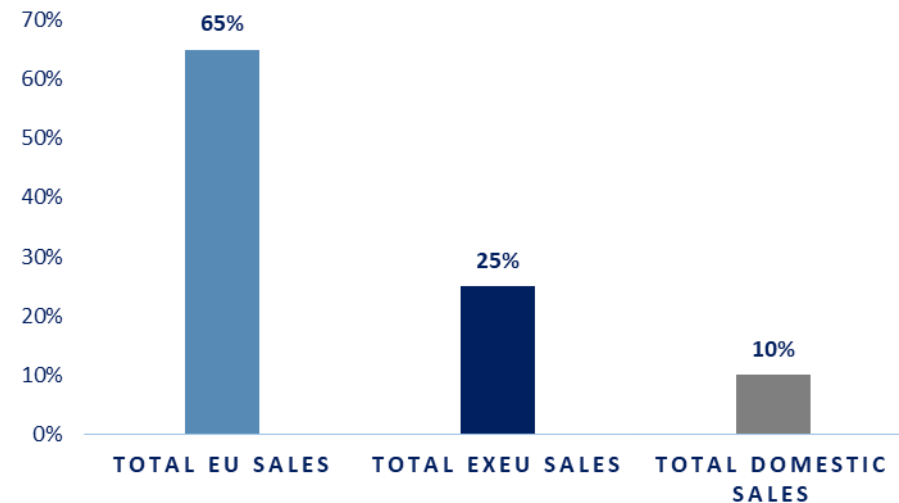
In particular:

- the **Veterinary BU** reported revenues of € 11.9 million at 31 December 2021, **up +4%** against € 11.4 million at the end of 2020.
- the **Human BU** reported revenues of € 6.6 million with an **increase of +26%** compared to € 5.2 million at the end of 2020.

EBITDA at 31 December 2021 stood at € 1.2 million, **up +93%** compared to € 0.6 million at the end of 2020 and with an EBITDA margin of 6.4% (vs. 3.6% in 2020).

Breakdown by BU and Geography Friulchem S.p.A.

| (€/000) | 2021 |
|----------------------------|---------------|
| Vet products - Vivaro | 8.515 |
| Trading | 2.354 |
| Milestones Vet | 1.022 |
| Business Unit Vet | 11.891 |
| (€/000) | 2021 |
| Human products | 4.756 |
| Trading | 1.442 |
| Milestones Vet | 405 |
| Business Unit Human | 6.603 |
| Total Revenues | 18.494 |



Consolidated Income Statement FY2021

| (€/000) | FY2021 |
|---|---------------|
| <i>Business Unit Vet</i> | 16.275 |
| <i>Business Unit Human</i> | 6.603 |
| Revenues from sales and services | 22.878 |
| Other characteristic revenues | 127 |
| Change in inventories of work in progress, semi-finished and finished products | 691 |
| Increase in fixed assets for internal works | 398 |
| Other revenues | 419 |
| PRODUCTION VALUE | 24.512 |
| Consumption of raw materials, ancillary materials and var. of inventories of raw materials and semi-finished products | (15.708) |
| Costs for services | (4.050) |
| Costs for use of third-party assets | (329) |
| Personnel costs | (2.599) |
| Other charges | (246) |
| PRODUCTION COSTS | 22.931 |
| EBITDA | 1.581 |
| <i>VDP Margin (%)</i> | 6,4% |
| Immaterial amortization | (483) |
| Material depreciation | (409) |
| Write-downs of fixed assets and receivables | 0 |
| EBIT | 689 |
| <i>VDP Margin (%)</i> | 2,8% |
| Financial income/(charges) | (420) |
| EBT | 269 |
| Income taxes for the year | (128) |
| Profit (loss) | 141 |

Balance Sheet Friulchem S.p.A. FY2021

| (€/000) | FY2020 | FY2021 |
|--|---------------|---------------|
| Inventories | 2.315 | 2.449 |
| Trade receivables | 2.000 | 4.360 |
| Trade payables | (3.225) | (4.286) |
| Deposits | (28) | (104) |
| COMMERCIAL WORKING CAPITAL | 1.061 | 2.418 |
| Other receivables and non-fixed assets | 865 | 646 |
| Other debts | (660) | (628) |
| Prepayments and accrued income | 58 | 41 |
| Prepayments and accrued expenses | (228) | (155) |
| NET WORKING CAPITAL | 1.097 | 2.323 |
| Intangible assets | 8.323 | 8.644 |
| Tangible fixed assets | 1.689 | 1.637 |
| Financial fixed assets | 1.422 | 1.763 |
| NET FIXED ASSETS | 11.434 | 12.044 |
| GROSS INVESTED CAPITAL | 12.531 | 14.367 |
| Employee termination indemnity | (650) | (515) |
| Risks and Charges Fund | (392) | (392) |
| NET INVESTED CAPITAL | 11.488 | 13.459 |
| Short term debts to banks | 1.531 | 1.991 |
| Financial debts to banks and other m/l financing creditors | 3.690 | 8.677 |
| Total Financial Debts | 5.221 | 10.668 |
| Cash and cash equivalents | (4.146) | (7.631) |
| NET FINANCIAL POSITION | 1.075 | 3.037 |
| Share Capital | 6.000 | 6.000 |
| Reserves | 4.724 | 4.413 |
| Profit (loss) of the period | (311) | 9 |
| EQUITY | 10.413 | 10.422 |
| TOTAL SOURCES | 11.488 | 13.459 |

