



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



## **Investors' Road Show**

December 2020

# SUMMARY

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1. Company description
2. The Covid emergency
3. Key figures and Interim 2020 results
4. How to lead the growth

## APPENDIX

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# COMPANY DESCRIPTION

# SICIT, A WORLD LEADER "AT A GLANCE"



Arignano plant – storage tanks



Arignano plant – microfiltration unit



Arignano 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 IMMERSSED 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**



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)

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)

**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 **100 k tons/year**),
- **55%** 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. **100 k tons/year**)
- **60%** of the shavings (approx. **18k tons/year**)
- **50%** of the trimmings (approx. **6 k tons/year**)

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

# PRODUCTS

## Agriculture



### Biostimulants for agricultural use

Biostimulants of animal origin that **stimulate the biological activity of plants to tackle abiotic stress, which improves crop yield and quality, and favors soil microflora**

Revenue  
2020 (9 months)

61%

## Retardants



### Retardants for plaster

Products used to **slow plaster setting time and increase its workability**; used to prepare plaster for industrial use and building

Revenue  
2020 (9 months)

23%

## Fat



### Animal fat

It derives from the by-product of animal origin (fleshing) and it is sold as a raw material for making **biofuel**

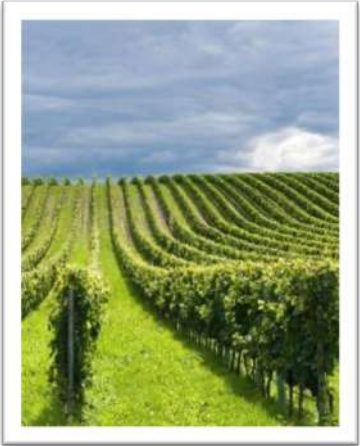
Revenue  
2020 (9 months)

10%

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

# THE REFERENCE MARKET

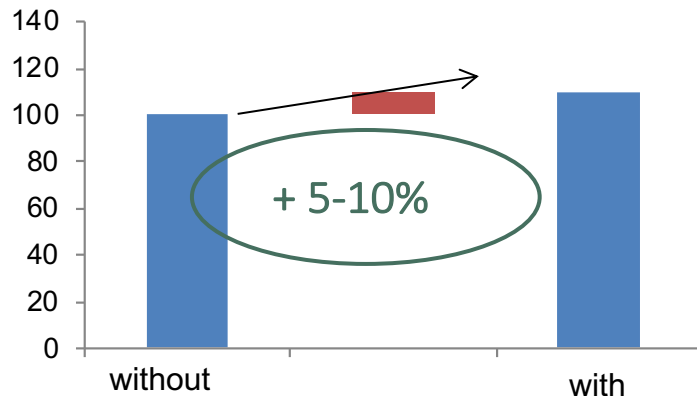
## Biostimulants



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

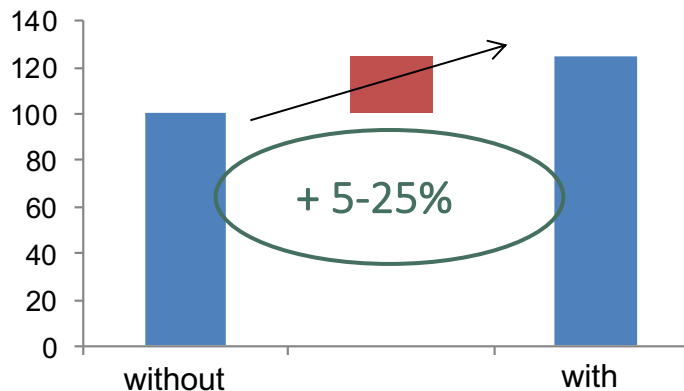
- they improve the absorption of the nutrients contained in fertilizers;
- they optimize the use of agrochemical products and chemical fertilizers which, if used incorrectly, degrade the soil and are always less appreciated by consumers;
- they increase yield and harvest quality;
- they help plants overcome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

### Increase yield



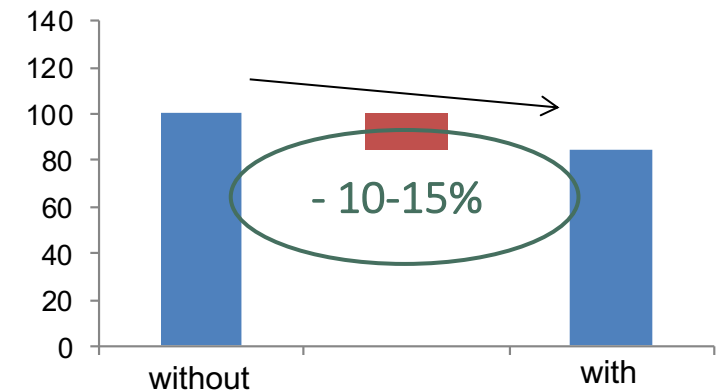
- Using biostimulants generates an **increase in yield of 5/10 %**

### 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 REFERENCE MARKET

## Retardants



**Retardants** are a necessary additive in the plaster industry.

It is an industry that is growing markedly thanks to the new construction procedures that are heading towards light, elastic and eco-friendly building all over the world, especially regarding the inner structures of buildings.

