



# Investor Presentation

Mid & Small Virtual Summer 2021

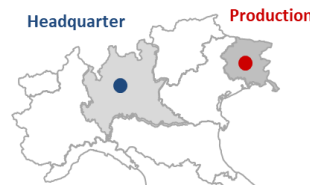
August 4, 2021

- **Company Overview**
- Achievements FY2020
- Market
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Friulchem a company **listed at the AIM since July 2019**, leading Italian operators active at international level in R&D and in the production for third party accounts (CDMO -Contract Development Manufacturing Organizations) of semi-finished and finished products containing active pharmaceutical ingredients and food supplements, **specializing in drug delivery** for the veterinary sector (**BU VET**) and in the development of dossiers for generic drugs in the Human sector (**BU Human**).

The headquarter is in Milan, and the production plant is located in the industrial area of Vivaro (Friuli Venezia Giulia) **authorized by the Ministry of Health** and conforms to the EU GMPs to treat the class of **Penicillins G** (mainly amoxicillin) and sulfonamides.



## FY2020 FINANCIAL HIGHLIGHTS

Revenues  
€17.7 million

Human €5.2 million  
Vet €11.5 million

EBITDA  
€0.6 million

EDBITDA  
Margin  
3.5%

NFP  
€1.1 million

## MAIN CLIENTS



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** (Vivaro) dedicated to the **production** of finished end semi-finished: **nutraceuticals** and **pharmaceutical** products (granules or powders) through the following production technologies:

- **Granulation:** A shield to guarantee the stability of the actives in stressed conditions
- **Micronization:** Micro means 100% bioavailability of the Actives in different finished product
- **Atomization:** The best process to obtain a soluble product

## NUTRACEUTICALS

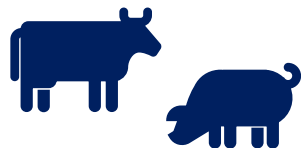
- Vitamins
- Minerals
- Probiotics

## PHARMACEUTICAL

- Antibiotics
- Penicillins

End-products: 1) premix (granules sent to the client in bulk for refilling or further processing on-site), 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. 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

Developed a different manufacturing method to reach a chewable matrix with all the benefits presented for the drugs. Due to the high palatability showed 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**





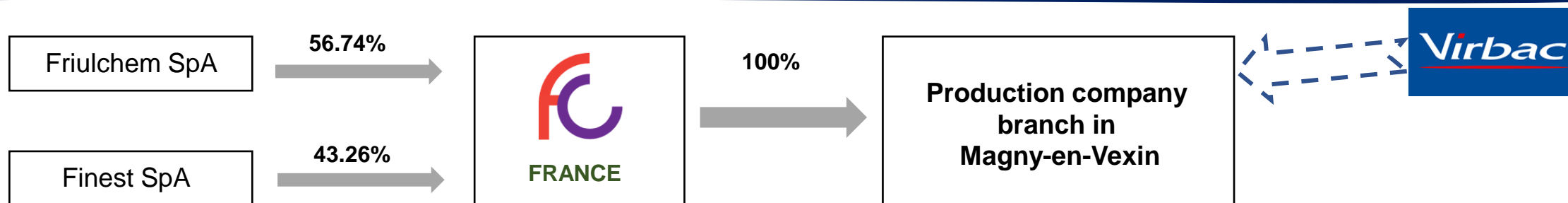
Launched the new line of complementary feeds for dogs and cats, based on the Italian technology FC-CUBE® patented by Friulchem.

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](http://www.suppleo.life) and Amazon.

## PURCHASE OF A PRODUCTION COMPANY BRANCH IN MAGNY-EN-VEXIN INCLUDING THE PRODUCTION SITE OF PRODUCTS FOR THE VETERINARY PHARMACEUTICAL INDUSTRY

- **Purchase of a production company branch** including the production site 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**

\* This amount will be subject to an adjustment in order to take into account inventory changes between 25 June 2021 and the closing date.

