



A TRUSTWORTHY PARTNER WITH AN OUTSTANDING ITALIAN  
ENVIRONMENT FRIENDLY HISTORY APPRECIATED THROUGHOUT THE WORLD



**CONVEGNO CIDA**

**13 MAGGIO 2022**

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# COMPANY DESCRIPTION

## SICIT, A WORLD LEADER "AT A GLANCE"



Arzignano plant – storage tanks



Arzignano plant – microfiltration unit



Arzignano plant – automation system DCS



Chiampo plant – refining system

- SICIT was **founded** in Chiampo in **1960** and **was the first company, worldwide**, to introduce hydrolyzed proteins as biostimulant and produce plast retardant for the worldwide market
- SICIT offers their clients/partners a **unique value proposition** (biostimulants and plast retardants) based upon outstanding product quality and proper pre-sales, sales as well as post-sales complete reliability (test with partners and customized formulae)
- SICIT has **2 highly automated and technological production sites, 3 first-rate labs, subsidiaries in China and in the USA**
- SICIT **is the world's market leader** of Hydrolyzed Protein of animal origin. 4 out of 5 of the biggest crop protection players sell biostimulants produced by SICIT. 6 out of 9 of the biggest plasterboard players use retardants produced by SICIT
- Within a B2B approach, **SICIT's clients are the top tier of the agrochemical and chemical industry**, such as: ADAMA, BASF, BAYER, ETEX, ISAGRO, KNAUF, NUFARM, SAINT-GOBAIN, SIPCAM, SYNGENTA, USG

## A WELL ROOTED COMPANY, TOTALLY IMMERSED IN THE CIRCULAR ECONOMY

- SICIT has a **60-years history**, rooted in the well known **Italian chemical excellence**
- It **offers a vital service for the Italian tannery sector**, by collecting tannery residues and transforming them into high value products
- Originally established as a costs center (to properly manage the tannery residues), **it has soon evolved into an autonomous highly profitable, unique business in the world**

### 1 Collection of residues and ABP from tanning Industries



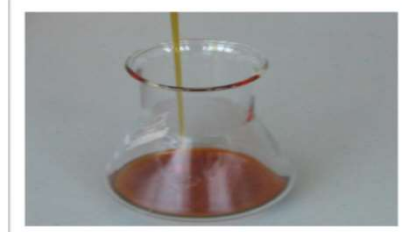
SICIT collects the processing residues that come from tanneries: **Hair, fleshings and cuttings** (by-products of animal origin - ABP); **Trimmings and shavings** (residues from hides that have already undergone a tanning transformation process)

### 2 Process transformation and Production Process



Hydrolysis of the residues in the 2 highly automated plants: **Arzignano** (where the ABP are processed) and **Chiampo** (where the trimmings and shavings are processed)

### 3 Finished product



**Hydrolyzed protein** is obtained (liquid, powder, granules) for these sectors: **Agriculture** (biostimulants); **Industrial** (retardants, other aminoacid and peptides products); **Bio-fuel** (animal fat);

## THE IMPORTANCE OF THE VICENZA TANNERY RESIDUES: "OUR NOTEWORTHY SOURCE"

- Every **1,000 kg** of raw hides gives:

- around **250 kg** of final leather
- up to about **600 kg** of animal by-products – ABP – (e.g. fleshings, hair, cuttings), recoverable tanning waste (e.g. trimmings and shavings) and other waste considered as non-recoverable for the production of hydrolyzed protein

- Of the total produced by the Italian leather industry, the **Vicenza district** produces about:




- **65%** of the ABP (more than **110 k tons/year**),
- **60%** of tanning waste (approx. **150 k tons/year**), among which the trimmings and shavings used by SICIT to produce hydrolyzed protein

- Of the total produced by the **Vicenza district**, **SICIT** collects about:

- **100%** of the fleshings and hair (approx. **110 k tons/year**)
- **80%** of the shavings (approx. **18-25 k tons/year**)
- **60%** of the trimmings (approx. **15-25 k tons/year**)

for transformation into hydrolyzed protein used to produce biostimulants and industrial products

