

Italy – Veterinary

H1 results mixed. Strong acceleration expected in 2025

11th October 2024

H1-24 RESULTS RELEASE

RIC: FCM.MI
BBG: FCM IM

Friulchem reported mixed 2024 interim results, exhibiting declining revenues although a good improvement in EBITDA as a result of better pricing, following the renegotiation of supply agreements, coupled with disciplined cost control. H2-24 is expected to show a strong recovery YoY, especially with respect to the Vet BU, also in light of the easy comparison base with H2-23, negatively affected by the halt in production of the Italian facility.

Rating:

Buy

Price Target:

€ 1.00 (€ 1.20)

Upside/(Downside): 32.5%

Last Price: € 0.76

Market Cap.: € 6.0m

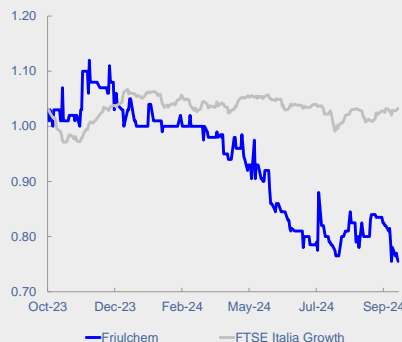
1Y High/Low: € 1.12 / € 0.72

Avg. Daily Turn. (3M, 6M): € 10k, € 9k

Free Float: 31.2%

Major shareholders:

Evultis SA	38.8%
Friulia SpA	23.8%
Fiduciaria Bernasconi	6.3%



Stock price performance

	1M	3M	12M
Absolute	-10.1%	-3.8%	-26.7%
Rel.to FTSE IT Growth	-12.4%	-3.5%	-26.9%
Rel.to Peers	-6.0%	0.3%	-33.5%

Analysts:

Gianluca Mozzali
+39 02 30343 396
gianluca.mozzali@cfosim.com

Luca Solari
+39 02 30343 397
luca.solari@cfosim.com

Chiara Francomacaro
+39 02 30343 394
chiara.francomacaro@cfosim.com

Estimates downward revised. New DCF-based PT of € 1.00/s (€ 1.20). Still a Buy

Following the 2024 interim results release, we have updated our model by factoring in: 1) a slower top line progression in FY-24, with a rebound expected to occur in 2025, 2) broadly unchanged profitability assumptions, 3) higher-than-expected financial charges, 4) a fine-tuning of Capex in 2025-26. The combined result is an average 6.2%, 5.5% and 24.3% decline in Revenues, EBITDA and EBIT in 2024-26. Moreover, CFO has updated the DCF valuation criteria, bringing the risk-free rate up-to-date (from 4.18% to 3.80%), resulting in a new PT of € 1.00/s (€ 1.20), 32.5% upside from current price levels. Buy recommendation confirmed.

Revenues down by 7.3% YoY, partially affected by a delay in the revamping of Vivaro

Revenues came in at € 14.0m, down by 7.3% YoY (€ 15.1m in H1-23), negatively affected by the revamping activities of the Italian production facility, completed in March. The Vet BU (76% of revenues) totalled € 10.6m compared to € 12.0m reported in H1-23 (-11.7% YoY), mainly attributable to the halt in operations of the Vivaro plant until March, in order to complete the revamping activities. Anyway, the YoY comparison was tough, since in H1-23 the company accelerated production activities ahead of the expected halt in production in the second semester. The French subsidiaries, FC France and Arcanatura, contributed approximately € 4.6m and € 0.1m, respectively. The Human BU (24% of revenues) grew by 9.8% YoY to € 3.4m (€ 3.1m in H1-23), in line with the management's expectations. It is worth to remember that in H1-23 the management decided to slow down activities with the aim to renegotiate more favourable supply agreements.

EBITDA up by 27.3% YoY to € 1.2m, 7.1% margin, mainly thanks to better pricing

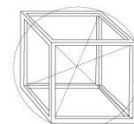
EBITDA rose by 27.3% YoY to € 1.2m, 7.1% margin (vs € 0.9m, 5.5% margin in H1-23), mainly resulting from better terms of sale by FC France arising from the renewal of major supply agreements with key customers. EBIT came in at € 0.6m, 3.4% margin, significantly improving from € 0.3m, 2.1% margin registered in H1-23, reflecting higher EBITDA coupled with broadly stable D&A expenses. Bottom line was slightly below the break-even level at € -105k, (€ -89k in H1-23), mainly resulting from higher financial expenses, reflecting the restrictive monetary policy implemented by the ECB along with an increased use of short-term financial instruments to fund working capital needs.

NFP increased to € 12.0m, affected by a buildup in inventories and Capex of c. € 2.7m

NFP came in at € 12.0m from € 8.6m reported at year-end 2023, primarily impacted by 1) a NWC absorption to the tune of € 0.7m, mainly resulting from the management's decision to strategically stock key raw materials to avoid any procurement issue in the next quarters and 2) Capex of approximately € 2.7m, attributable to the completion of the revamping activities of the Vivaro production plant and R&D costs in order to fund new promising projects.