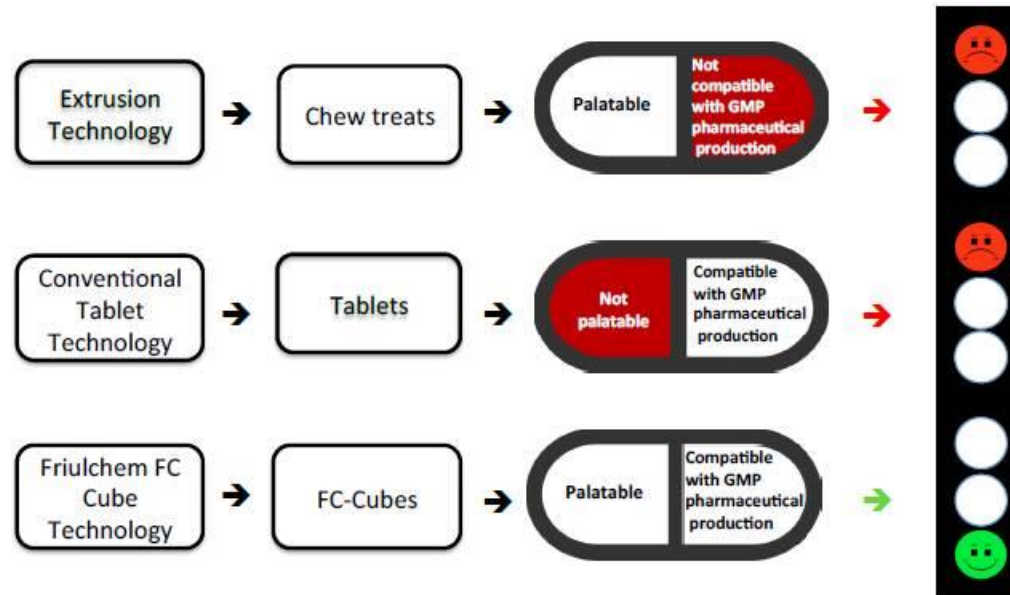
Friulchem has grown in the VET Market USA, thanks to the acquisition of 13% of **Pharmabbie inc**, an **American company** specialized in the development of veterinary drugs. Through Pharmabbie Friulchem will be able to validate the the **FC- technology. CUBE®** owned by Friulchem.

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.p.A.'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.

*PharmAbbie Inc.*





- BU dedicated to **research and development of generic drugs or that should become generic**, which 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 supports 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.**



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**Jan 17, 2020**

Obtained the registration from the Ministry of Agriculture of the People's Republic of China of **FC-REHYDRATANT**, an effervescent probiotic in powder form, easily dissolved in water, used in the rehydration of production livestock.

**Mar 11, 2020**

Friulchem grows in the USA with the acquisition of 13% of **Pharmabbie inc, an American company** specialized in the development of veterinary drugs to be administered with Friulchem's **FC-CUBES®** technology.

**Apr 30, 2020**

The BoD of Friulchem S.p.A. adopted a further framework resolution and approved the signing of a framework **contract between the Company and Eveltis S.A.**, concerning the supply to the Issuer

**Sep 9, 2020**

Friulchem S.p.A. has entered into a licensing and marketing agreement with **Apta Medica Internacional d.o.o.** (company operating in the Balkans and Eastern Europe), for an injectable antibiotic for human use for the treatment of skin and soft tissues. The agreement, lasting 5 years, concerns the license of the registration dossier and will allow the partner company to market the product on the basis of the dossier developed by Friulchem.

**Feb 19, 2020**

Obtained the **marketing authorisation for two products linked to the human business unit: i) in Vietnam**, for an **anti-diabetic drug**; **ii) in Switzerland**, for an **antibiotic** for treating uncomplicated acute infections of the lower urinary tracts.

**Apr 2, 2020**

Friulchem has strengthened the collaboration relationship with one of the largest multinationals in the veterinary sector for the marketing in **Brazil, Chile and Colombia** of a rehydrating complementary feed with a high electrolyte content.

**Jul 6, 2020**

Friulchem S.p.A. has received the authorization for a **new patent filed in France**, concerning chewable tablets, and will soon be extended to other European and non-European countries. The patent is an extension of the **FC-CUBES®** technology and is dedicated to probiotics useful for ensuring the normal well-being of the intestine and the microbial balance of animals..