## PRODUCTS

<b>Agriculture</b> 	<b>Biostimulants</b> for agricultural use Biostimulants of animal origin that <b>stimulate the biological activity of plants to tackle abiotic stress, which improves crop yield and quality, and favors soil microflora</b>	Revenue 2020  <b>61%</b>
<b>Retardants</b> 	<b>Retardants</b> for plaster Products used to <b>slow plaster setting time and increase its workability</b> ; used to prepare plaster for industrial use and building	Revenue 2020  <b>23%</b>
<b>Fat</b> 	<b>Animal fat</b> It derives from the by-product of animal origin (fleshing) and it is sold as a raw material for making <b>biofuel</b>	Revenue 2020  <b>10%</b>

Revenue not including other industrial products (1%) and collection services (5%)

# THE REFERENCE MARKET

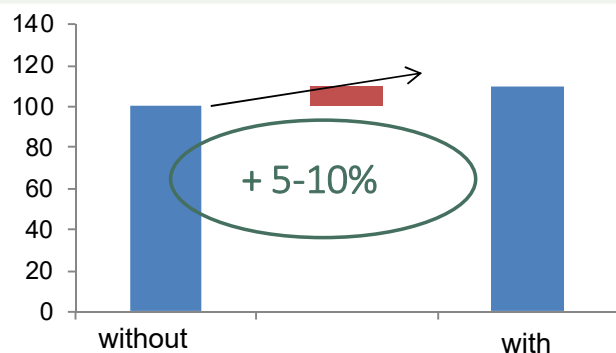
## Biostimulants



**Biostimulants** are special products in strong growth for modern agriculture:

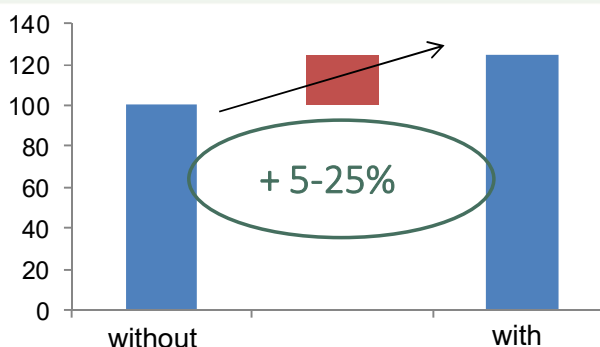
- they improve the absorption of the nutrients contained in fertilizers;
- they optimize the use of agrochemical products and chemical fertilizers which, if used incorrectly, degrade the soil and are always less appreciated by consumers;
- they increase yield and harvest quality;
- they help plants overcome the ever-increasing conditions of abiotic stress (droughts, heavy rain, frost, etc.)

### Increase yield



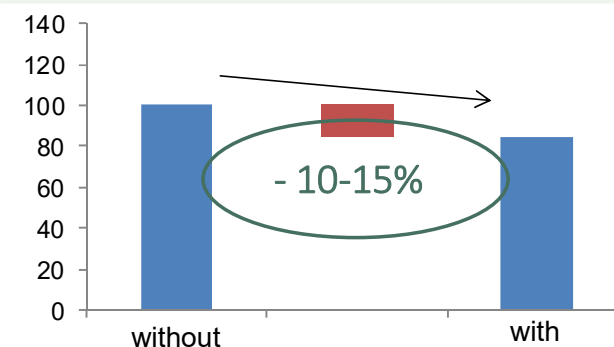
- Using biostimulants generates an **increase in yield of 5/10 %**

### Fertilizer efficiency



- Using biostimulants makes fertiliser from between **5% and 25% more efficient**

