

Investor Presentation

NEXT GEMs 2021

November 30, 2021



- **Company Overview**
- Achievements 1H2021
- Financials 1H2021
- BU Vet & Human and Market
- Strategic Guidelines
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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 plants are located in the industrial area of Vivaro (Friuli Venezia Giulia) and in Magny -en-Vexin (France) **authorized by the Ministry of Health** and conforms to the EU GMPs to treat the class of **Penicillins G** (mainly amoxicillin) and sulfonamides.



1H2021 FINANCIAL HIGHLIGHTS

Revenues
€ 9.3 million

Vet € 5,4 million
Human € 4.0 million

EBITDA
€ 0.5 million

EDBITDA
Margin
4.9%

NFP
€ -1.9 million

MAIN CLIENTS



Norbrook



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May 12, 2021

Friulchem S.p.A. has adopted a further framework resolution pursuant to art. 10 of the Company's current procedure for transactions with related parties (the "**OPC Procedure**") and approved the signing of a framework **contract** between the Company and **Evultis S.A.** of certain active and intermediate ingredients, for a maximum total amount on an annual basis of € 5 million and for a maximum number of orders, over 12 months, equal to 100

May 24, 2021

Friulchem S.p.A. announces that it has signed, through its newly formed subsidiary FC France SAS, a **preliminary and binding agreement for the purchase of a business unit including the production plant** of finished products for the veterinary pharmaceutical industry located in **Magny-en-Vexin owned by the French company Virbac SA**, one of the leading multinationals in the veterinary sector, listed on the Paris stock exchange.

Jun 23, 2021

Friulchem S.p.A. announces that it has **obtained the Food Safety System Certification (FSSC) 22000 certifications** for the preparation of mixtures for powder additives and chewable tablets for animal welfare, and FAMI-QS, for the marketing of specialty feed ingredients and the production of their mixtures.

May 13, 2021

Friulchem S.p.A. communicates, pursuant to art. 17 of the AIM Italia Issuers Regulation, to have today conferred the appointment of Nominated Adviser (NOMAD) to the company **CFO SIM S.p.A.** with effect from May 24, 2021.

Jun 10, 2021

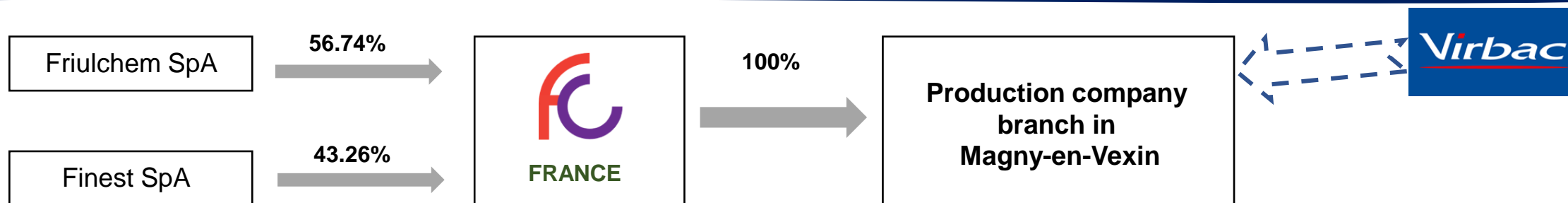
Friulchem S.p.A. communicates, pursuant to art. 17 of the AIM Italia Issuers' Regulation, which has assigned the role of Specialist operator to **CFO SIM S.p.A.** which takes over from Integrae SIM S.p.A. as of July 26, 2021.

Jul 2, 2021

Friulchem S.p.A. **announces the successful conclusion of the closing of the operation** for the purchase of a business unit including the production plant in **Magny-en-Vexin** owned by the French company Virbac SA.

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.