NFP amounted to € 3.0 million, a deterioration compared to last year.

The increase in NFP is due to the following:

- the cash outflow for the acquisition of 53% of the share capital of the French company FC France SAS;
- the cash outflow due to the 2021 severance pay settlement;
- the increase in Net Working Capital.

Consolidated Balance Sheet FY2021

| (€/000) | FY2021 |
|--|---------------|
| Inventories | 5.815 |
| Trade receivables | 4.419 |
| Trade payables | (7.787) |
| Deposits | (104) |
| COMMERCIAL WORKING CAPITAL | 2.343 |
| Other receivables and non-fixed assets | 753 |
| Other debts | (439) |
| Prepayments and accrued income | 41 |
| Prepayments and accrued expenses | (155) |
| NET WORKING CAPITAL | 2.543 |
| Intangible assets | 9.058 |
| Tangible fixed assets | 1.772 |
| Financial fixed assets | 1.422 |
| NET FIXED ASSETS | 12.252 |
| GROSS INVESTED CAPITAL | 14.795 |
| Employee termination indemnity | (515) |
| Risks and Charges Fund | (392) |
| NET INVESTED CAPITAL | 13.888 |
| Short term debts to banks | 1.991 |
| Financial debts to banks and other m/l financing creditors | 9.877 |
| Short term debts to other financing creditors | 0 |
| Total Financial Debts | 11.868 |
| Cash and cash equivalents | (8.793) |
| NET FINANCIAL POSITION | 3.075 |
| Share Capital | 6.000 |
| Reserves | 4.673 |
| Profit (loss) of the period | 141 |
| EQUITY | 10.814 |
| TOTAL SOURCES | 13.888 |

Appendix

Business Model

Friulchem is mainly a **B2B** enterprise, developing technologically advanced **Drug Delivery** solutions (delivery technology, typically grouped into injectables, capsules, granulates and aerosol sprays) directly for industrial groups in the veterinary and human sectors.

RESEARCH

Through participation in international fairs and market research, FC identifies niche molecules to be developed and possible partners capable to support FC in development.

DEVELOPMENT

Production of "validation lots" and generation of the necessary data for the preparation of a dossier.

AUTHORIZATION

Choice of markets of interest and submission of the data generated to the Authorities of the countries of interest.

FEASIBILITY ANALYSIS

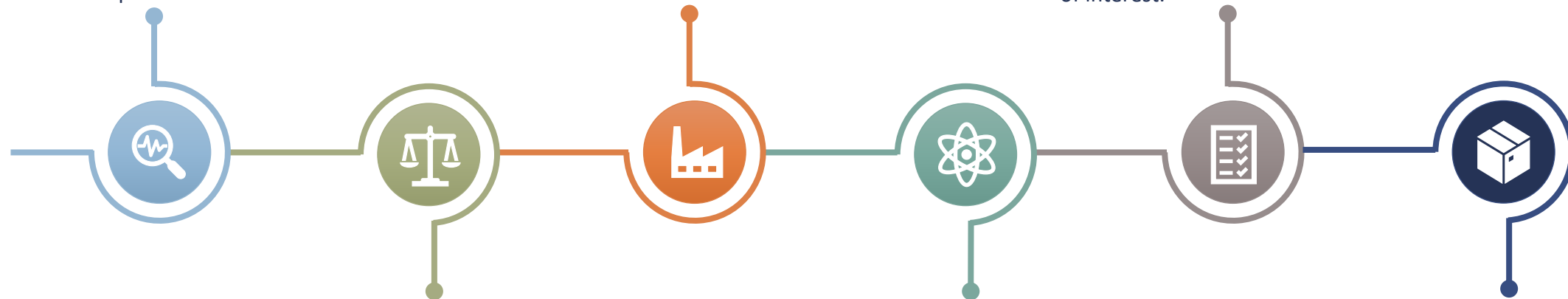
Selection of laboratories / suppliers with specific skills according to the molecule object of the project and for the markets of interest.