### Saved crop protection input

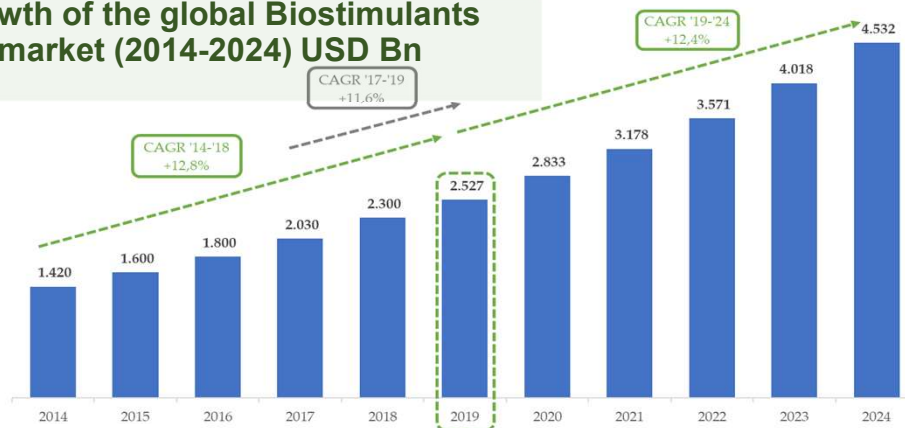


- Biostimulants requires **10/15 % less crop protection inputs**



# THE BIOSTIMULANTS AND RETARDANTS MARKET: SIZE AND GEOGRAPHICAL ANALYSIS

## Growth of the global Biostimulants market (2014-2024) USD Bn



Fonte: "Global Biostimulants Market (2015-2019)", "Global Biostimulants Market (2018-2022)" e "Global Biostimulants Market (2020-2024)", Technavio

- The global Biostimulant market is growing strongly. In **2014** it was worth **USD 1.4 Bn**, in **2019** it exceeded **USD 2.5 Bn**
- For this sector a double-digit **growth is guided by the EMEA area, which represents the most important market, and by Latin America, which presents the best growth prospects**
- growth in all geographic areas is expected, with a **CAGR** for the 2019-2024 period of **+12.4%**

## Growth of the plasterboard market (2015-2030) USD Bn



Fonte: "The Future of Gypsum: Market Forecasts to 2030", Smithers 2019, Robert C. Grupe Jr.

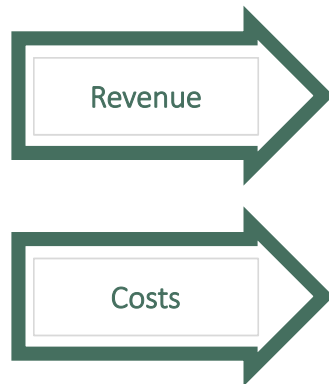
- The global plasterboard market has and will benefit from urbanisation in developing countries (Asia in particular) and from construction methods that use plasterboard inside buildings, even in Europe and the United States. The **CAGR** for the 2019-2030 period is expected of **+5.8%**



## COVID-19 – OPERATIONS AND INITIATIVES



- SICIT production sites never shut down during the crisis due to our being considered a strategic chemical industry
- Vicenza's leather district was partially shut down from 22nd of March to the 4th of May. Tanneries subject to receiving raw hides directly from the slaughterhouses were permitted to work
- During such period, SICIT **reduced** the collection of ABP and tannery waste, **interrupted** the production of semi-finished products (hydrolyzed protein) and **continued** the production of finished products using the stock of semi-finished products available
- Both for raw materials collection and **production** of hydrolyzed protein restarting at the end of April