Friulchem, key financials and ratios

€ m	2022	2023	2024e	2025e	2026e
Revenues	34.3	26.7	28.8	32.6	35.0
Value of Production	35.7	30.9	31.9	36.0	38.3
EBITDA	1.6	1.5	1.8	2.4	2.8
EBIT	0.5	0.6	0.5	1.1	1.4
Net Profit	0.0	(0.2)	(0.6)	0.1	0.4
NFP (cash)/debt	5.4	8.6	11.5	12.0	11.9
EBITDA margin	4.5%	4.7%	5.5%	6.8%	7.2%
EBIT margin	1.4%	1.9%	1.7%	3.2%	3.7%
EPS stated FD €	0.00	(0.03)	(0.08)	0.01	0.05
EPS growth	-60.1%	n.m.	n.m.	n.m.	n.m.
ROCE	2.1%	2.4%	2.0%	4.1%	5.1%
NWC/Sales	9.4%	0.5%	0.5%	2.5%	3.2%
Free Cash Flow Yield	-59.6%	-52.4%	-47.1%	-9.6%	2.6%
EV/Sales x	0.39	0.56	0.55	0.50	0.47
EV/EBITDA x	8.8	11.9	9.9	7.4	6.5
EV/EBIT x	27.4	29.1	32.7	15.9	12.6
PER x	n.m.	n.m.	n.m.	52.6	15.9





The company at a glance

Originating in 1996, today Friulchem is a vertically-integrated R&D-oriented Contract Development and Manufacturing Organisation (CDMO). It is an 'Innovative SME' operating in the pharmaceutical and nutraceutical market, serving both the veterinary and the human sector. The group provides global big pharma companies with finished and semi-finished products, including Active Pharmaceutical Ingredients (APIs), drugs and food supplements. Friulchem is specialised in delivering drugs for the veterinary sector and developing dossiers of generic drugs for humans.

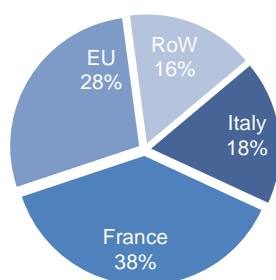
The 'Vet' business unit develops and produces both nutraceutical and pharmaceutical finished and semi-finished veterinary products, through different technologies, such as atomisation, micronisation, granulation and mixing. Friulchem's plants have been compliant with the European Good Manufacturing Standards since 2007.

The 'Human' business unit is dedicated to the R&D of generic drugs based on formulations with a high degree of development and production complexity. Friulchem is the owner of the formulations while the production is outsourced to selected partners. Furthermore, the group has developed a product line dedicated to cosmeceuticals with large growth potential, mainly in Asia.

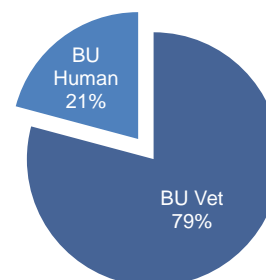
Today Friulchem operates two specialised manufacturing plants, one in Vivaro (Pordenone), in hard-working, creative, north-eastern Italy, and the other one in Magny-En-Vexin (France). Its headquarters are in Milan. The company reported an 7.3% organic sales CAGR₀₈₋₂₃ (10.7% including M&A) mainly thanks to continuous product innovation leading to an increased share of wallet with pharma corporations coupled with a higher number of customers.

FY-23 figures showed total revenues of € 26.7m, EBITDA of € 1.5m (4.9% margin), and Net Loss of € 0.3m. Net Financial Position stood at € 8.6m.

2023 Revenues breakdown by geography...



... and by business unit

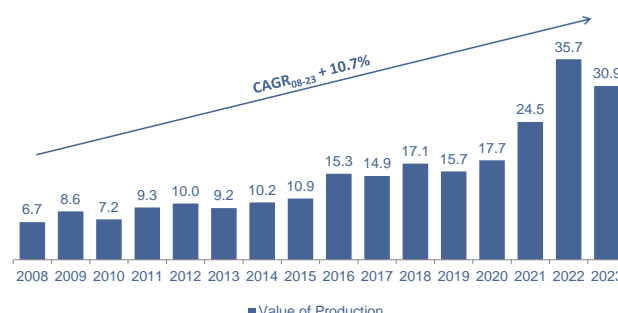


Shareholder structure

Shareholder	# m	%
Evultis SA	3.10	38.8%
Friulia SpA	1.90	23.8%
Fiduciaria Bernasconi SA	0.50	6.3%
Free Float	2.50	31.2%
Total	8.00	100.0%

Source: Company data

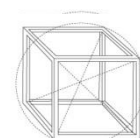
Top line evolution



Peer group multiples table

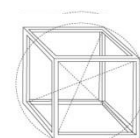
Price & EV multiples x	Sales FY1	Sales FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
ECO Animal Health Group PLC	0.33	0.33	3.9	3.6	6.1	6.0	24.5	20.5
Elanco Animal Health Inc	2.64	2.49	12.7	11.9	14.8	14.7	15.8	14.7
Merck & Co Inc	4.65	4.23	11.0	9.0	12.2	9.9	13.7	11.3
Shedir Pharma SpA	0.57	0.40	2.7	1.9	4.0	2.8	6.7	6.2
Vetoquinol SA	1.56	1.41	8.5	7.5	11.7	10.0	15.5	13.5
Virbac SA	2.44	2.24	12.3	11.1	15.4	13.8	20.9	19.1
Zoetis Inc	9.90	9.21	23.1	20.8	26.1	23.6	32.6	29.7
Median Veterinary	2.44	2.24	11.0	9.0	12.2	10.0	15.8	14.7
Friulchem SpA	0.55	0.50	9.9	7.4	32.7	15.9	n.m.	52.6

