



**EUTICALS**  
The Pharmaceutical & Fine Chemical Company



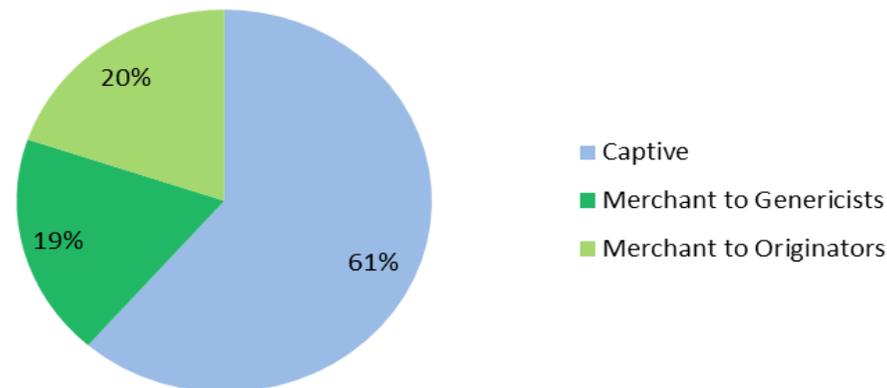
London, 26<sup>th</sup> June 2014

## General overview



- Global APIs and intermediates market amounts to \$ 101 billion, of which 61% captive (APIs made internally by pharmaceutical companies).
- The relevant market for Euticals is the “Merchant market“ that means APIs made by independent manufacturers. It is of about \$ 39 billion, expected to grow in the next years at 5% yoy, higher growth expected on APIs for Generic Drugs (7,3% yoy).
- It is a very fragmented market where almost all companies are below 1 billion \$, only few are around \$ 500 million and most of them below \$ 100 million. Typically companies in this sector are specialized in a limited number of products and services.
- Italy holds a primary position in the world market in this sector and exports more than 85% of its production to more than 90 countries.

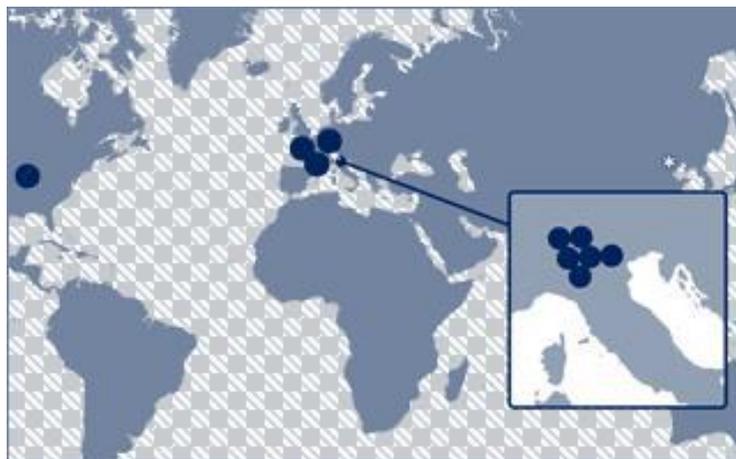
APIs and intermediates market





- Leading Italian player in the pharma-chemical business specialized in the production and marketing of Active Pharmaceuticals Ingredients (“APIs”), intermediates, specialty chemicals and R&D services (“Custom Synthesis”).
- Headquarter and plants in Northern Italy (5); 2 more plants in France, 1 in Germany and 1 in the US. The Group employees 855 people (67% in Italy).

### Euticals - Locations and main financials (data in € M)



data in € ml	2007	2008A	2009A	2010A *	2011A **	2012A
Revenues	45,3	52,4	55,1	92,8	209,8	226,8
<i>yoy growth%</i>		16%	5%	69%	126%	8%
Ebitda	8,3	9,7	11,3	21,4	40,5	35,2
<i>Ebitda Margin%</i>	18%	19%	21%	23%	19%	16%
Net Debt	25,5	37,6	36,7	56,9	92,9	95,5