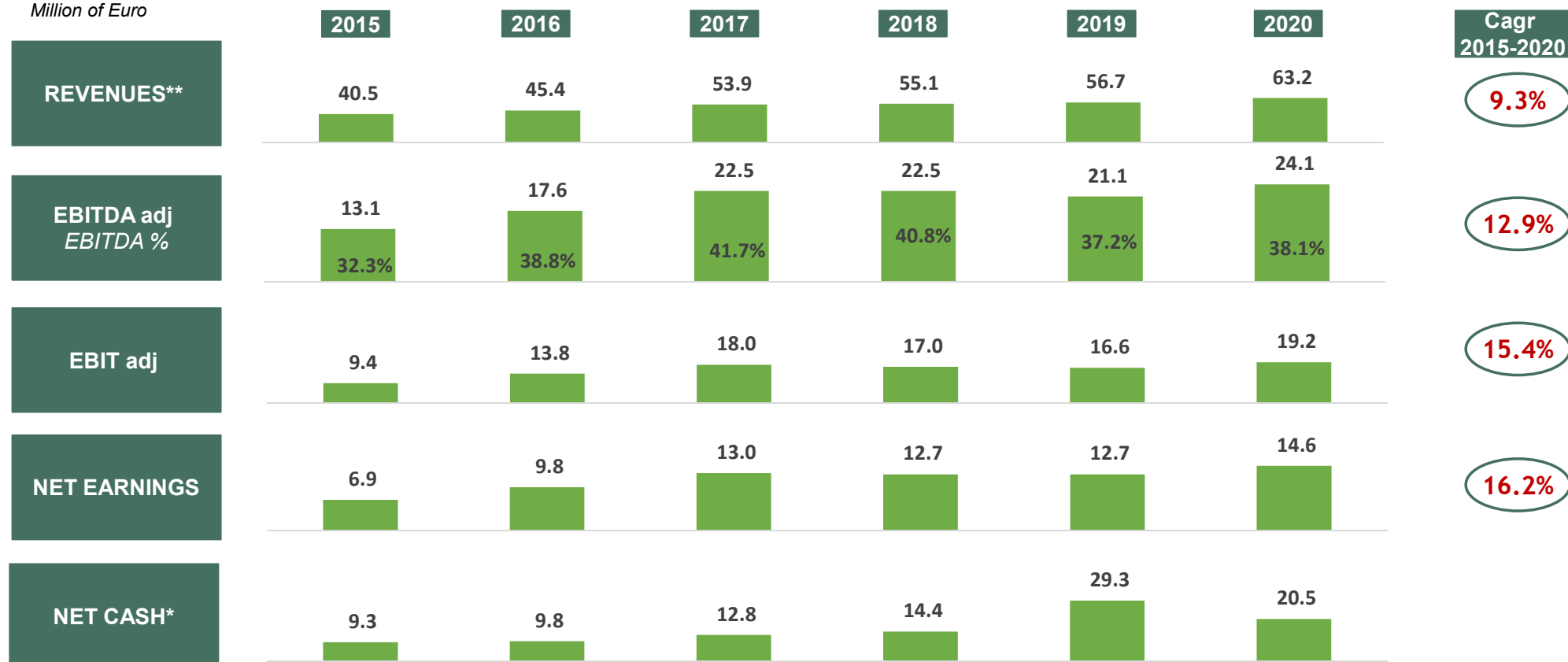


- Request for price increase to customers to mitigate the potential margin impact from COVID-19 and from the increasing costs of raw materials
- No use of Government redundancy funds (Italian CIGO) and implementation of remote working
- Strong focus on new laws related to COVID-19 prevention both at the production sites and at the headquarter to safeguard employees and operation continuity

## HISTORICAL FINANCIALS

SICIT has a steady growth of revenues, profitability and cash generation

Million of Euro

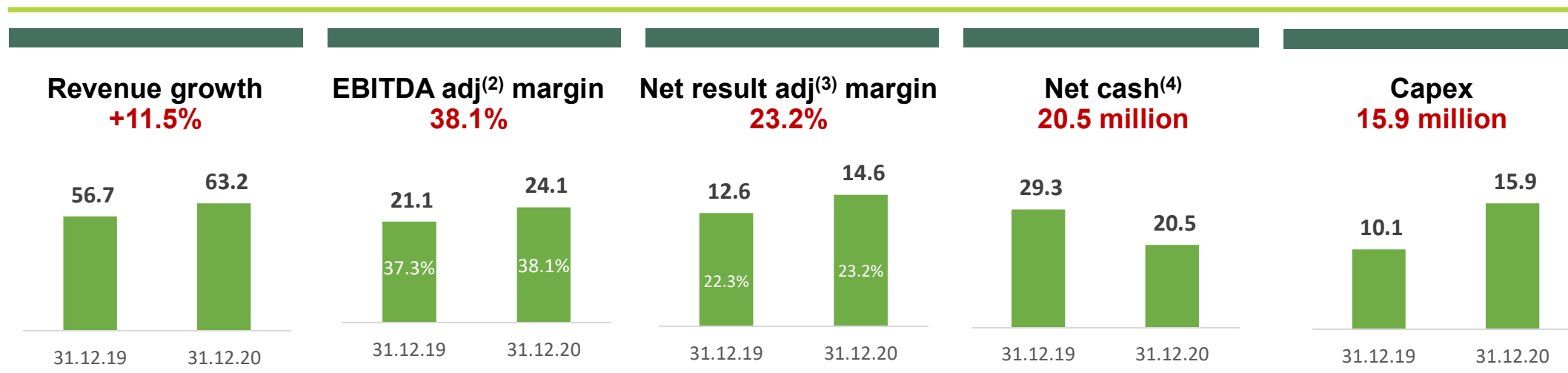


Source: Financial Statements. 2015-2016 ITA GAAP, from 2017 IFRS. 2015-2016 unaudited data. 2017-2019 include the pro-forma consolidation of Sicit Chemitech S.p.A.. Adjustments refer to non-recurring costs.