Source: CFO SIM, Refinitiv Eikon





Income statement (€ m)	2022	2023	2024e	2025e	2026e
Revenues	34.3	26.7	28.8	32.6	35.0
Value of Production	35.7	30.9	31.9	36.0	38.3
Raw material and processing	(24.1)	(18.4)	(19.3)	(21.7)	(23.1)
Services	(5.1)	(5.5)	(5.1)	(5.7)	(6.0)
Personnel expenses	(4.0)	(4.5)	(4.8)	(5.1)	(5.5)
Other opex	(0.9)	(1.0)	(0.9)	(1.0)	(1.0)
EBITDA	1.6	1.5	1.8	2.4	2.8
D&A	(1.1)	(0.9)	(1.2)	(1.3)	(1.4)
EBIT	0.5	0.6	0.5	1.1	1.4
Financials	(0.6)	(0.9)	(1.1)	(1.0)	(0.9)
Re/(Devaluation) of financial assets	0.0	0.0	0.0	0.0	0.0
Forex gain/(loss)	0.0	0.0	0.0	0.0	0.0
Pre-Tax Profit	(0.1)	(0.3)	(0.6)	0.2	0.5
Income taxes	0.1	(0.1)	0.0	(0.0)	(0.1)
Minorities	0.0	0.1	0.0	0.0	0.0
Net Profit	0.0	(0.2)	(0.6)	0.1	0.4
EBITDA Adjusted	1.6	1.5	1.8	2.4	2.8
Net Profit Adjusted	0.0	(0.2)	(0.6)	0.1	0.4
Balance sheet (€ m)	2022	2023	2024e	2025e	2026e
Net Working Capital	3.4	0.1	0.2	0.9	1.2
Net Fixed Assets	11.9	17.9	20.2	20.2	20.1
Equity Investments	1.6	1.6	1.6	1.6	1.6
Other M/L Term A/L	(0.6)	(0.6)	(0.6)	(0.7)	(0.7)
Net Invested Capital	16.3	19.1	21.3	22.0	22.3
Net Financial Debt	5.4	8.6	11.5	12.0	11.9
Minorities	0.4	0.4	0.4	0.4	0.4
Group's Shareholders Equity	10.4	10.1	9.5	9.6	10.0
Financial Liabilities & Equity	16.3	19.1	21.3	22.0	22.3
Cash Flow statement (€ m)	2022	2023	2024e	2025e	2026e
Total net income	0.0	(0.4)	(0.6)	0.1	0.4
Depreciation	1.1	0.9	1.2	1.3	1.4
Other non-cash charges	(1.5)	0.0	0.0	0.0	0.0
Cash Flow from Oper. (CFO)	(0.4)	0.5	0.7	1.5	1.8
Change in NWC	(0.8)	3.2	(0.0)	(0.7)	(0.3)
FCF from Operations (FCFO)	(1.2)	3.7	0.7	0.7	1.5
Net Investments (CFI)	(2.4)	(6.9)	(3.5)	(1.3)	(1.3)
Free CF to the Firm (FCFF)	(3.6)	(3.2)	(2.8)	(0.6)	0.2
CF from financials (CFF)	1.9	0.7	3.0	0.0	0.0
Free Cash Flow to Equity (FCFE)	(1.7)	(2.4)	0.2	(0.6)	0.2
Financial ratios	2022	2023	2024e	2025e	2026e
EBITDA margin	4.5%	4.7%	5.5%	6.8%	7.2%
EBIT margin	1.4%	1.9%	1.7%	3.2%	3.7%
Net profit margin	0.1%	-0.7%	-1.9%	0.3%	1.0%
Tax rate	n.m.	0.0%	0.0%	27.5%	27.5%
Op. NWC/Sales	9.4%	0.5%	0.5%	2.5%	3.2%
Interest coverage x	0.87	0.67	0.47	1.16	1.59
Net Debt/EBITDA x	3.40	5.93	6.47	4.93	4.29
Debt-to-Equity x	0.52	0.85	1.21	1.26	1.19
ROIC	0.2%	Neg.	Neg.	0.5%	1.7%
ROCE	2.1%	2.4%	2.0%	4.1%	5.1%
ROACE	2.2%	2.4%	2.1%	4.1%	5.1%
ROE	0.3%	Neg.	Neg.	1.2%	3.8%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2022	2023	2024e	2025e	2026e
Number of shares # m	8.00	8.00	8.00	8.00	8.00
Number of shares Fully Diluted # m	8.00	8.00	8.00	8.00	8.00
Average Number of shares Fully Diluted # m	8.00	8.00	8.00	8.00	8.00
EPS stated FD €	0.00	(0.03)	(0.08)	0.01	0.05
EPS adjusted FD €	0.00	(0.03)	(0.08)	0.00	0.00
EBITDA €	0.20	0.18	0.22	0.31	0.35
EBIT €	0.06	0.07	0.07	0.14	0.18
BV €	1.36	1.31	1.23	1.25	1.30
FCFO €	(0.15)	0.47	0.08	0.09	0.18
FCFF €	(0.45)	(0.40)	(0.36)	(0.07)	0.02
FCFE €	(0.21)	(0.30)	0.02	(0.07)	0.02
Dividend €	0.00	0.00	0.00	0.00	0.00