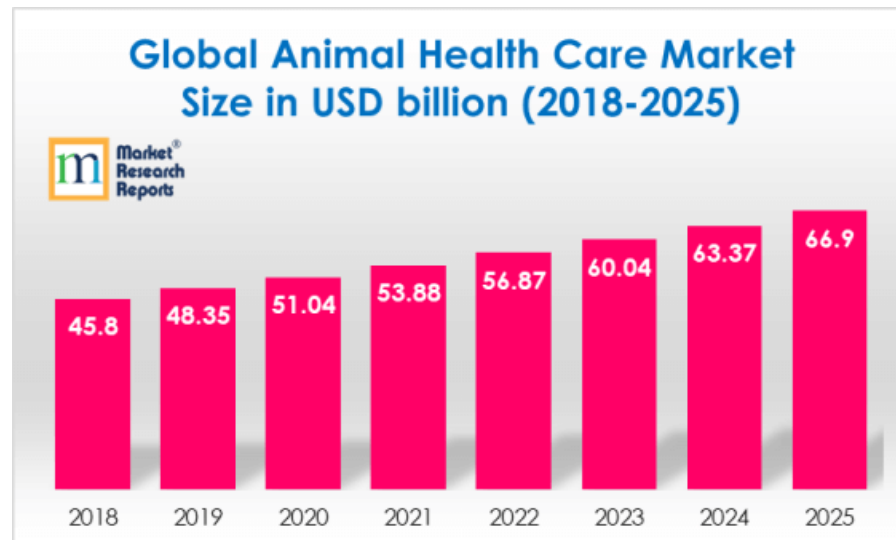
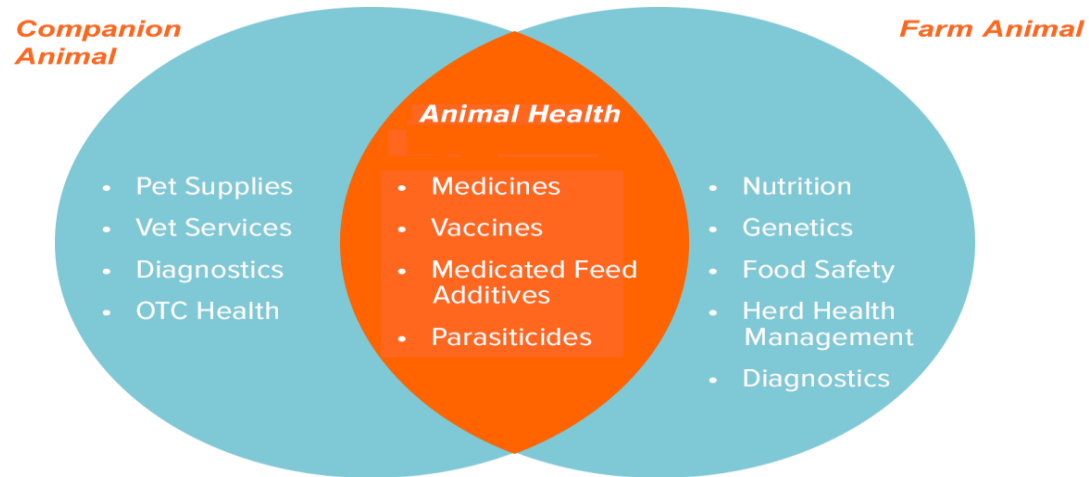
**Dec 6, 2020**

Friulchem S.p.A. has announced the **marketing of its own line of feed additives** used in the feeding of income animals in Italy from the first half of 2021 . With this operation Friulchem confirms its goal of becoming a reference point for the veterinary market in the field of additives.

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## Vet Market Breakdown



\*Source: <https://www.zoetis.ke/animal-health/growing-industry.aspx>

## MAIN DRIVERS

- Increasing of the animal infections, globally .
- Raising interest in animals' welfare and care, **especially pets**.
- Boost in the spending attitude for the aesthetic and physical care of pets.
- Regard to the farming animals, there is an incrementing demand for animal-based food products, driven by developing countries.

