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Global sustainability and clean beauty drives demand for Advonex products



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“Personal care companies really are focused on developing sustainable supply chains and we have ingredients to help them achieve their goals.”- Chad Joshi

CEOCFO: *Mr. Joshi, it has been about a year since we last spoke, would you bring up us to date and tell us how Advonex International has grown this past year?*

Mr. Joshi: The company in the last year has blossomed in terms of understanding the market and developing new products for the cosmetics and personal care space. We are also building up our production capacity with a pilot plant that we expect to come on-board next year.

CEOCFO: *What is different about the market?*

Mr. Joshi: There is a big push in the cosmetics and personal care space for ingredients to replace a lot of the stuff that today they are sourcing from petroleum. We have identified specific product opportunities such as replacing silicone oils, which are commonly used in hairspray, anti-perspirants and other products. This is an ingredient that has been determined to be a “substance of very high concern” by European regulators. Personal care companies are now scrambling to find replacements because that determination is the first step towards banning them.

CEOCFO: *How do you develop a replacement?*

Mr. Joshi: You have to understand what properties they are looking for within the product. For example, in hairspray silicone oil is used to carry the active ingredients to the hair and it has to evaporate, so you need something that is volatile and leaves no residue, so those are the properties that we have developed in our replacement.

CEOCFO: *Is Europe ahead of the US in looking for new products in cosmetics?*

Mr. Joshi: I do not know if it is ahead. The reality is that most of these companies are multinational companies so they operate all around the

world. When they look for an ingredient that is being banned in Europe, for example, they say that it is actually going to happen in the rest of the world as well. So when they look for a replacement they want a global replacement. It must work in all countries.

CEOCFO: *Would you tell us about ENTRADA?*

Mr. Joshi: ENTRADA is a family of products that replace hydrocarbons that traditionally come from petroleum. The basic materials are made from plants. Our proprietary process separates plant oil into fatty acids then recombines them to produce oxygen-free hydrocarbons similar to those that come from petroleum. We make waxes, and various types of types of oil, and there is a host of applications for that, not only in cosmetics and personal care but also for industrial and automotive lubricants, transformer and hydraulic oils, etc. There is a wide range of areas where these ingredients can be used. Personal care is really our first market, the low-hanging fruit if you will, and after that we will pursue these larger volume markets such as lubricants.

CEOCFO: *How are these products evaluated, is there an FDA component or an EU certification?*

Mr. Joshi: There are global regulatory agencies that govern personal care ingredients. Certainly, anything that goes on or into the body has regulatory requirements and it has to meet them before it can be used. There are certain qualifications that have to be done for Europe, for example, to import chemicals ingredients, into the European Union. So that combined with the testing validation that the personal care companies do, helps us to hit the market. It is not as tough as FDA approvals for drugs or medical device that are required in North America because it is not quite in the same category.

CEOCFO: *What is available today from Advonex?*

Mr. Joshi: We are able to produce small quantities of materials, small meaning a few kilograms a day, so we send out samples to various companies that want to use it to try it in their formulations and this gives us feedback as to how we can change our process to make our Ingredients better. We have been engaging many of multinationals in that sort of development with their formulations.

CEOCFO: *What have you learned so far that has surprised you?*

Mr. Joshi: I think what really surprised me is the degree to which these personal care companies really are focused on developing sustainable supply chains and we have ingredients to help them achieve their goals. Every single one of them wants to make sure that they are not having an adverse impact on the environment. They are very concerned about their own carbon footprint and propagate that to their suppliers. We have learned that this is a strong and important part of how they look at suppliers and the ingredients they supply.

CEOCFO: *Is there much competition and how do you get attention?*

Mr. Joshi: Yes, there is always competition. The personal care industry has two aspects to it; there is the branding and the stories behind some of the new brands that have come out in terms of sustainability. There are also a lot of legacy products where they want to change them, so there is always innovation. Most multinational companies have research laboratories all around the world. When we send them an ingredient, they send it to all the labs and have them evaluate it based on their understanding of the local markets. The needs for Asian markets may be slightly different than in North America and Europe.

CEOCFO: *Would you tell us about the plant you are building?*

Mr. Joshi: We are building a plant that will be able to produce about one thousand kilograms per day of a variety of different products. All of our products come out of this one process, that includes the waxes, the high-end emollients as well as more volatile ones. This capacity will allow us to start working in terms of product development and product marketing with our customers. We will be able to deliver them quantities that they need on a regular basis so they can start introducing new and better products into the market.

CEOCFO: *Are there newer technologies, machinery, or methods that you are able to use in building the new plant?*

Mr. Joshi: We have a patent on a new process by which we can make these ingredients more efficiently, more cost-effectively. That is really what has allowed us to push this market with these ingredients. The waxes that we can make, for example, cannot be made easily by other methods. We have what is called a paraffin wax which is similar to what is in candles but it is made from plant materials. Soy-based wax alternatives are softer and decompose readily limiting its applicability for cosmetics. Our wax has a higher melt point and has a better structure for applications such as lipstick, balm and gels.

CEOCFO: *Have you been able to increase your partnerships over the last year? Are you looking for any additional investment at this point?*

Mr. Joshi: We are looking for additional investment from strategic partners; in fact we are in the midst of some negotiation that we expect to close in the near future. It is a little early to say anything about them beyond that, but it will be happening soon.

CEOCFO: *What does next year look like?*

Mr. Joshi: Next year is going to be focused on getting the pilot plant operational, which will allow us to start generating significant amounts of revenue and getting ourselves into the marketplace, and with that, profitability.

CEOCFO: *Is it easy to find people interested that you would need as the company grows?*

Mr. Joshi: There is some excitement around the types of stuff we are doing. With all the recent talk about climate change in the UN in New York, it is on the top of the mind in a lot of peoples' thinking. I have had people come and ask if there was a job opening for them, without us having to go out and look for it. We have had people coming because they liked the kind of stuff that we do and the story behind it.

Right now, we have several openings that we are recruiting for and we have had some very good candidates to work with. In the long-term as the pilot plant gets operational and we start looking at commercial facilities, we will need more people, operators and shift supervisors to basically run a refinery. Those people may be a little harder for us to recruit because it will take more digging, especially in the eastern part of Ontario.

CEOCFO: *Why Advonex International standout?*

Mr. Joshi: I think that this company, of all the companies that I have worked with has the potential for the broadest impact. The markets we are dealing with are all global markets, it is not a niche market as several

of my previous ventures. I think that is exciting, we can really make a big impact on global climate change as well as sustainability.

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