H1-24 Results

Friulchem reported mixed 2024 interim results, exhibiting declining revenues in the wake of a double-digit decrease of the Vet BU as a result of the revamping of the Italian production facility, which caused a partial halt in operations until March.

Nevertheless, better pricing resulting from the renegotiation of certain supply agreements with key customers and disciplined cost control led EBITDA to considerably improve.

Table 1 – Friulchem, H1-24 results

€ m	H1-24	H1-23	% YoY
Vet BU	10.6	12.0	(11.7)
Human BU	3.4	3.1	9.8
Revenues	14.0	15.1	(7.3)
Δ in finished products + Increase in Internal Works	1.9	1.0	
Other revenues	0.6	0.8	
Value of Production	16.5	16.8	(2.1)
Raw material and processing	(9.7)	(10.3)	
Services	(2.6)	(2.6)	
Personnel expenses	(2.4)	(2.4)	
Other opex	(0.5)	(0.6)	
EBITDA	1.2	0.9	27.3
% margin	7.1	5.5	
D&A	(0.6)	(0.6)	
EBIT	0.6	0.3	60.3
% margin	3.4	2.1	
Financials	(0.6)	(0.5)	
Pre-Tax profit	(0.1)	(0.1)	n.m.
% margin	(0.4)	(0.6)	
Income taxes	(0.0)	(0.0)	
Tax rate	n.m.	n.m.	
Minorities	(0.0)	0.0	
Net Profit	(0.1)	(0.1)	n.m.
% margin	(0.6)	(0.5)	
Net Financial Position *	12.0	8.6	38.9
Net Equity *	10.4	10.5	(0.6)

Source: Company data, *compared to FY-23

Revenues came in at € 14.0m, down by 7.3% YoY (€ 15.1m in H1-23), negatively affected by the revamping activities of the Italian production facility, completed in March. **Value of Production** witnessed a lower decline (-2.1% YoY) to € 16.5m compared to € 15.1m in H1-23, on the back of a larger portion of WIP (Work-in-Progress) and finished products.

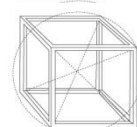
Table 2 – Friulchem, H1-24 revenues breakdown by business unit

€ m	H1-24	% on tot	H1-23	% on tot	% YoY
BU Vet	10.6	76.0%	12.0	79.7%	(11.7)
BU Human	3.4	24.0%	3.1	20.3%	9.8
Revenues	14.0	100.0%	15.1	100.0%	(7.3)

Source: Company data

As regards the two Business Units:

- The **Vet BU (76% of revenues) totalled € 10.6m** compared to € 12.0m reported in H1-23 **(-11.7% YoY)**, mainly attributable to the halt in operations of the Vivaro plant until March, in order to complete the revamping activities. Anyway, the YoY comparison was tough, since in H1-23 the company accelerated production activities ahead of the expected halt in production in the second semester. The French subsidiaries, **FC France and Arcanatura, contributed approximately € 4.6m** (vs € 5.5m in H1-23) **and € 0.1m** (vs € 0.2m in H1-23), respectively.
- The **Human BU (24% of revenues) grew by 9.8% YoY to € 3.4m** (€ 3.1m in H1-23), in line with the management's expectations. It is worth to remember that in H1-23



the management decided to slow down activities with the aim to renegotiate more favourable supply agreements, since the upsurge in prices of major raw materials did not allow to attain an acceptable level of profitability.

EBITDA rose by 27.3% YoY to € 1.2m, 7.1% margin (vs € 0.9m, 5.5% margin in H1-23), mainly resulting from better terms of sale by FC France arising from the renewal of major supply agreements with key customers. **EBIT came in at € 0.6m, 3.4% margin**, significantly improving from € 0.3m, 2.1% margin registered in H1-23, reflecting higher EBITDA coupled with broadly stable D&A expenses.

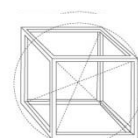
Bottom line was slightly below the break-even level at € -105k, (€ -89k in H1-23), mainly resulting from higher financial expenses, reflecting the restrictive monetary policy implemented by the ECB along with an increased use of short-term financial instruments to finance working capital needs.

Net Financial Position worsened at € 12.0m from € 8.6m reported at year-end 2023, primarily impacted by 1) **a NWC absorption to the tune of € 0.7m**, mainly resulting from the management's decision to strategically stock key raw materials to avoid any procurement issue in the quarters ahead as well as 2) **Capex of approximately € 2.7m**, attributable to the completion of the revamping activities of the Vivaro production facility and R&D costs in order to fund new promising projects. **Group Equity stood at € 10.4m**.