\* Since 2010 figures include Poli, acquired on March 2010

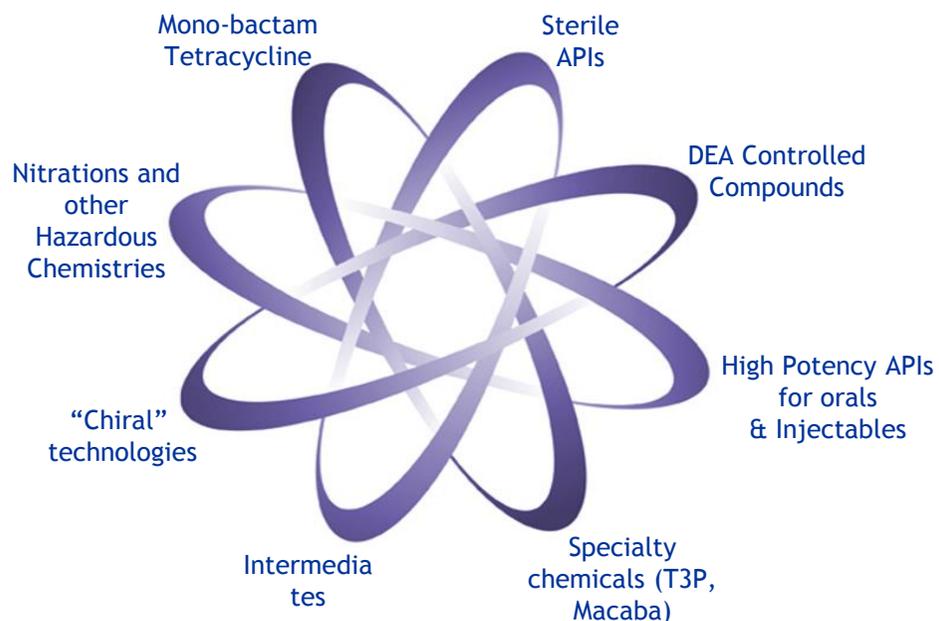
\*\* Since 2011 figures include Archimica, acquired on February 2011

## Product portfolio and market coverage



- In contrast to the vast majority of its competitors, who tend to be smaller in size, Euticals' activity encompasses a significant number of molecules / custom synthesis services.
- The group serves the 100% of top 10 pharma-companies (40% of WW market share) and about 90% of top 50 (67% of WW market share), both generic producers and innovators (branded product makers).

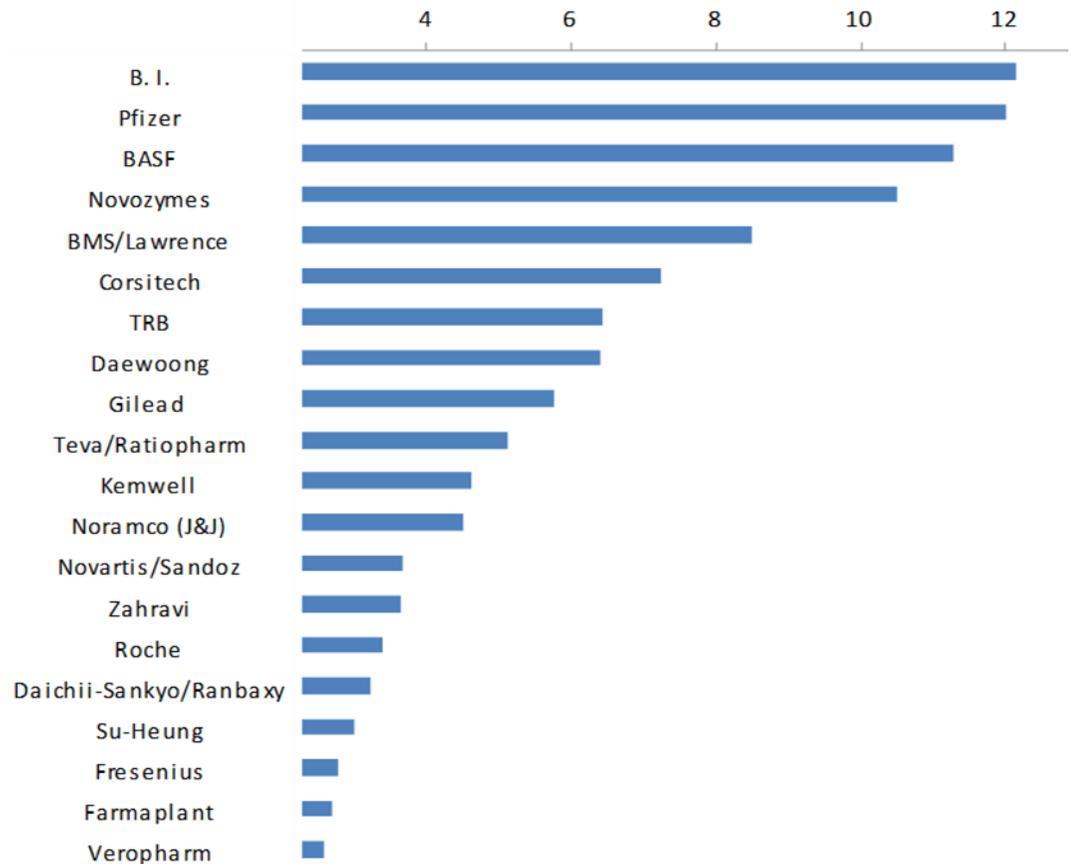
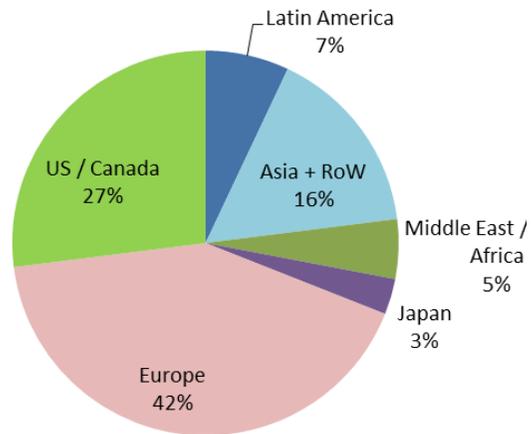
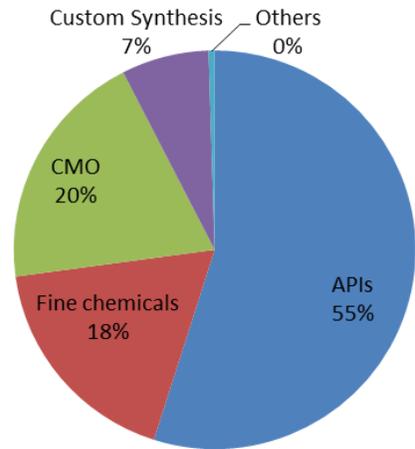
## Wide portfolio of products and R&D services and worldwide coverage