Retardants are used to produce **plasterboard** (main market) and for **plaster** used in building. They are special additives that make plaster more workable by delaying its setting.

### PLASTERBOARD

75%



- Dry production of panel with a core of plaster, glass fiber and paper, retardants and other additives
- Cheaper than bricks / Flexible, aesthetic, and gives other benefits

### APPLICATIONS

- Used to make walls and indoor ceilings
- Used to cover cables, channels and other similar items

### GYPSUM PLASTER

25%



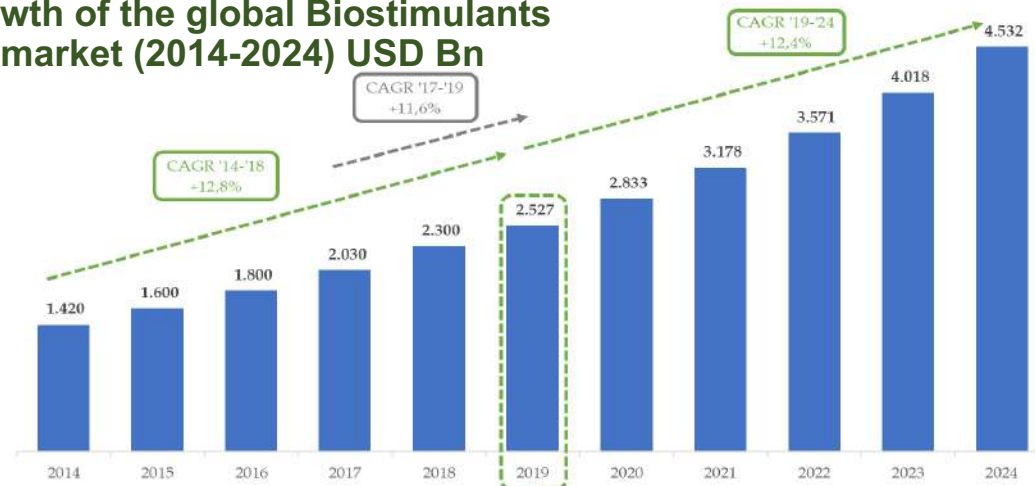
- Dry powder plaster mixed with water to a viscous state
- Very workable

### APPLICATIONS

- Finishing material to cover indoor joints and walls
- Screed

# THE BIOSTIMULANTS AND RETARDANTS MARKET: SIZE AND GEOGRAPHICAL ANALYSIS

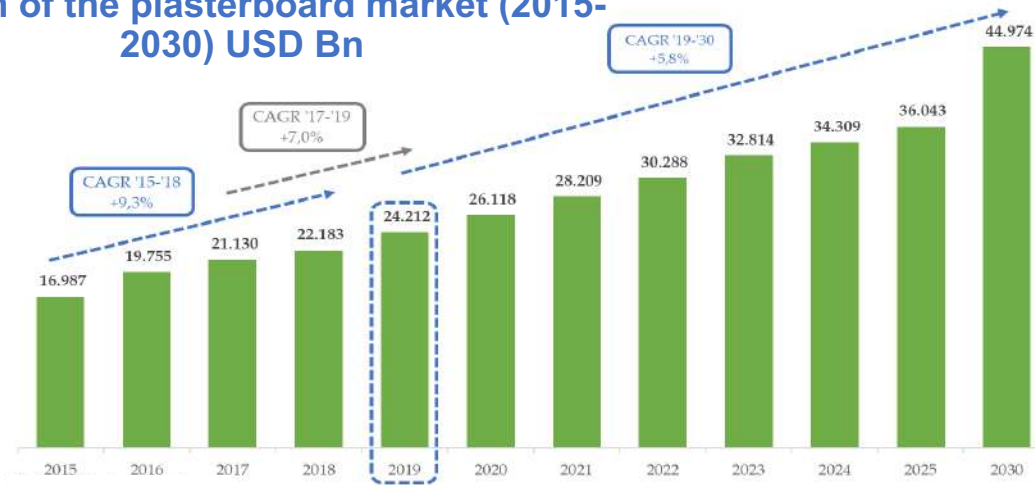
## Growth of the global Biostimulants market (2014-2024) USD Bn