Table 3 – Friulchem, H1-24 Net Working Capital dynamic

€ m	H1-24	FY-23	Δ
Inventories	8.6	6.7	1.9
Receivables	4.3	3.8	0.4
Payables	(12.0)	(10.4)	(1.6)
Op. Net Working Capital	0.9	0.1	0.7

Source: Company data



Estimates, Valuation & Risks

Friulchem reported mixed 2024 interim results, exhibiting declining revenues, mainly due to longer-than-expected time to complete the revamping activities of the Italian production facility, causing a partial halt in operation until March. Better pricing following the renegotiation of supply agreements coupled with disciplined cost control translated into a good improvement in EBITDA, whereas bottom line remained still negative.

Favoured by the **easy comparison base with H2-23**, negatively impacted by the start of the revamping activities, **H2-24 is expected to show a strong growth YoY**, especially with respect to the Vet BU. Enlarged production capacity and new supply agreements with leading pharma and veterinary players, whose productions will start in 2025, are anticipated to support organic growth.

Following the 2024 interim results release, **we have updated our model by** factoring in: 1) a slower top line progression in FY-24, with a rebound expected to occur in 2025, 2) broadly unchanged profitability assumptions, 3) higher-than-expected financial charges, 4) a fine-tuning of Capex in 2025-26. **The combined result is an average 6.2%, 5.5% and 24.3% decline in Revenues, EBITDA and EBIT in 2024-26.**

Table 4 – Friulchem, 2024e new/old estimates

€ m	New	Old	Δ %.	Δ € m
Value of Production	31.9	33.8	(5.4)	(1.8)
EBITDA	1.8	1.8	(3.9)	(0.1)
% margin	5.5	5.5		
EBIT	0.5	0.7	(21.1)	(0.1)
% margin	1.7	2.0		
Net Profit	(0.6)	(0.1)	n.m.	(0.5)
% margin	(1.9)	(0.4)		
Net debt/(cash)	11.5	12.7	(9.9)	(1.3)

Source: CFO SIM

Table 5 – Friulchem, 2025e new/old estimates

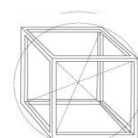
€ m	New	Old	Δ %.	Δ € m
Value of Production	36.0	38.1	(5.7)	(2.2)
EBITDA	2.4	2.6	(6.8)	(0.2)
% margin	6.8	6.9		
EBIT	1.1	1.6	(27.2)	(0.4)
% margin	3.2	4.1		
Net Profit	0.1	0.6	(81.4)	(0.5)
% margin	0.3	1.6		
Net debt/(cash)	12.0	12.4	(3.0)	(0.4)

Source: CFO SIM

Table 6 – Friulchem, 2026e new/old estimates

€ m	New	Old	Δ %.	Δ € m
Value of Production	38.3	41.0	(6.6)	(2.7)
EBITDA	2.8	2.9	(5.8)	(0.2)
% margin	7.2	7.2		
EBIT	1.4	1.9	(24.6)	(0.5)
% margin	3.7	4.6		
Net Profit	0.4	0.9	(58.3)	(0.5)
% margin	1.0	2.2		
Net debt/(cash)	11.9	11.6	2.3	0.3

Source: CFO SIM



Moreover, CFO has **updated the DCF valuation criteria**, bringing the risk-free rate up-to-date (from 4.18% to 3.80%), resulting in a **new PT of € 1.00/s** (€ 1.20), 32.5% upside from current price levels. Buy recommendation confirmed.

DCF

In the valuation via the DCF method, we include explicit estimates until 2028 and a cautious long-term growth of 1.0%. Cash flows are discounted back at a weighted average cost of capital calculated according to the following parameters:

Table 7 – WACC derived from:

Interest costs, pre-tax	5.0%
Tax rate	27.5%
Int. costs, after taxes	3.6%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200dd mov. avg.)	3.80%
Beta levered (x)	1.00
Required ROE	12.8%

Source: CFO SIM, Refinitiv Eikon

Risk premium at 9.0% factors in the minute size of the company and basically all concerns that an investor might have with regard to the Euronext Growth Milan market segment. **Beta** has been set **at 1.00**. The WACC is computed using a **40:60** (prev. 30:70) debt/equity balance-sheet structure.

Table 8 – Friulchem, DCF model

€ m	2024e	2025e	2026e	2027e	2028e	TV
EBIT	0.5	1.1	1.4	2.3	2.7	
Tax rate	27.5%	27.5%	27.5%	27.5%	27.5%	
Operating profit (NOPAT)	0.4	0.8	1.0	1.6	1.9	
Change working capital	(0.0)	(0.7)	(0.3)	(0.2)	(0.0)	
Depreciation	1.2	1.3	1.4	1.1	0.9	
Investments	(3.5)	(1.3)	(1.3)	(1.1)	(0.9)	
Free Cash Flows	(1.9)	0.1	0.8	1.5	1.9	23.5
Present value	(1.9)	0.1	0.6	1.1	1.3	16.2
WACC	9.1%	9.1%	9.1%	9.1%	9.1%	
Long-term growth rate	1.0%					

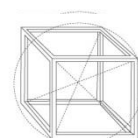
Source: CFO SIM

Table 9 – Friulchem, DCF derived from:

€ m	
Total EV present value € m	17.5
thereof terminal value	92.7%
NFP last reported	(8.6)
Pension provision	(0.7)
Minorities	(0.4)
Equity value € m	7.8
#m shares	8.00
Equity value €/s	1.00
% upside/(downside)	32.5%

Source: CFO SIM

The outcome of our DCF returns an equity value of € 7.8m for Friulchem, € 1.00/s (€ 1.20), 32.5% upside to current price levels.