CLINICAL STUDY

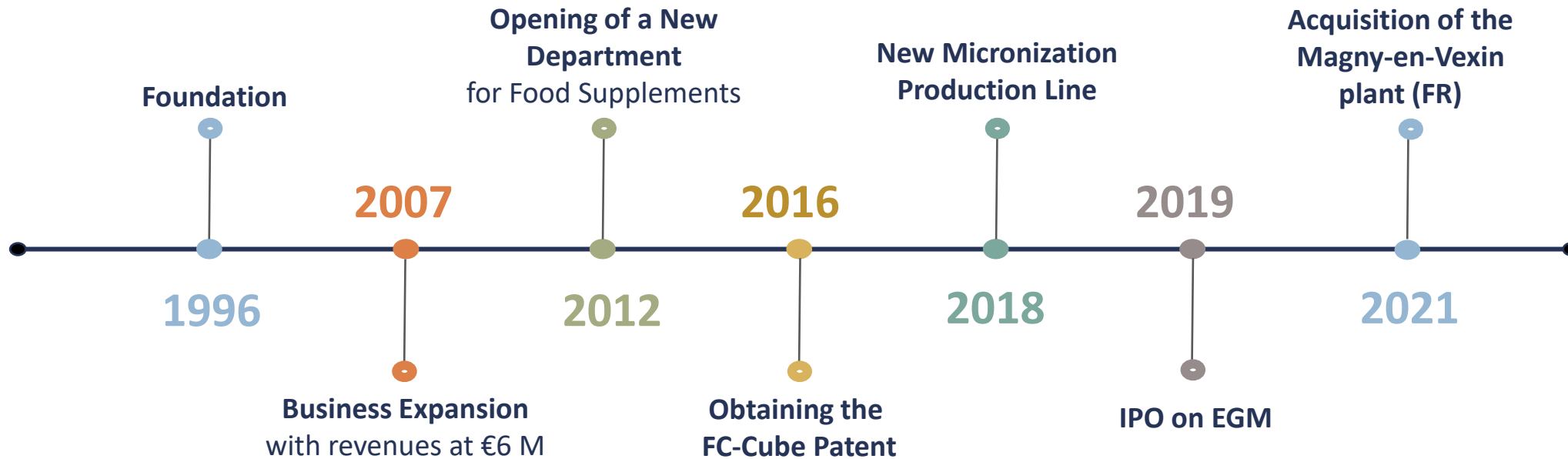
Clinical study or any bioequivalence studies in order to demonstrate the similarity of the product with the competitors on the market.

LAUNCH ON THE MARKET

Placing the relative drug on the market (in case of positive approval).



History & Governance



TOP MANAGEMENT



Disma Giovanni Mazzola
CEO

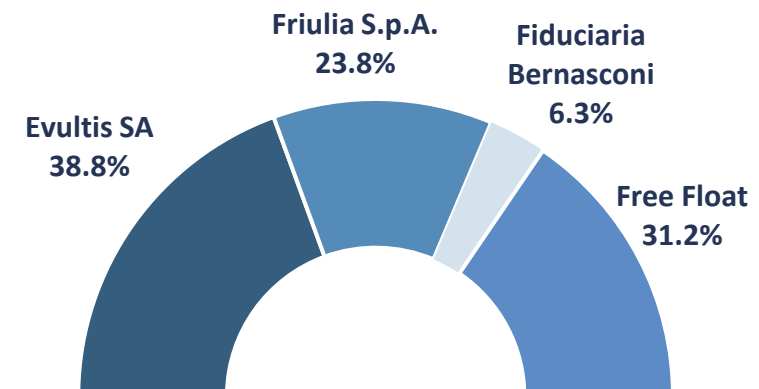


Alessandro Mazzola
Chairman



Carlo Marelli
CFO

SHAREHOLDERS



Industrial Footprint

THE PLANT

The production plant is located in the industrial area of Vivaro (Friuli Venezia Giulia) and in Magny -en-Vexin (France).

The plants authorized by the Ministry of Health and conforms to the EU GMPs to treat the class of Penicillins G (mainly amoxicillin) and sulfonamides.

THE PRODUCTION PROCESS

The production process includes granulation, micronization, atomization, liquids, premixes, powders, bolus and pastes.

The laboratory, which also runs the function of quality control both inbound and outbound, is equipped with modern and suitable equipment for the production needs of FC.

MIXING



STORAGE



GRANULATION



MICRONIZATION



LIQUIDS



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