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Income Statement 1H2021

(€/000)	1H2020	1H2021
<i>Business Unit Vet</i>	3,376	5,384
<i>Business Unit Human</i>	4,084	4,009
Revenues from sales and services	7,462	9,392
Other characteristic revenues	106	45
Change in inventories of work in progress, semi-finished and finished products	623	(67)
Increase in fixed assets for internal works	171	141
Other revenues	151	60
PRODUCTION VALUE	8,513	9,572
Consumption of raw materials, ancillary materials and var. of inventories of raw materials and semi-finished products	(6,263)	(6,379)
Costs for services	(1,199)	(1,671)
Costs for use of third-party assets	(73)	(82)
Personnel costs	(905)	(884)
Other charges	(45)	(87)
PRODUCTION COSTS	(8,485)	(9,103)
EBITDA	28	469
<i>VDP Margin (%)</i>	<i>0.3%</i>	<i>4.9%</i>
Immaterial amortization	(246)	(203)
Material depreciation	(186)	(179)
Write-downs of fixed assets and receivables	0	0
EBIT	(404)	87
<i>VDP Margin (%)</i>	<i>-4.7%</i>	<i>0.9%</i>
Financial income/(charges)	(36)	(131)
EBT	(440)	(45)
Income taxes for the year	0	(11)
Profit (loss)	(440)	(56)

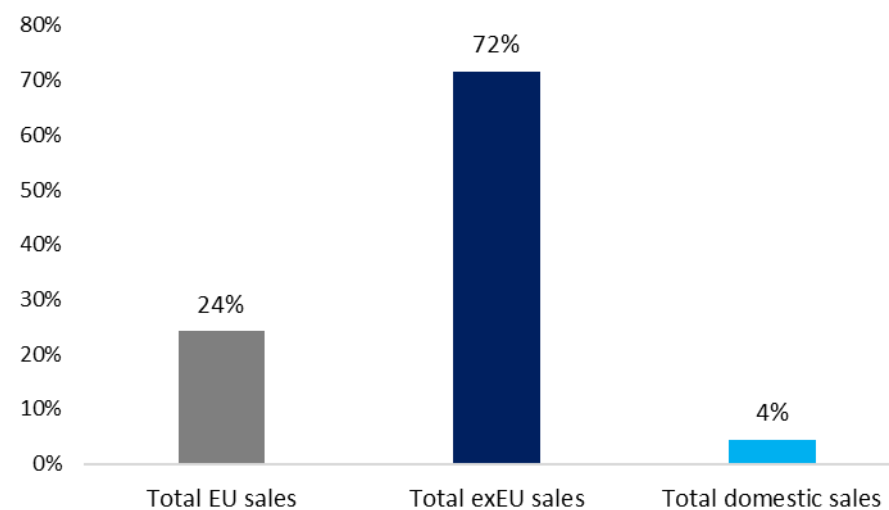
Revenues from sales and services grow 26%, mainly due to the growth of veterinary BU sales, while human BU revenues remain in line with the first half of 2020.

EBITDA records a more than significant increase and is equal to € 0.5 million, with a corresponding improvement in the **EBITDA Margin of 4.9%** (vs 0.3% in 2020). The significant increase in EBITDA and EBITDA Margin is due to the increase in the turnover of veterinary products that have margins.

EBIT is positive for € 0.1 million, an improvement compared to 30 June 2020 equal to a negative € 0.3 million.

Income 1H 2021: Breakdown by BU & Geographic

(€/000)	1H2021
Vet products	4,302
Trading	1,082
Milestones Vet	-
Business Unit Vet	5,384
(€/000)	1H2021
Human products	3,332
Trading	285
Milestones Vet	400
Business Unit Human	4,009
Total Revenues	9,392