The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of **€ 0.79-1.20/s (perpetuity range between 0.25% and 1.75%)**, while 2) if compared to changes in the risk-free rate, it produces an equity value of **€ 1.14-0.83/s (risk-free range between 3.05% and 4.55%)** and 3) if compared to changes in the risk premium, including small size premium, it results into an equity value of **€ 0.70-1.32/s (risk premium range between 10.50% and 7.50%)**.

Table 10 – Friulchem, equity value sensitivity to changes in terminal growth rate

€ m	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%
Present value of CF	1.3	1.3	1.3	1.3	1.3	1.3	1.3
PV of terminal value	14.8	15.2	15.7	16.2	16.8	17.4	18.0
Total value	16.0	16.5	17.0	17.5	18.1	18.7	19.3
NFP last reported	(8.6)	(8.6)	(8.6)	(8.6)	(8.6)	(8.6)	(8.6)
Pension provision	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
Minorities	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Equity value	6.4	6.8	7.3	7.8	8.4	9.0	9.6
Equity value/share €	0.79	0.85	0.91	1.00	1.05	1.12	1.20

Source: CFO SIM

Table 11 – Friulchem, equity value sensitivity to changes in risk-free rate

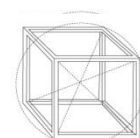
€ m	3.05%	3.30%	3.55%	3.80%	4.05%	4.30%	4.55%
Present value of CF	1.3	1.3	1.3	1.3	1.3	1.2	1.2
PV of terminal value	17.5	17.1	16.6	16.2	15.8	15.5	15.1
Total value	18.8	18.3	17.9	17.5	17.1	16.7	16.3
NFP last reported	(8.6)	(8.6)	(8.6)	(8.6)	(8.6)	(8.6)	(8.6)
Pension provision	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
Minorities	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Equity value	9.1	8.7	8.2	7.8	7.4	7.0	6.7
Equity value/share €	1.14	1.08	1.03	1.00	0.93	0.88	0.83

Source: CFO SIM

Table 12 – Friulchem, equity value sensitivity to changes in risk premium

€ m	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%
Present value of CF	1.4	1.3	1.3	1.3	1.2	1.2	1.2
PV of terminal value	18.9	17.9	17.1	16.2	15.5	14.8	14.1
Total value	20.3	19.3	18.3	17.5	16.7	16.0	15.3
NFP last reported	(8.6)	(8.6)	(8.6)	(8.6)	(8.6)	(8.6)	(8.6)
Pension provision	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
Minorities	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Equity value	10.6	9.6	8.7	7.8	7.0	6.3	5.6
Equity value/share €	1.32	1.20	1.08	1.00	0.88	0.79	0.70

Source: CFO SIM



Market Multiples

Friulchem is a B2B Contract Development and Manufacturing Organisation, producing pharmaceutical and nutraceutical products, including APIs, drugs and food supplements, mainly for the veterinary sector.

We conducted an analysis of the following companies operating in the veterinary sector:

ECO Animal Health Group PLC is engaged in the development, registration and marketing of pharmaceutical products for global animal health markets. The company's principal activity is the manufacture and supply of animal health products across the globe. The company's products include Aivlosin and Ecomectin.

Elanco Animal Health Inc. is an animal health company that develops, manufactures and markets products for companion and farm animals. It provides a wide range of products: parasiticide portfolios in the companion animal sector, with products that protect pets from worms, fleas and ticks; a pain and osteoarthritis portfolio across species, modes of action, indications and disease stages; treatments for otitis (ear infections), as well as cardiovascular and dermatology indications; vaccines, nutritional enzymes and animal-only antibiotics; products in poultry and aquaculture production.

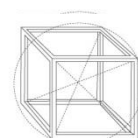
Merck & Co. Inc. is a global healthcare company, offering health solutions through its prescription medicines, vaccines, biologic therapies and animal health products. It operates through two segments: Pharmaceutical and Animal Health. The Pharmaceutical segment includes human health pharmaceutical and vaccine products. The Animal Health segment develops, manufactures and markets a wide range of veterinary pharmaceutical and vaccine products, as well as health management solutions and services, for the prevention, treatment and control of disease in all major livestock and companion animal species.

Shedir Pharma SpA is an Italy-based pharmaceutical company specialised in nutraceuticals, cosmetics and medical devices. The company markets its products in different forms and under the following brand lines: Shedir Farmaceutici, Deimos Farmaceutici, Phobos Farmaceutici, Menkar Farmaceutici and Greenplanet Divisione Farmaceutica. Its products cover a wide range of therapeutics areas, such as cardiovascular, dermatology, neurology, urology, gynaecology and dental health, among others.