## 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:

- ✓ Strong growth in the period 2014-2019 at a **CAGR of 5.7%**, reaching an amount of approx. **367 bn \$** in 2019
- ✓ 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.medgadget.com/>

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## ORGANIC GROWTH



### BU VET

Significant growth

#### Geographic expansion

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

#### Development of new drug delivery technologies



### BU HUMAN

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

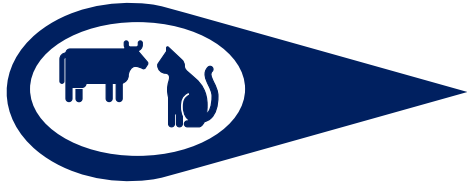
Carry out in an opportunistic way to maximize the existing investments

## EXTERNAL GROWTH

**Growth by external lines**  
M&A - Vertical integration

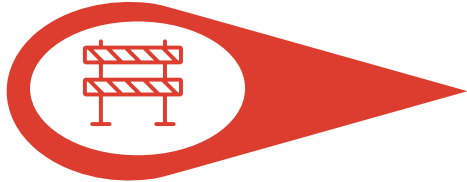
Acquisitions of synergic realities in Italy and abroad that can allow downstream integration (towards the finished product), expand of the range of molecules and the number of customers.

# Investments Highlights

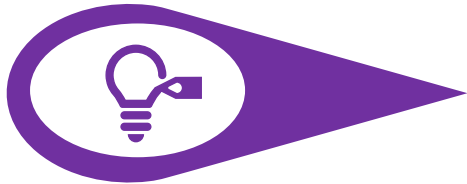


## Global vet market size:

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

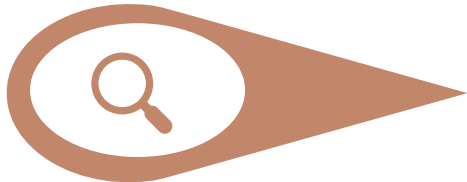


Market with **high entry barriers** due to huge investments in technology, equipment, laboratories and R&D activity

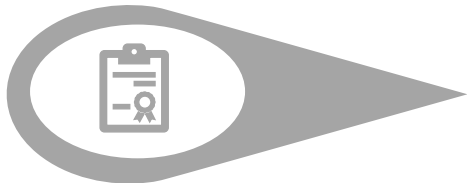


## Friulchem R&D, process quality and the use of cutting-edge technologies

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 about 30 year



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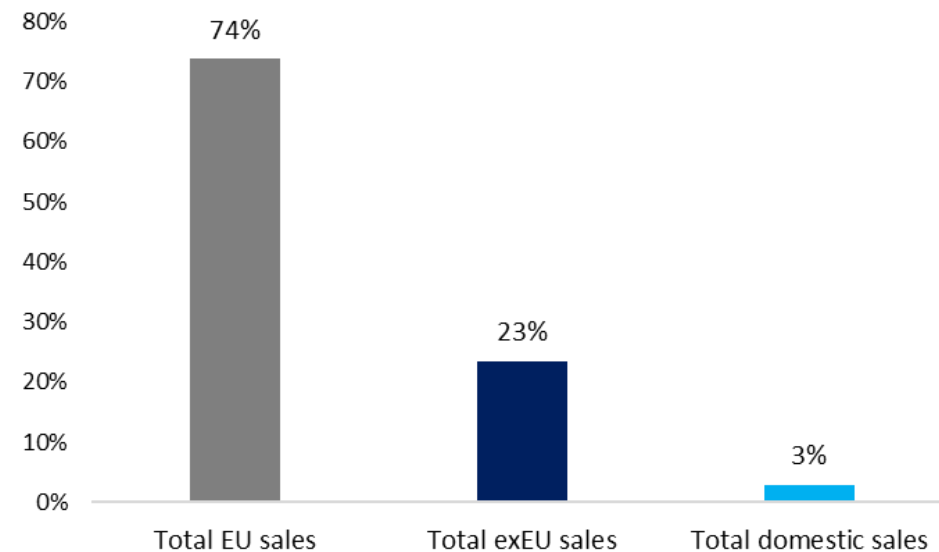