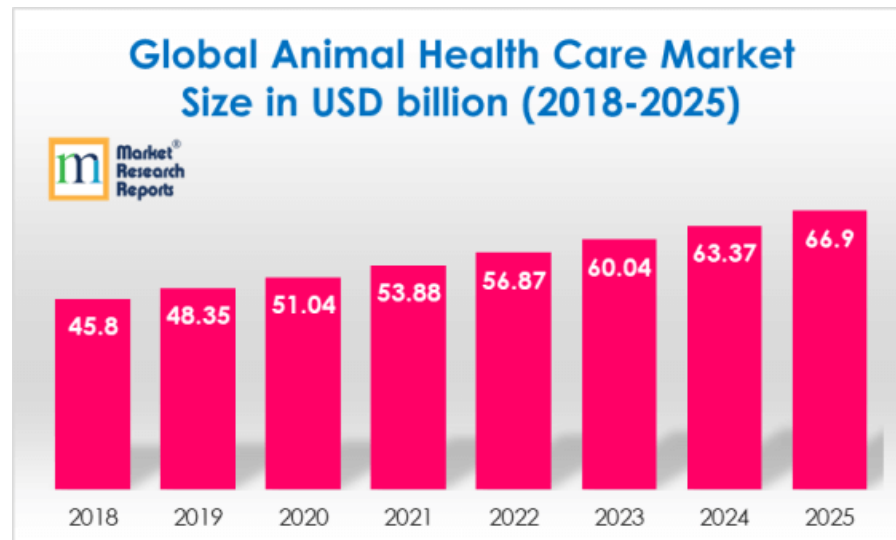
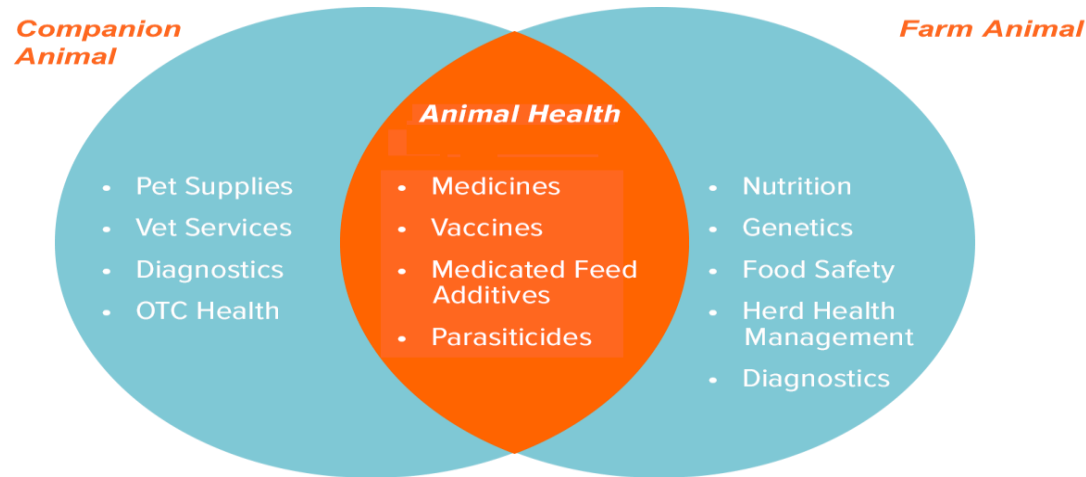
Balance Sheet 1H2021

(€/000)	1H2021
Inventories	2,799
Trade receivables	3,453
Trade payables	(4,169)
Deposits	(28)
COMMERCIAL WORKING CAPITAL	1,984
Other receivables and non-fixed assets	779
Other debts	(630)
Prepayments and accrued income	128
Prepayments and accrued expenses	(181)
NET WORKING CAPITAL	2,080
Intangible assets	8,468
Tangible fixed assets	1,618
Financial fixed assets	1,422
NET FIXED ASSETS	11,508
GROSS INVESTED CAPITAL	13,588
Employee termination indemnity	(658)
Risks and Charges Fund	(392)
NET INVESTED CAPITAL	12,538
Short term debts to banks	1,730
Financial debts to banks and other m/l financing creditors	5,375
Short term debts to other financing creditors	0
Total Financial Debts	7,106
Cash and cash equivalents	(5,185)
NET FINANCIAL POSITION	1,921
Share Capital	6,000
Reserves	4,673
Profit (loss) of the period	(56)
EQUITY	10,617
TOTAL SOURCES	12,538

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Vet Market Breakdown



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/>

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

NUTRACEUTICALS

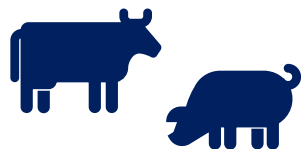
- Vitamins
- Minerals
- Probiotics

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 and Amazon.