- Exports outside Italy account for more than 90% of Total Sales.

### Sales breakdown by geography and product family. Top 20 customers





## Sourcing

- In 2008 the main shareholder (Carinelli Family) was looking for a financial partner to further fund the group's development, especially in Asian markets. The intermediary hired by the family introduced the company to MCP directly, as it appeared well-positioned to give the requisite support in Asia.

## Strategic rationale

- Creating a *One-Stop Shop* for pharma-companies with a diversified industrial platform and a large portfolio of APIs and R&D services ("Custom Synthesis"), in a market momentum where Big Pharma players were implementing restructuring plans aimed at cost optimization firstly through the outsourcing of several phases (i.e. clinical trial management, APIs and intermediate manufacturing, drug formulation, etc.).
- Consolidation process in the industry: several opportunities to scale the business up through mergers and acquisitions.
- Constantly growing demand for high quality drugs and generic products in developing markets.

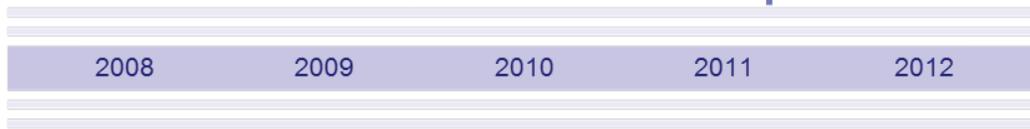
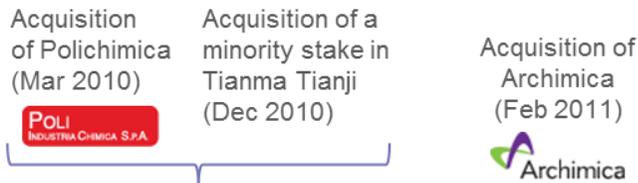
## Initial investment

- MCP bought out the majority stake in the company (83%) at 6.9x EV/Ebitda and confirmed Mr. Maurizio Silvestri as CEO of the Group (who invested in the MBO). The deal was structured as an LBO, using a Newco financed by debt at 3x EBITDA. With subsequent investments, MCP invested a total of € 39.9 M.



- Helped the management to put a successful cost saving program in place in China, focusing on supply chain efficiency. Euticals obtained a significant EBITDA margin increase.
- Assisted Euticals in implementing an ambitious buy & build strategy:
  - March 2010: acquisition of Poli (Italy) - with 2010 Sales of € 34 M - adding biotechnology (i.e. fermentation) and steroids to its know-how portfolio;
  - February 2011: acquisition of Archimica group (Italy) - with 2011 Sales of € 115.6 M - diversifying the industrial platform with 5 more plants around Europe (4) and US (1).

## Buy & Build strategy and growth in the three year period 2009-12



Mandarin Capital Partners acquires the majority stake (Dec 2008)



Clessidra acquires the 38% of Euticals. Mandarin and all the other shareholders reinvested in the new initiative (Apr 2012)



- Strengthen the organization (i.e. appointed a new CFO, introduced an Industry Expert as non-executive director to the Board).
- Encouraged the group to adopt ERP systems in each subsidiary and to standardize the reporting package.
- Co-invested with Euticals in Suzhou Tianma Pharma Group Tianji Bio-Pharmaceutical (“TT”), a Chinese manufacturer of APIs, intermediates and dosage forms, with the goal of:
  - Entering into the Chinese market (in 2009 Euticals’ sales to PRC were only 0.6% of total sales), expanding the production capacity on some growing APIs (e.g. Cyticoline)
  - Developing and marketing API-peptides and peptide-based drugs;
  - Improving Euticals’ supply chain.
  - The acquisition represented also the first step towards the entry of the group into the *dosage form* business.



Revenues: \$ 6M

Purchasing: \$ 20M

Import Drug Licenses (“IDL”):

- Approved: 5
- Ongoing approvals: 5
- To be filed (next 12 months): 10



- At the end of 2011 MCP began to seek new investors for Euticals that could further fund the potential growth of the company.
- In April 2012 MCP sold its stake to a newco (53.8% post conversion CB), financed by a group of financial investors led by Clessidra.
- The deal represented for Mandarin a **2.6x MOC** and **44.4% realized IRR**.



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