# Income Statement FY 2020

(€/000)	FY2019	FY2020
<i>Business Unit Vet</i>	11,946	11,522
<i>Business Unit Human</i>	3,696	5,238
Revenues from sales and services	15,642	16,760
Other characteristic revenues	62	80
Change in inventories of work in progress, semi-finished and finished products	(350)	180
Increase in fixed assets for internal works	298	561
Other revenues	47	115
<b>PRODUCTION VALUE</b>	<b>15,699</b>	<b>17,696</b>
Consumption of raw materials, ancillary materials and var. of inventories of raw materials and semi-finished products	(8,833)	(11,919)
Costs for services	(3,384)	(2,990)
Costs for use of third-party assets	(114)	(122)
Personnel costs	(1,696)	(1,914)
Other charges	(336)	(113)
<b>PRODUCTION COSTS</b>	<b>(14,363)</b>	<b>(17,059)</b>
<b>EBITDA</b>	<b>1,336</b>	<b>637</b>
<i>VDP Margin (%)</i>	8.5%	3.6%
Immaterial amortization	(553)	(558)
Material depreciation	(424)	(387)
Write-downs of fixed assets and receivables	(17)	0
<b>EBIT</b>	<b>343</b>	<b>(308)</b>
<i>VDP Margin (%)</i>	2.2%	-1.7%
Financial income/(charges)	(267)	(170)
<b>EBT</b>	<b>76</b>	<b>(478)</b>
Income taxes for the year	(13)	167
<b>Profit (loss)</b>	<b>63</b>	<b>(311)</b>

# Income FY 2020: Breakdown by BU & Geographic

(€/000)	FY2020
Vet products	7,301
Trading	3,504
Milestones Vet	717
<b>Business Unit Vet</b>	<b>11,522</b>
(€/000)	FY2020
Human products	3,632
Trading	1,305
Milestones Vet	300
<b>Business Unit Human</b>	<b>5,238</b>
<b>Total Revenues</b>	<b>16,760</b>