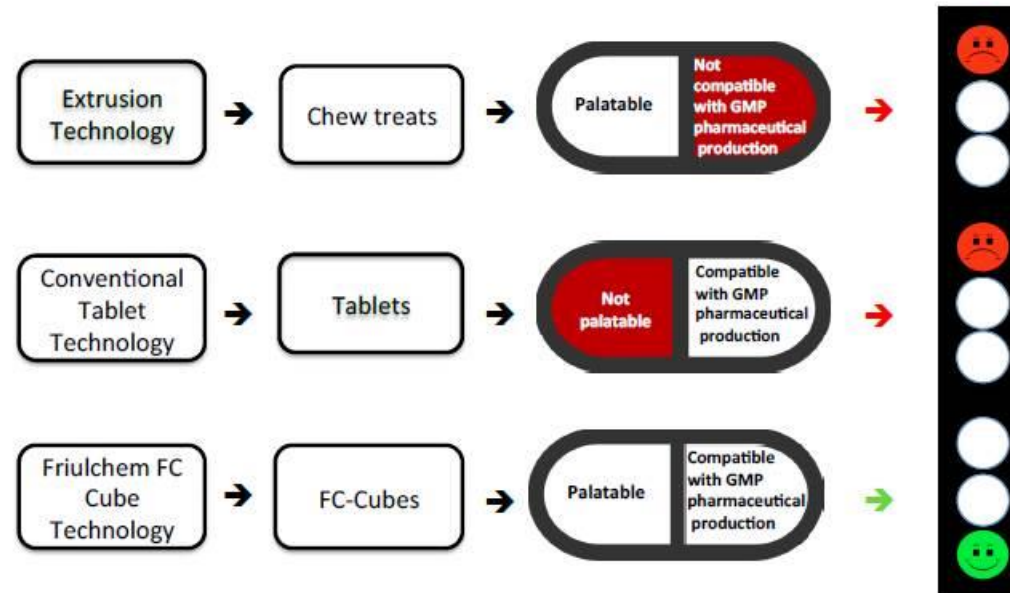
Friulchem has grown in the VET Market USA, thanks to the acquisition of 13% of **Pharmabbie inc**, an **American company** specialized in the development of veterinary drugs. Through Pharmabbie Friulchem will be able to validate the the **FC- technology. CUBE®** owned by Friulchem.

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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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



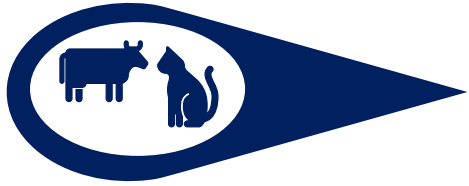
Carry out in an opportunistic way to maximize the existing investments

EXTERNAL GROWTH

Growth by external lines
M&A - Vertical integration

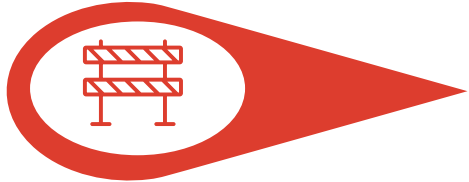


Acquisitions of synergic realities in Italy and abroad that can allow downstream integration (towards the finished product), expand of the range of molecules and the number of customers.

