

ASX RELEASE

30 November 2022

SECOS Group Chairman's AGM Address

Dear fellow Shareholders,

On behalf of the Board of SECOS Group Ltd (ASX: SES), I am pleased to welcome you all here to our 2022 Annual General Meeting.

The cloud of disruption throughout the year didn't prevent management from delivering on key milestones which greatly furthered SECOS' ambition of becoming a global leader in sustainable packaging and products. The launch of a new biopolymer plant during the March quarter has increased the Company's capacity by 480 million compostable dog waste bags and 3,600 tonnes of bio resin per annum, equivalent to an extra \$25 million sales revenue per annum when capacity is fully utilised. Commissioning a new plant while movement and supply chains were so restricted was a significant achievement and one that has positioned SECOS to meet growing demand for sustainable bio-products.

While increasing capacity was one pillar of SECOS' growth strategy, the Company's sales and marketing team delivered on a range of important customer wins including the expansion of Woolworths to 970 stores and more recently winning Coles that just this month launched SECOS' MyEcoBag™ products via over 770 stores. During the year, distributors were appointed in each Australian State furthering the footprint for the sale of the MyEco™ brand nationally. SECOS products are now sold via over 2000 stores within Australia. A result that took less than two years and weighed by unprecedented trading conditions.

Further to developing the Company's own branded products, SECOS was successful in securing major white label customers with the relaunch of Jewett Cameron's ("JCC") Lucky Dog® products into the USA, and Ezy Dog's Login® products into leading Australian pet stores, including Pet Barn.

During the year, SECOS established an enviable footprint and sales network for both its own branded and white label products, while maintaining its core business of supplying local councils with compostable waste bags that facilitate the clean and hygienic diversion of food, garden, and organic waste away from landfill and to composting waste streams. Although growth from council business was slower during the year due to global disruption, this segment remains highly attractive and is expected to grow as more councils implement organic waste diversion programs across the country.

SECOS' local success and global sales and distribution network has offered an entrée into launching MyEco™ products into the USA, with early success to date and further growth expected from the leverage of our key US partnerships that are expected to accelerate our success in this market. We look forward to reporting further progress during the year.

While costs and delays frustrated our progress, the achievements above have solidified our position in the market as a key participant in sustainable packaging and products. The original plan we set out to execute remains unchanged, albeit delayed by six to nine months due to the many factors impacting global economies.

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Dealing with these unprecedented trading conditions did little to deter management from pursuing your company's next stage of growth initiatives, with the successful launch of Australia's first global biopolymer research and development centre located in Melbourne. The successful launch was achieved despite being plagued with the many supply chain issues including delays to the delivery of highly technical equipment needed to perform the many experiments and trials required to develop new technology in the biopolymer market. SECOS can now work with universities and global customers to develop new products and technology as demand for better environmental solutions takes the front seat on the world's agenda. The company is working on a broad range of potentially highly lucrative projects and has invested further in expanding its technical team to accelerate this progress. During the current quarter, SECOS announced the successful development and initial trials of a certified compostable film to create higher-clarity biopolymer films, which are clear and ideal for transparent food packaging or mailing items. Initial samples will be supplied to significant brands for evaluation shortly. We look forward to announcing other major partnerships in dry goods packaging and other innovative compostable product solutions in the second half of FY23.

In response to the unprecedented elongation of global supply chains and rapid price rises during the year, we responded quickly by expanding inventory and working capital which provided certainty of supply to our customers and resulted in SECOS delivering modest growth of over 3% for the year. Price rises were passed on to customers as soon as possible, however margins were impacted with a drop from 19% in FY21 to 13% in FY22 but are now normalising. While navigating this difficult period, we delivered major expansion milestones including our new biopolymer plant, R&D centre and the launch of MyEco™ products in the USA.

In context of these events, your board considers SECOS management performed professionally to further the company's position and didn't waiver on executing our business plan under extremely difficult circumstances.

Your company is a better company today than it was one or two years ago because it has now established the key pillars that will drive growth. These include manufacturing capacity, global sales and distribution capability, proven technical research and development capabilities and expertise, a broad list of blue-chip customers that underpin base sales rates, the leading MyEco™ retail brand and an enviable reputation as a leader in the fast-growing biopolymer market.

While near term growth has been detrimentally impacted by these global challenges, we are confident the many biopolymer growth opportunities will translate into rapidly growing revenues over 2023. Biopolymer sales growth is expected to replace falling or stagnant growth being experienced in the conventional plastic market which currently makes up 32% of SECOS's revenues. Conventional plastic manufacturing assets which are currently located in the Company's subsidiary Stellar Films Malaysia, and running at less than 37% capacity, will be utilised and converted to produce our newly developed grades of compostable hygiene and high clarity films currently being trialed for food packaging and mailing items.

I would like to congratulate the entire worldwide SECOS team. They have delivered excellent results under very difficult conditions and remain resolute in their ambition for continued growth of the business.

I would also like to thank each of the shareholders who have supported the company and shared in our vision to become the world leader in sustainable packaging. Our shareholder base has grown significantly with now over 4300 shareholders on the register.

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We look forward to sharing our continued success and bringing each of our key stakeholders along with us for this remarkable journey to make the world we live in more sustainable.

Regards,

Richard Tegoni
Chairman
SECOS Group Ltd

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About SECOS Group Limited

SECOS Group Limited (ASX: SES) is a leading developer and manufacturer of sustainable packaging materials. SECOS supplies its proprietary biodegradable and compostable resins, packaging products and high-quality cast films to a blue-chip global customer base. SECOS Group is integrated from resin production, into film (cast and blown) production and can develop bespoke compostable solutions for a range of applications.

SECOS holds a strong patent portfolio and the global trend toward sustainable packaging is fueling the Company's growth.

The Company's headquarters and Global Application Development Centre are based in Melbourne, Australia. SECOS has a Product Development Centre and manufacturing plant for resins and finished products in China and a resins plant in Malaysia. The Company also produces high quality cast films in Malaysia.

SECOS has sales offices in Australia, Malaysia, China, and USA, with a network of leading distributors across North Americas, Mexico and Latin Americas, Europe, Asia, the Middle East, Africa, and India.

Disclaimer and Explanatory Notes Forward Looking Statements

This document may include forward looking statements. Forward looking statements include, but are not necessarily limited to, statements concerning SECOS' planned operational program and other statements that are not historic facts. When used in this document, the words such as "could", "plan", "budget", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward looking statements. Although SECOS believes its expectations reflected in these are reasonable, such statements involve risks and uncertainties, including but not limited to risks and uncertainties relating to impacts that may arise from Covid-19, and no assurance can be given that actual results will be consistent with these forward-looking statements. SECOS confirms that it is not aware of any new information or data that materially affects the information included in this announcement and that all material assumptions and technical parameters underpinning this announcement continue to apply and have not materially changed.