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%**

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# THE COVID EMERGENCY

# 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



Revenue

Costs

- 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

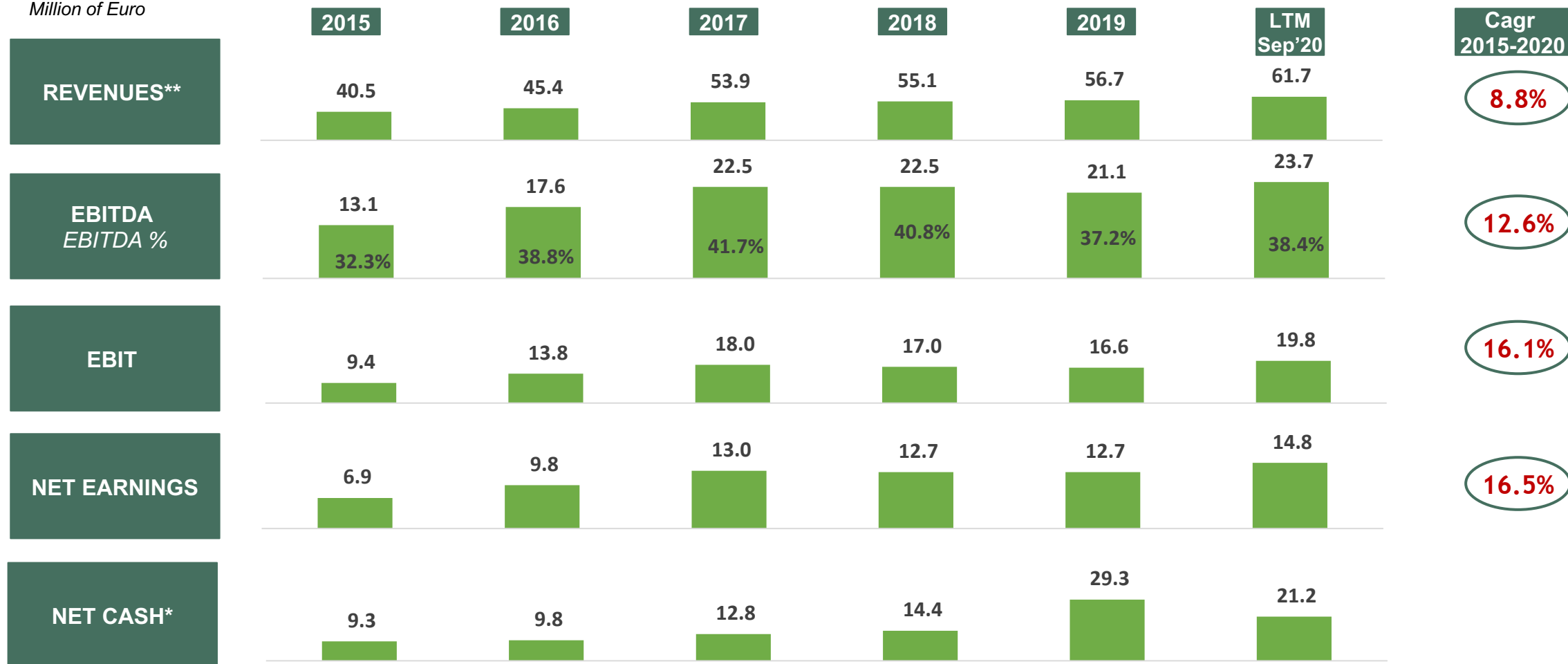
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# KEY FIGURES AND INTERIM 2020 RESULTS