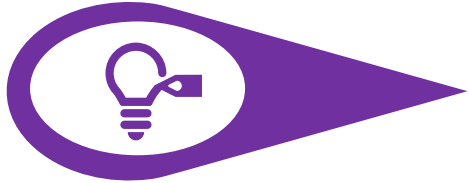


Global vet market size:

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

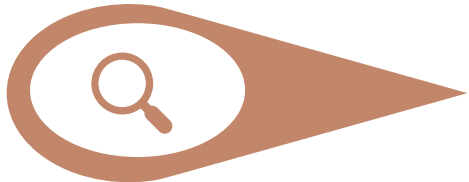


Market with **high entry barriers** due to huge investments in technology, equipment, laboratories and R&D activity

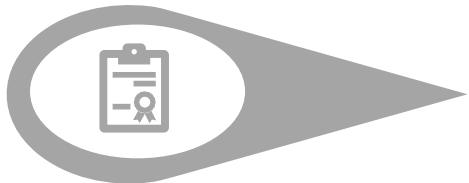


Friulchem R&D, process quality and the use of cutting-edge technologies

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.



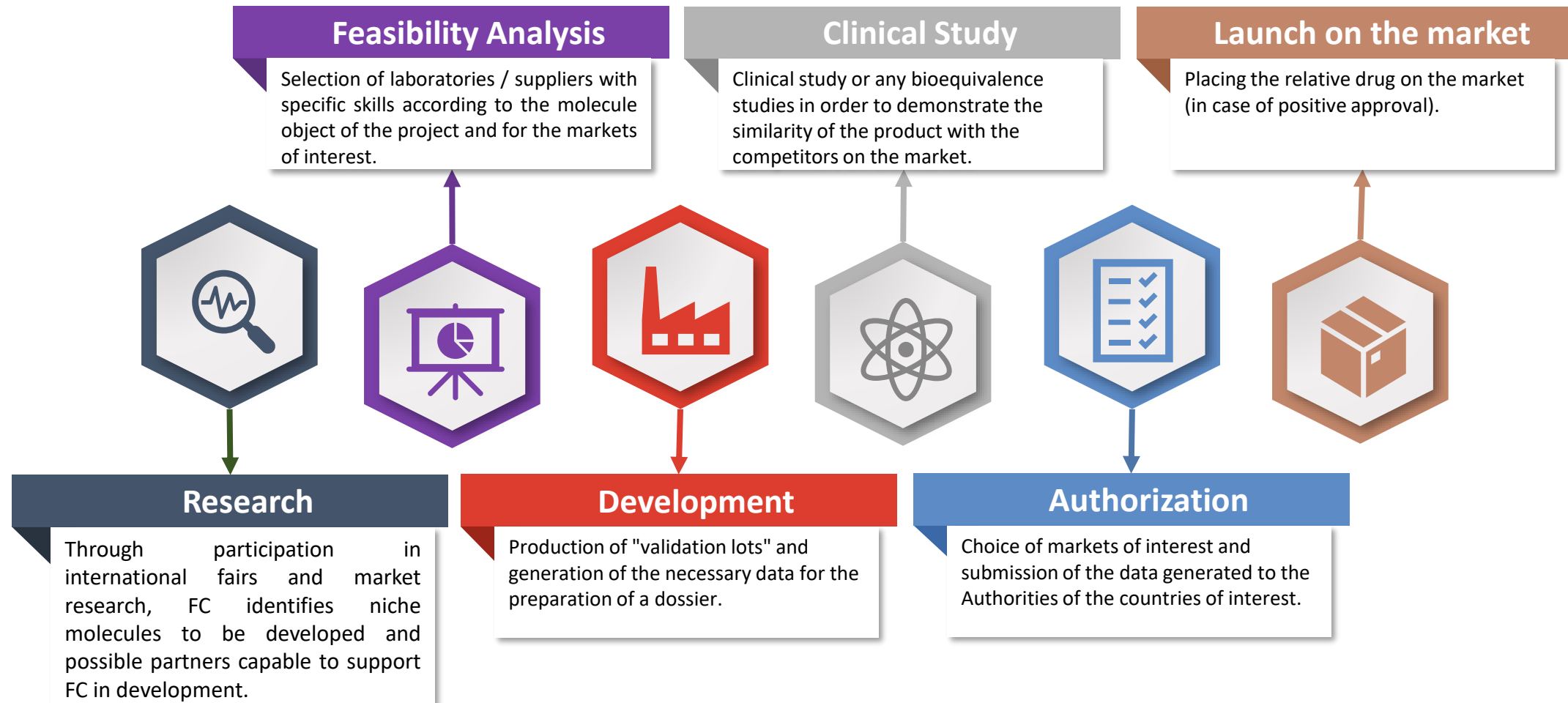
Ability to **offer tailor made solutions**. Important attitude to gain the **customers loyalty** and to be considered a **reliable partner**