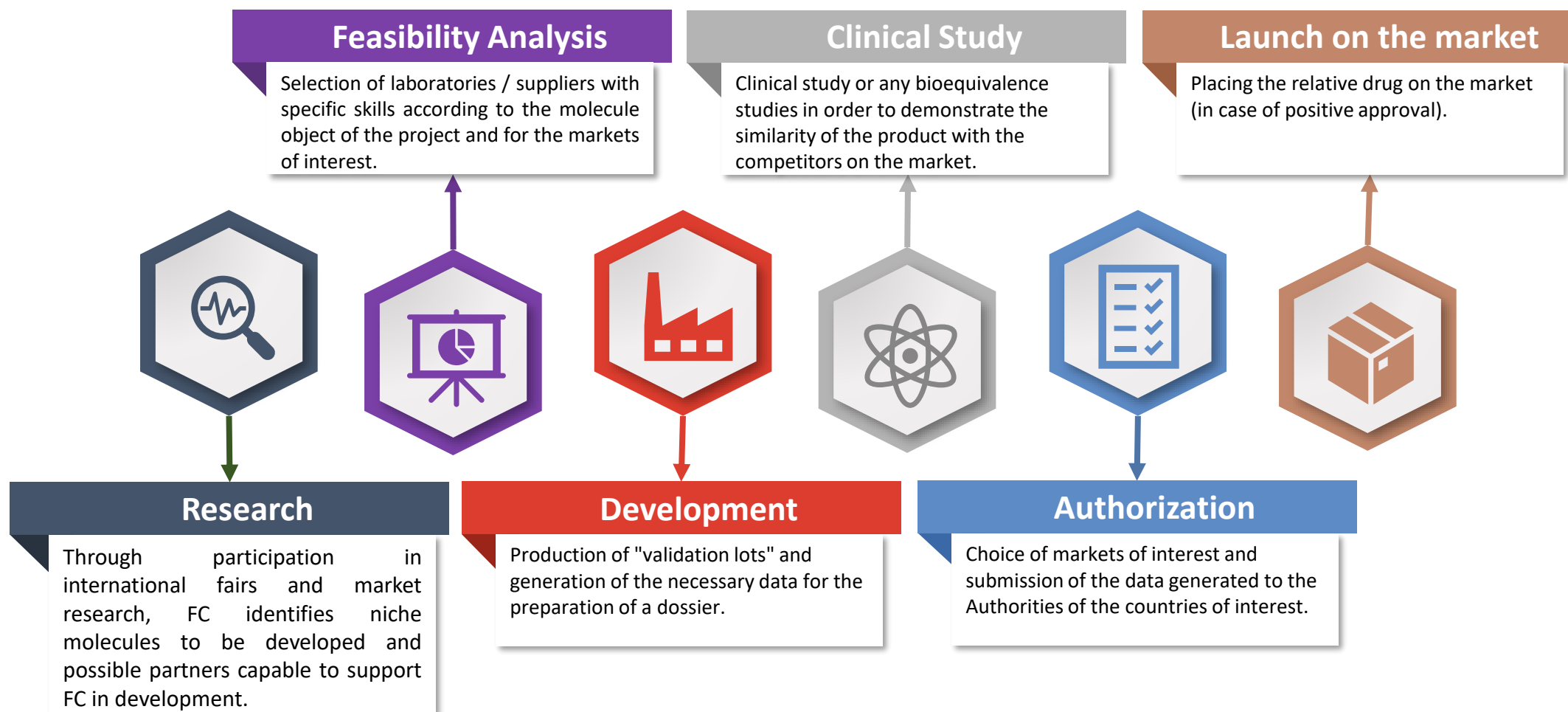


# Balance Sheet FY 2020

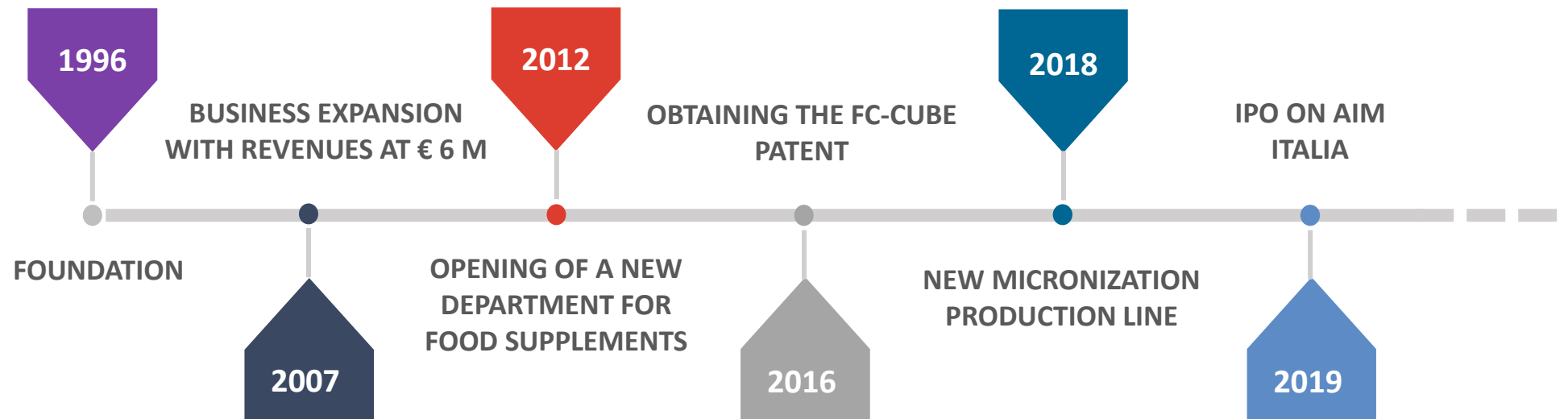
(€/000)	FY2019	FY2020
Inventories	1,736	2,315
Trade receivables	3,465	2,000
Trade payables	(4,334)	(3,225)
Deposits	(28)	(28)
<b>COMMERCIAL WORKING CAPITAL</b>	<b>838</b>	<b>1,061</b>
Other receivables and non-fixed assets	593	865
Other debts	(561)	(660)
Prepayments and accrued income	21	58
Prepayments and accrued expenses	(12)	(228)
<b>NET WORKING CAPITAL</b>	<b>880</b>	<b>1,097</b>
Intangible assets	7,740	8,323
Tangible fixed assets	1,908	1,689
Financial fixed assets	21	1,422
<b>NET FIXED ASSETS</b>	<b>9,670</b>	<b>11,434</b>
<b>GROSS INVESTED CAPITAL</b>	<b>10,549</b>	<b>12,531</b>
Employee termination indemnity	(581)	(650)
Risks and Charges Fund	(392)	(392)
<b>NET INVESTED CAPITAL</b>	<b>9,576</b>	<b>11,488</b>
Short term debts to banks	1,629	1,531
Financial debts to banks and other m/l financing creditors	1,816	3,690
Short term debts to other financing creditors	112	0
<b>Total Financial Debts</b>	<b>3,557</b>	<b>5,221</b>
Cash and cash equivalents	(4,705)	(4,146)
<b>NET FINANCIAL POSITION</b>	<b>(1,148)</b>	<b>1,075</b>
Share Capital	6,000	6,000
Reserves	4,661	4,724
Profit (loss) of the period	63	(311)
<b>EQUITY</b>	<b>10,724</b>	<b>10,413</b>
<b>TOTAL SOURCES</b>	<b>9,576</b>	<b>11,488</b>