Note: \* Net cash does not include financial liabilities for company warrant. The net cash on 31 December 2019 include the effect from the Business Combination

\*\* Revenues from both finished products sales and ABP and waste collection service

## KEY FINANCIAL HIGHLIGHTS <sup>(1)</sup>



- **Strong financial results** in 4Q20 confirm the positive trend of the previous quarters
- **Revenue growth** reflecting underlying contribution **mainly from biostimulants** volumes and **animal fat** price
- **Retardants** continue to suffer customers' factories shutdown after the increase of revenue in 1Q driven by customers' stockpiling at start of COVID-19 lockdowns
- **Robust capex** at **€15.9m** to support future **expansion** and **operation flexibility**, with key investments in new buildings, ri-esterification plant and advances for the new granules plant
- **Net cash at €20.5m on 31** December 2020 after payment of €8.8m of dividends, €2.1m of non-recurring costs, €1.6m of shares buyback and **non-recurring** income taxes for €3.7m (taxation of goodwill and trademark)

(1) Euro million

(2) EBIT before amortisation/depreciation and impairment losses, non-recurring costs and revenue, including Sicit Chemitech S.p.A.'s EBITDA for the period January-April (consolidated as of 2 May 2019)

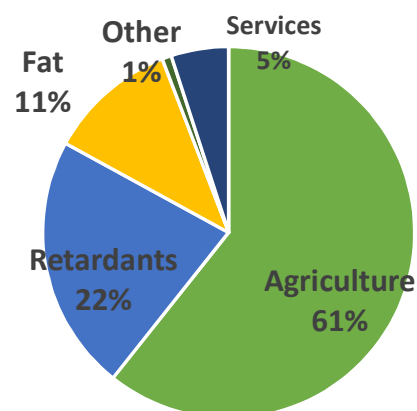
(3) Before non-recurring costs and revenue, costs and revenue from warrant measurement, the related tax

effect, other non-recurring income tax effect and the financial performance of Sicit Chemitech for the period January-April 2019 (consolidated as of 2 May 2019).

(4) Excluding financial liabilities for warrant

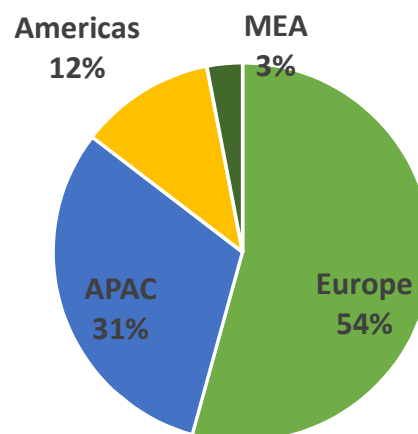
# REVENUES BREAKDOWN

## Breakdown by sector



(in Euro million)	31.12.19	31.12.20	Var.	Var. %
Products for agriculture	31.0	38.3	7.3	23.6%
Retardants	15.3	14.1	(1.3)	(8.3%)
Fat	6.5	7.1	0.6	8.8%
Other industrial products	0.7	0.5	(0.2)	(30.6%)
<b>Total products</b>	<b>53.6</b>	<b>60.0</b>	<b>6.4</b>	<b>12.0%</b>
Services	3.1	3.2	0.1	3.3%
<b>Total revenues</b>	<b>56.6</b>	<b>63.1</b>	<b>6.5</b>	<b>11.5%</b>

## Breakdown by region



(in Euro million)	31.12.19	31.12.20	Var.	Var. %
Italy	12.3	14.1	1.8	14.4%
Europe (excluded Italy)	17.9	18.5	0.5	3.0%
APAC	15.6	18.7	3.0	19.4%
MEA	1.9	1.8	(0.0)	(1.9%)
North America	3.0	2.9	(0.0)	(1.6%)
Latin America	2.9	4.0	1.2	39.9%
<b>Total products</b>	<b>53.6</b>	<b>60.0</b>	<b>6.4</b>	<b>12.0%</b>

## SECTOR

- **Agriculture products:** continuous strong focus of key accounts to develop SICIT products in ASIA and LATAM
- **Retardants:** continues the shut-down of certain customers with a patchy trend in the regions served (all regions with negative trend YoY, except for LATAM)
- **Fat:** total volumes at 31.12.20 below the previous years for lack of materials in 2Q and poorer quality of flashings treated. Growth of sales driven by higher average selling prices
- **Services:** overall volumes in line with 2020 but with a different mix and lower prices. Introduction of new materials at lower prices (in Chiampo) partially off-set by the utilization of the animal hair (with higher selling prices)