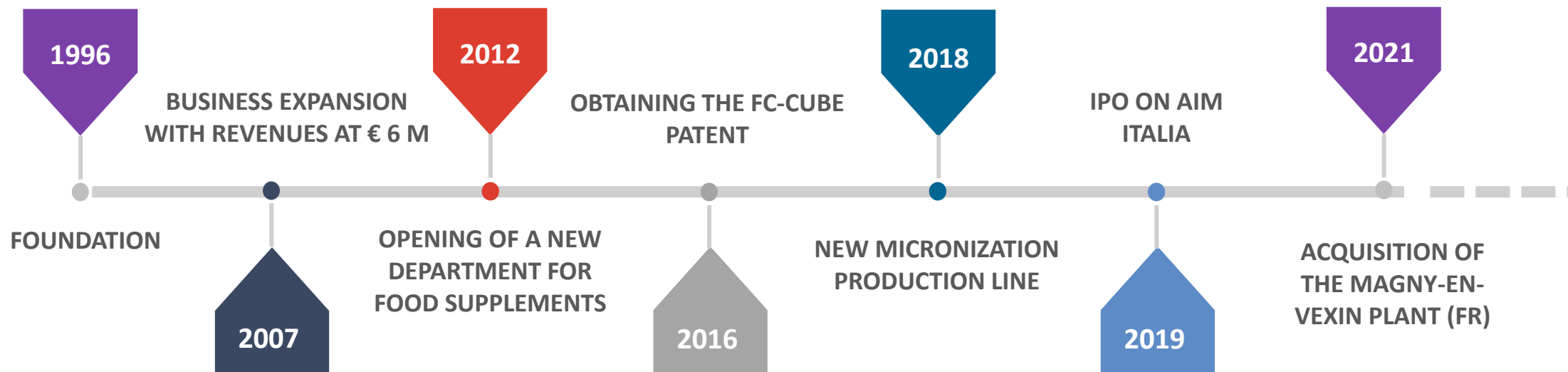
Management important track record from about 30 year

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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

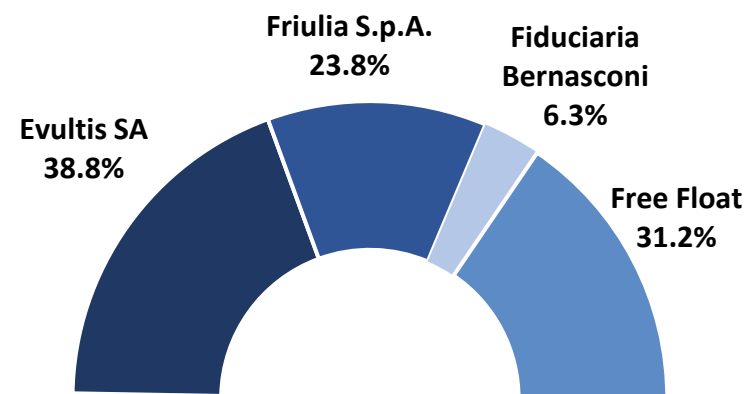


Alessandro Mazzola
Chairman



Carlo Marelli
CFO

SHAREHOLDERS



THE PLANT

- The production plant is located in the industrial area of Vivaro (Friuli Venezia Giulia) 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 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**

Granulation



Micronization



Mixing



Storage



Liquids



Today Speakers



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