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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.



## TOP MANAGEMENT



**Disma Giovanni Mazzola**  
CEO

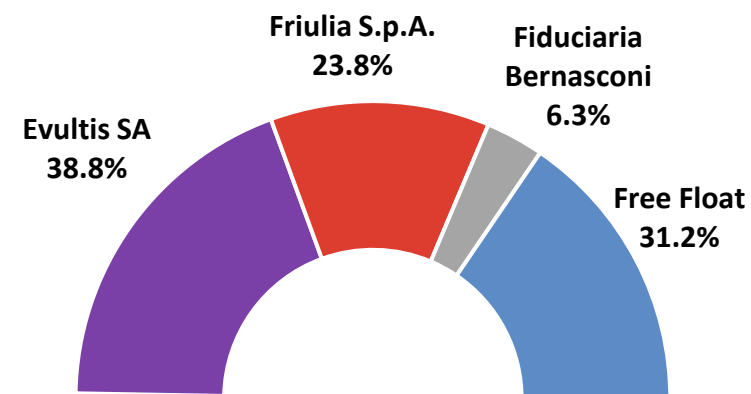


**Alessandro Mazzola**  
Chairman



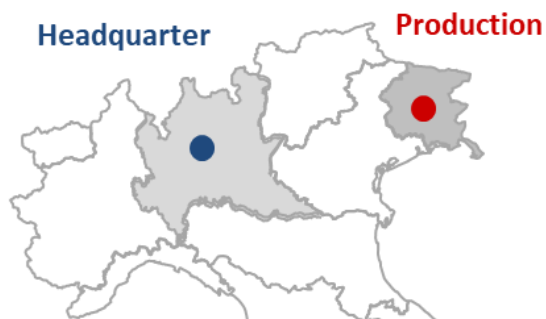
**Carlo Marelli**  
CFO

## SHAREHOLDERS



## THE PLANT

- The production plant is located in the industrial area of Vivaro (Friuli Venezia Giulia) on a total area of 18,000 square meters with a covered structure of 3,000 square meters (possibility of expanding for a further 18,000 square meters)
- The plant is **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 includes granulation, micronization and atomization activities. **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**



### Granulation



### Micronization



### Mixing



### Storage



## MAIN CLIENTS





## Today Speakers



**CEO & Investor Relations**  
Friulchem S.p.A.  
Disma Giovanni Mazzola



**CFO**  
Friulchem S.p.A.  
Carlo Marelli

**Follow us:**



**Investor e Media Relations Consultant:**

**CDR Communication**

Silvia di Rosa

[silvia.dirosa@cdr-communication.it](mailto:silvia.dirosa@cdr-communication.it)

Claudia Gabriella Messina

[claudia.messina@cdr-communication.it](mailto:claudia.messina@cdr-communication.it)

Marianna Tremolada

[marianna.Tremolada@cdr-communication.it](mailto:marianna.Tremolada@cdr-communication.it)



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