## REGION

- Europe/APAC positively influenced by Agriculture products, confirming the positive trend of the last twelve months
- LATAM driven by Agriculture products
- North America (retardants) confirmed in 4Q the negative outlook expected at the end of the 3Q

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# HOW TO LEAD THE GROWTH

## HOW TO LEAD THE GROWTH – 1<sup>ST</sup>, BY STRENGTHENING ITS PRODUCTION CAPACITY



### 1. NEW TRIMMING PROCESS LINE

- A new post-tanning residue (trimmings) treatment line at the Chiampo plant was completed with the conclusion of the "first wet-blue trimmings treatment phase" project and the expansion of the filtration line.
- The production capacity of hydrolyzed protein from the collagen extracted from these residues (trimmings and shavings) is over 60-70 tons/day; with this new process plant we reached a production record of hydrolyzed protein.
- It is a great success that will allow SICIT to be increasingly more reliable in the production of hydrolyzed collagen-based products.

## HOW TO LEAD THE GROWTH – 1<sup>ST</sup>, BY STRENGTHENING ITS PRODUCTION CAPACITY



### 2. HAIR PROCESSING PROJECT

- Another animal by-product (SOA in Italian, ABP in English) coming from the tanning cycle before the tanning phases is called "pelo" (hair).
- SICIT has realized this new process into its current one for the transformation of "fleshing", leading to the production of a new "family of hydrolysate" also containing the typical amino acids from keratin.
- The plant is already in operation.
- Proceeding in the direction of the more evident "green and circular economy", we have taken a further step towards the recovery and reuse of another residue from the tanning industry.

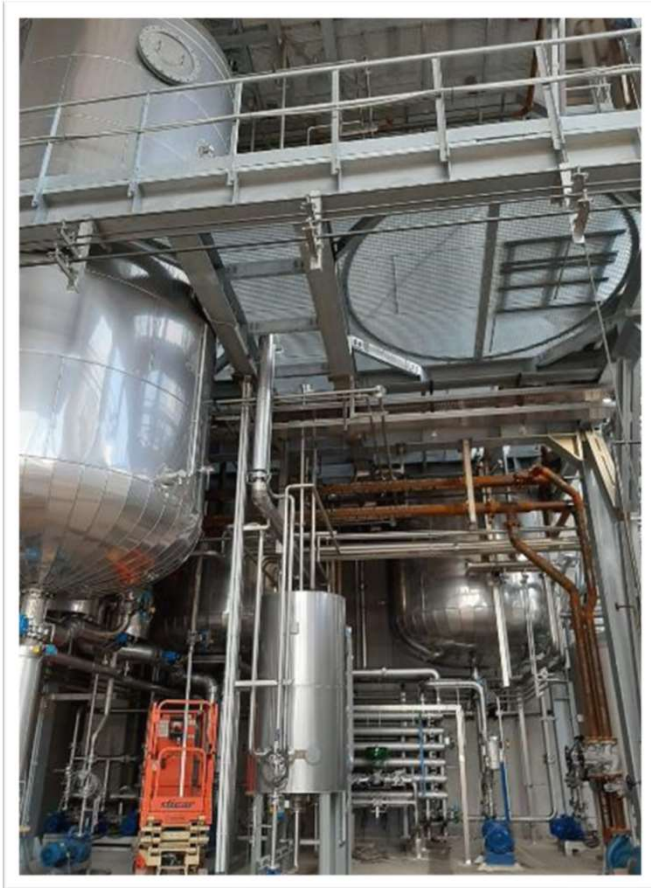


### 3. ENHANCING OF THE FINAL PRODUCT STORAGE

- We have concluded installation of a new tank park with storage of more than 3,000 cubic meters, racks with high-capacity transport piping directly from the production plants.
- This project has been completed without disturbing production.



## HOW TO LEAD THE GROWTH – 2<sup>ND</sup>, BY IMPROVING ITS PROFITABILITY



### 1. FAT REFINING AND RE-ESTERIFICATION

- The fat obtained from the first transformation phase of the animal by-product "fleshing" cannot be used directly as bio-fuel.
- It is therefore necessary to set up a system that can refine this fat with a final reaction phase with glycerin to partially re-esterify the free fatty acids, so as to take it to a final condition whereby it can be easily used as bio-fuel.
- The plant, already installed is under the final commissioning operations and ready to the start up phase, it will be in operation by the end of this year.