Vetoquinol SA is a France-based company that specialises in the research, development, manufacture, marketing and sale of veterinary drugs and products. The company's product portfolio is divided between livestock, such as cattle and pigs, and companion animals, including dogs and cats.

Virbac SA is a France-based veterinarian pharmaceutical company that specialises in the development and production of vaccines and medicines for domestic animals and livestock. Its development efforts focus mainly on formulating drugs designed to prevent or treat certain animal diseases. Its product portfolio encompasses pet medications such as pest control drugs, vaccines, antibiotics, anaesthetics, anti-inflammatory drugs, mouth/dental care products, ophthalmologic and dermatological products intended for dogs, cats, horses, birds and rodents, as well as livestock medications including pest control drugs and antibiotics intended for cattle, sheep, pigs and poultry.

Zoetis Inc is engaged in the discovery, development, manufacture and marketing of animal health medicines and vaccines, with a focus on both livestock and companion animals. The company markets products across eight core species: cattle, swine, poultry, sheep and fish (collectively, livestock) and dogs, cats and horses (collectively, companion animals), and within five product categories: anti-infectives, vaccines, parasiticides, medicated feed additives and other pharmaceuticals.





The peers have rather diversified sizes, profitability, financial structures, geographical presence and supply chain integration. Based on CFO SIM's estimates, **Friulchem shows higher-than-peer median Sales, EBITDA and EBIT CAGR although lower-than-peers median EBITDA margin.**

Table 13 – Friulchem, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA margin	Sales CAGR ₂₃₋₂₆	EBITDA CAGR ₂₃₋₂₆	EBIT CAGR ₂₃₋₂₆	EPS CAGR ₂₃₋₂₆ / EBITDA	NFP
ECO Animal Health Group PLC	UK	57	102	9	8.4%	2.8%	10.0%	11.6%	9.4%	n.m.
Elanco Animal Health Inc	US	6,564	4,050	842	20.8%	2.7%	1.3%	38.5%	n.m.	4.9
Merck & Co Inc	US	253,596	58,558	24,847	42.4%	6.6%	8.9%	11.4%	317.3%	0.8
Shedir Pharma SpA	IT	43	64	13	20.7%	6.6%	6.7%	7.7%	9.0%	n.m.
Vetoquinol SA	FR	1,027	547	101	18.5%	4.0%	2.3%	3.8%	14.3%	n.m.
Virbac SA	FR	3,223	1,406	278	19.8%	8.1%	12.6%	12.9%	15.8%	0.7
Zoetis Inc	US	78,835	8,376	3,588	42.8%	7.2%	9.1%	10.5%	11.2%	1.1
Median of Vet Peers		3,223	1,406	278	20.7%	6.6%	8.9%	11.4%	12.7%	1.0
Friulchem SpA	IT	6	32	2	5.5%	7.5%	24.0%	33.8%	n.m.	6.5

Source: CFO SIM, Refinitiv Eikon

Table 14 – Friulchem, peer group EV multiple table

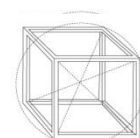
x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
ECO Animal Health Group PLC	0.33	0.33	0.30	3.9	3.6	3.1
Elanco Animal Health Inc	2.64	2.49	2.29	12.7	11.9	10.3
Merck & Co Inc	4.65	4.23	3.71	11.0	9.0	7.7
Shedir Pharma SpA	0.57	0.40	0.24	2.7	1.9	1.2
Vetoquinol SA	1.56	1.41	1.28	8.5	7.5	6.7
Virbac SA	2.44	2.24	2.06	12.3	11.1	9.8
Zoetis Inc	9.90	9.21	8.55	23.1	20.8	19.3
Median of Vet Peers	2.44	2.24	2.06	11.0	9.0	7.7
Friulchem SpA	0.55	0.50	0.47	9.9	7.4	6.5
% premium/(discount)	(77.5)	(77.6)	(77.3)	(9.9)	(17.8)	(16.3)

Source: CFO SIM, Refinitiv Eikon

Table 15 – Friulchem, peer group EV & price multiple table

x	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
ECO Animal Health Group PLC	6.1	6.0	4.9	24.5	20.5	18.7
Elanco Animal Health Inc	14.8	14.7	12.7	15.8	14.7	12.8
Merck & Co Inc	12.2	9.9	8.4	13.7	11.3	10.2
Shedir Pharma SpA	4.0	2.8	1.6	6.7	6.2	5.8
Vetoquinol SA	11.7	10.0	8.8	15.5	13.5	12.4
Virbac SA	15.4	13.8	12.2	20.9	19.1	17.2
Zoetis Inc	26.1	23.6	21.5	32.6	29.7	27.1
Median of Vet Peers	12.2	10.0	8.8	15.8	14.7	12.8
Friulchem SpA	32.7	15.9	12.6	n.m.	52.6	15.9
% premium/(discount)	n.m.	58.8	43.6	n.a.	n.m.	23.6

Source: CFO SIM, Refinitiv Eikon



Peer Stock Performance

Friulchem was listed on Euronext Growth Milan on **25th July 2019** at **€ 1.80/share**, corresponding to a post-money **market capitalisation of € 14.4m**. The stock reached a 1Y intraday maximum price of € 1.12/s on 23-Nov-23 and a minimum price of € 0.72/s on 03-Oct-24.