# HISTORICAL FINANCIALS

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

Million of Euro

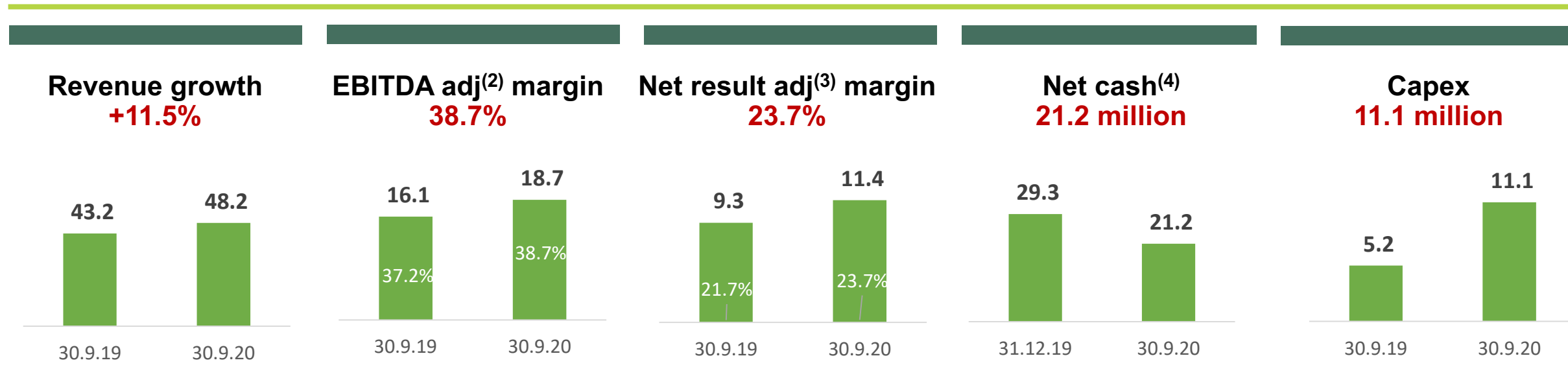


Source: Financial Statements. 2015-2016 ITA GAAP, from 2017 IFRS. 2015-2016 unaudited data. 2017-2020 include the consolidation of Sicit Chemitech S.p.A. LTM Sep'20 (Last twelve months as of 30 September 2020)

Note: \* Net cash does not include financial liabilities for company warrant. The net cash at 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 3Q20 confirm the positive trend of the first half 2020 notwithstanding the difficult environment
- Organization responsiveness to deal with COVID-19 effects, **safeguarding workers** and **assuring supply to customers**
- **Revenue growth** reflecting underlying contribution **mainly from biostimulants** and **animal fat**
- Retardants suffer customers' factories shutdown both in 2Q and 3Q after the increase of revenue in 1Q driven by customers' stockpiling at start of COVID-19 lockdowns
- **Robust capex** at **€11.1m** to support future **expansion** and **operation flexibility** (focus on ri-esterification plant and granules plant in 3Q)
- **Net cash** at **€21.2m** at 30 September 2020 after payment of €8.8m of dividends

(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)

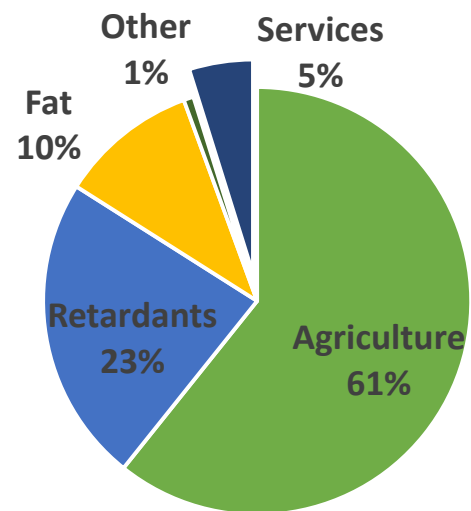
(3) Before non-recurring costs and revenue, costs and revenue from warrant measurement, the related tax

effect 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

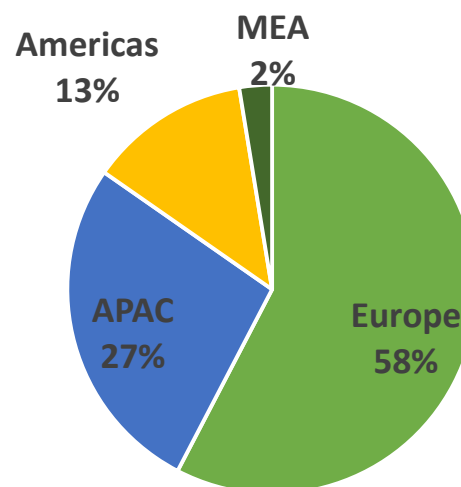
# REVENUES BREAKDOWN

## Breakdown by sector



(in Euro million)	30.9.19	30.9.20	Var.	Var. %
Products for agriculture	23.4	29.3	5.8	25.0%
Retardants	12.3	11.2	(1.1)	(8.8%)
Fat	4.6	5.0	0.4	8.4%
Other industrial products	0.6	0.4	(0.2)	(36.8%)
<b>Total products</b>	<b>40.9</b>	<b>45.9</b>	<b>4.9</b>	<b>12.1%</b>
Services	2.3	2.3	0.0	0.7%
<b>Totale revenues</b>	<b>43.2</b>	<b>48.2</b>	<b>5.0</b>	<b>11.5%</b>