## HOW TO LEAD THE GROWTH – 2<sup>ND</sup>, BY IMPROVING ITS PROFITABILITY



### 2. NEW COGENERATION SYSTEM

- The Arzignano co-generator has been successfully started, which allows the self-production of electricity and steam for the plant, improving energy efficiency; with the new authorization of the Authorities, we have already increased the potentiality of the production of electrical energy up to 1,500 Kw/h.
- It was necessary to take this step due to the large amount of energy required by the plant and to partially meet what was required for the reduction of the environmental impact, which has always been one of our primary objectives.

## HOW TO LEAD THE GROWTH – 3<sup>RD</sup>, BY INVESTING IN ITS FUTURE DEVELOPMENT



### 1. NEW SYSTEM FOR PRODUCING HYDROLYZED PROTEIN IN GRANULES OR TABLETS (TABS)

- For some years SICIT has been experimenting with various research centers and universities on the possibility of producing biostimulants and / or industrial products with controlled release capacity.
- Experiments that are leading us to the right technical choice.
- We have already defined all the main equipment and already signed the final contract with companies for the construction of the final plant.
- A pre-competitive pilot plant for the production of special tabs that will serve as tests with customers is already installed in the factory.
- The same is for the granules; our R&D service, in collaboration with the commercial service, is launching pilot productions that are also to be tested "on the field" by the costumers.
- Our project has certainly intrigued our most important partners, who could give us great satisfaction in the future.
- As we have already defined the whole project and bought the main equipment, we will be able to start with the production during 2021.

## HOW TO LEAD THE GROWTH – 3<sup>RD</sup>, BY INVESTING IN ITS FUTURE DEVELOPMENT



### 2. NEW SYSTEM FOR PRODUCING "SPECIAL PRODUCTS"

- We presented the project “Study and development of innovative products deriving from production waste for future agriculture” at the MiSE (Ministry of Economic Development) which granted us a € 3.6 million of grant.
- We have already concluded some important experimental phases and already defined a basic project design.
- We are already producing glycine with a prototype plant that has allowed the stable formulation of a new product that has already entered the sales phase.

### 3. NEW, STRENGTHENED LABORATORIES

- We are concluding the construction of the new laboratories at the Arzignano facility to improve our Chemical and Process research, Agronomic research and Quality Control lab.
- This phase, also partly stopped because of the COVID problem that arose at the start of this year, is now accelerating and we should conclude by the end of 1Q21.
- It will give SICIT the opportunity not only to bring together the three laboratories in a single building adjacent to the executive offices, but also to expand the R&D and QC phases, already considered today by most as being of the highest scientific level.





## HOW TO LEAD THE GROWTH – 3<sup>RD</sup>, BY INVESTING IN ITS FUTURE DEVELOPMENT



### 4. NEW WAREHOUSE AND PRODUCTION BUILDING

- The new building for the finished products warehouse is being built, which will give the possibility, already in 2020, of installing the re-esterification plant section as well as renovating and enlarging the finished products warehouse to make room in the old warehouse for the insertion of some important equipment for granulating and coating granule and tablet products and for the new “special plant” project to be completed during 2021.
- The project will be completed in full by the end of 2020 and the first months of 2021.
- On the roof of this new warehouse, we are installing a photovoltaic system to produce about 275,200 Kwh per year (installed energy power 191 Kwh) with a CO2 saving 101,500 Kg/year; this energy will be integrally used by our Arzignano facility.

## HOW TO LEAD THE GROWTH – 3<sup>RD</sup>, BY INVESTING IN ITS FUTURE DEVELOPMENT



### 5. OUR FIRST NEW PRODUCTION PLANT ABROAD

- We put the project for the construction of a new production plant in Brazil on standby, and at the same time we concentrated our efforts on the realization of a special project in China.
- This project does not involve the construction of a plant for the production of hydrolyzed protein from the collagen of tanning residues but the realization of the "final phase" of the formulation of our special products.
- The hydrolyzed proteins produced by SICIT in Italy will be imported into China and exported as a raw material for the on-site formulation of both biostimulant products and for all other SICIT industrial products, in particular the retardant for gypsum industry.
- In addition to being one of the most important markets in the world for our products, also the Chinese authorities want to somehow approach the world of our biostimulants for both crops and soil, this production plant will also offer the opportunity to be much more present in as many countries in the APAC area.
- We are already at a very good stage with both the Chinese Tianjin Authorities for acquisition of the land, being the place already identified.

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