Table 16 – Friulchem, peer group and indexes absolute performance

%	1D	1W	1M	3M	6M	YTD	1Y
ECO Animal Health Group PLC	1.4	(4.1)	(36.0)	(44.1)	(24.1)	(34.6)	(35.5)
Elanco Animal Health Inc	(0.5)	0.1	0.9	6.2	(1.6)	(2.6)	47.0
Merck & Co Inc	(0.8)	(0.7)	(5.1)	(15.2)	(13.3)	0.3	5.7
Shedir Pharma SpA	(3.1)	(1.6)	(4.1)	(4.1)	0.0	(17.3)	(20.4)
Vetoquinol SA	(0.9)	3.1	(8.3)	(10.4)	(10.9)	(15.6)	6.8
Virbac SA	0.5	4.1	6.1	11.6	7.0	6.8	44.1
Zoetis Inc	0.1	(0.4)	(0.2)	7.1	16.9	(3.6)	7.5
Median of Vet Peers	(0.5)	(0.4)	(4.1)	(4.1)	(1.6)	(3.6)	6.8
Friulchem SpA	(0.7)	0.0	(10.1)	(3.8)	(20.5)	(24.5)	(26.7)
MSCI World Index	(0.1)	0.9	2.8	2.9	9.4	17.1	28.0
EUROSTOXX	(0.3)	0.8	2.6	(0.0)	0.4	8.0	16.0
FTSE Italia All Share	0.4	2.6	1.9	(1.0)	0.9	11.5	19.7
FTSE Italia STAR	(0.6)	1.1	2.1	(4.3)	(1.9)	(3.4)	10.3
FTSE Italia Growth	0.1	1.2	2.3	(0.3)	(0.8)	(2.8)	0.2

Source: Refinitiv Eikon

Table 17 – Friulchem, relative performances

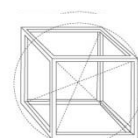
%	1D	1W	1M	3M	6M	YTD	1Y
to MSCI World Index	(0.5)	(0.9)	(12.9)	(6.7)	(30.0)	(41.6)	(54.7)
to EUROSTOXX	(0.4)	(0.8)	(12.8)	(3.8)	(21.0)	(32.5)	(42.7)
to FTSE Italia All Share	(1.0)	(2.6)	(12.0)	(2.8)	(21.4)	(36.0)	(46.4)
to FTSE Italia STAR	(0.0)	(1.1)	(12.2)	0.5	(18.6)	(21.1)	(37.0)
to FTSE Italia Growth	(0.8)	(1.2)	(12.4)	(3.5)	(19.8)	(21.7)	(26.9)
to Veterinary Median	(0.7)	0.0	(10.1)	(3.8)	(20.5)	(24.5)	(26.7)

Source: Refinitiv Eikon

Risks

The principal investment **risks** associated with Friulchem include:

- limited M&A track record;
- increasing regulation or change in the regulatory framework;
- arising difficulties in managing the investments and finding sources to support growth;
- impact on the P&Ls and balance sheet profiles triggered by a deep decline in global economic growth or geopolitical instability;
- the consolidation process of the reference market possibly putting the company's market share under pressure;
- M&A execution possibly being hampered by potential consolidating actors in the industry with huge firepower (i.e. private equity funds).



ANALYST CERTIFICATION

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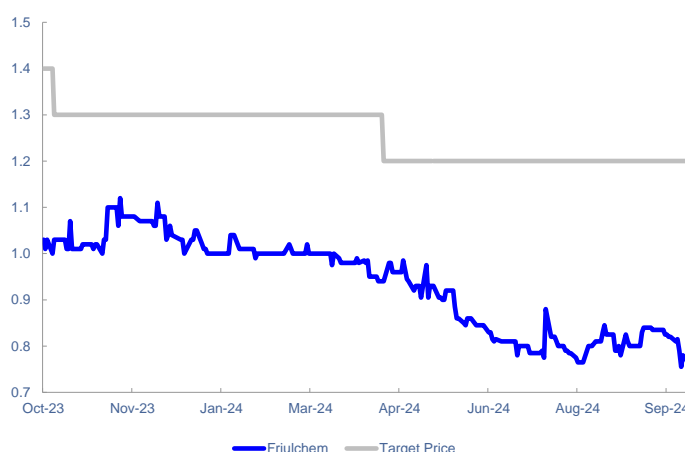
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DATE	TARGET PRICE	RATING
11/10/2024	€1.00	BUY
19/04/2024	€1.20	BUY
17/10/2023	€1.30	BUY

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- ☐ a **BUY** rating is assigned if the target price is at least 15% higher than the market price;
- ☐ a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
- ☐ a **NEUTRAL** rating is assigned if the difference between the current price and target price lies within the +/- 15% range identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return over a 12-month period** and not on the basis of the estimated outperformance or underperformance relative to a market index. Thus, the rating can be directly linked to the estimated percentage difference between current and target prices. The prices of the financial securities mentioned in the report (also used for the calculation of market capitalisation and market multiples) are the reference prices of the stock market trading day preceding the publication date of the report, otherwise stated.