## Breakdown by region



(in Euro million)	30.9.19	30.9.20	Var.	Var. %
Italy	9.7	10.6	0.8	8.6%
Europe (w/o Italy)	14.0	14.4	0.4	2.7%
APAC	11.4	13.8	2.5	21.6%
North America	2.3	2.4	0.0	2.0%
LATAM	2.2	3.4	1.1	50.2%
MEA	1.3	1.4	0.1	8.3%
<b>Total products</b>	<b>40.9</b>	<b>45.9</b>	<b>4.9</b>	<b>12.1%</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 in 3Q20. Negative outlook for the full 2020 due to the pandemic
- **Fat:** recover of volumes in 3Q20 after the drop suffered in 2Q20 as a consequence of Covid and tanneries shut-down. Stable selling prices in 3Q20 compared to 2Q20. Total volumes at 30.9.20 still below the 30.9.19
- **Services:** volumes lost in 2Q20 due to temporary shut-down of tanneries almost fully recovered in 3Q20.

## REGION

- Europe/APAC positively influenced by Agriculture products, confirming the positive trend of the last twelve months
- LATAM driven by Agriculture products
- North America outperforming in the retardants sector (potential negative impact from Covid in 4Q20).

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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 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



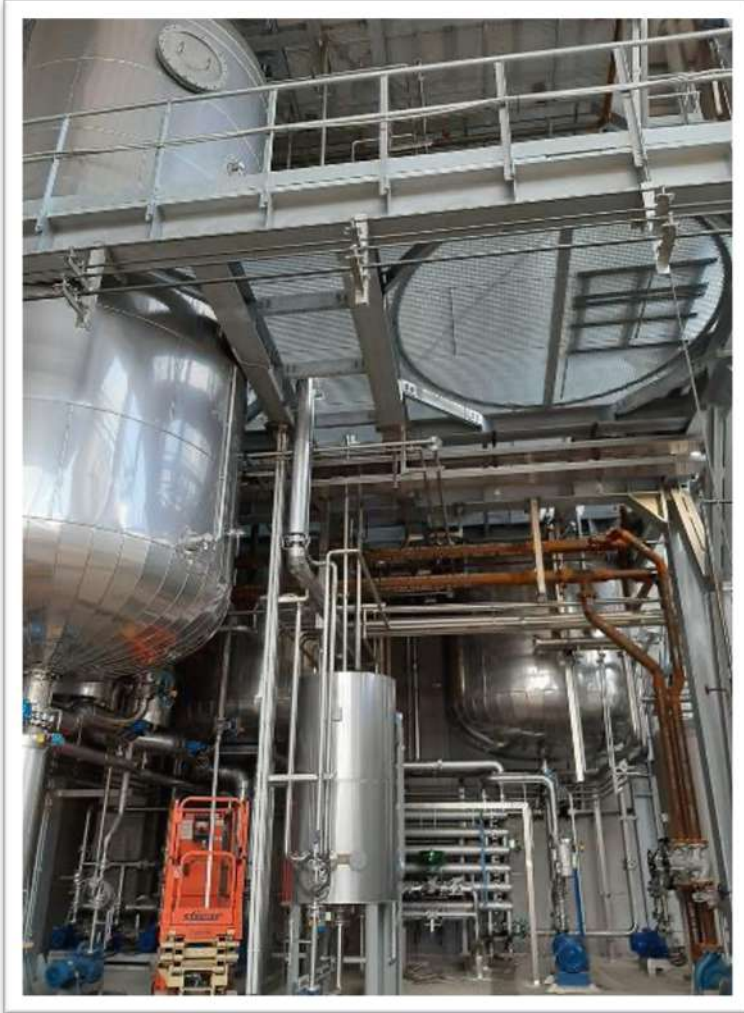
## 2. HAIR PROCESSING PROJECT

- 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 flashings, 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 300 cubic meters, racks with high-capacity transport piping directly from the production plants.
- This project has been completed without disturbing production.



### 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.



### 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, we have already presented to the Authorities, we'll increase the potentiality of the energy production 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.



## 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).
- 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.





### 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.



### 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.

## OUR SUBSIDIARY SICIT USA

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- Based in Larchmont (NY), 3 people employed, 5 third party warehouses across USA to provide customer proximity
- Currently focused on retardants only: import of goods from Italy, custom clearance, distribution and invoicing
- Managing a business worth of roughly 3 million USD
- Development plan:
  - Managing Director replacement (due on July 1<sup>st</sup>, 2021): candidate already identified, to join on Jan 19<sup>th</sup>
  - Focus on biostimulant business development
  - Support and optimize retardants business

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