

FY22 FULL YEAR RESULTS

AUGUST 2022

ASX: SES



CHANGING THE WORLD OF PACKAGING

AGENDA








- Highlights & Operational Review
- Financial Summary
- Strategy & Outlook



HIGHLIGHTS & OPERATIONAL REVIEW



A GREAT YEAR OF ACHIEVEMENTS FOR SECOS GROUP

-  Woolworths expands SECOS products to 970 stores
-  MyEcoBag achieves fastest growing compostable bag sales in Woolworths
-  Jewett Cameron Corporation (JCC) orders re-commenced in May 2022
-  EzyDog pet waste bags launched to 600 retail stores
-  United National Food Inc selects SECOS' MyEcoPet in USA
-  Officeworks selects SECOS to supply compostable courier bags
-  Global research centre for bioproducts established in Melbourne
-  Entered into joint biopolymer research project with University of Queensland
-  New biopolymer plant complete, providing capacity for \$25m in additional sales



POSITIONING FOR GROWTH IN 2023

Integrated Biopolymer producer in fast growth industry offering a material alternative to conventional plastics

MyEcoBag range now sold in over 1200 stores in Australia with new major retails expected to launch soon underpinning FY23 growth

MyEcoPet range now sold in over 100 USA stores and expected to reach 200-300 by late 2022. USA expected to be a major growth market in H2 FY23

Council business: continues to increase as FOGO waste programs expand and new markets introduce FOGO around the world

Capacity expansion: Investment in new capacity expansion when sold will add incremental revenue of \$25m per year



New R & D Centre for excellence established in Melbourne to support growth new product applications and biopolymer resin technology

New distributors such as Charmlaw (QLD), Downes (VIC), Pacchini (NSW), and Auslink Foods (WA) to supply MyEco products in approximately 300 independent stores

Partner Brands will drive growth: JCC's Lucky Dog recommenced orders with \$0.9m since May 2022. EzyDog launched to over 600 stores including Pet Barn with orders of \$0.3m

Strong Customer Pipeline: working with over 60 new potential customers expected to underpin medium term expansion

Strong balance sheet with > \$4m cash and no debt at 30 June 2022.

STRONG OUTLOOK

SECOS has a strong growth trajectory in the bioplastic market



Several trials of SECOS' high speed compostable hygiene cast film in progress to target compostable diaper and feminine hygiene product markets



Growth in pet waste bags expected to grow in FY'22 as Jewett-Cameron sales recommence, orders of \$0.9m have been received since May 2022



Expansion of MyEcoBag® range via over 1200 retail stores including Woolworths, Officeworks, and Pacchini with new retail chains expected in near future



Current investment taking sales capacity to over \$60 million pa now available and production capacity online. Newly launched Malaysia bioplastic plant available to supply \$25 million pa sales



Establishment of Mexican subsidiary to service the Americas providing better logistical and working capital management



Launch of new global research & development centre with multi university collaborations underway. Focus on new applications and next generation bioplastics



Strong forward pipeline continues to expand from major brands in various regions. Working with over 60 new potential customers expected to underpin medium term expansion



Expansion of local Council organic waste diversion program (FOGO) continues to drive sales FY23

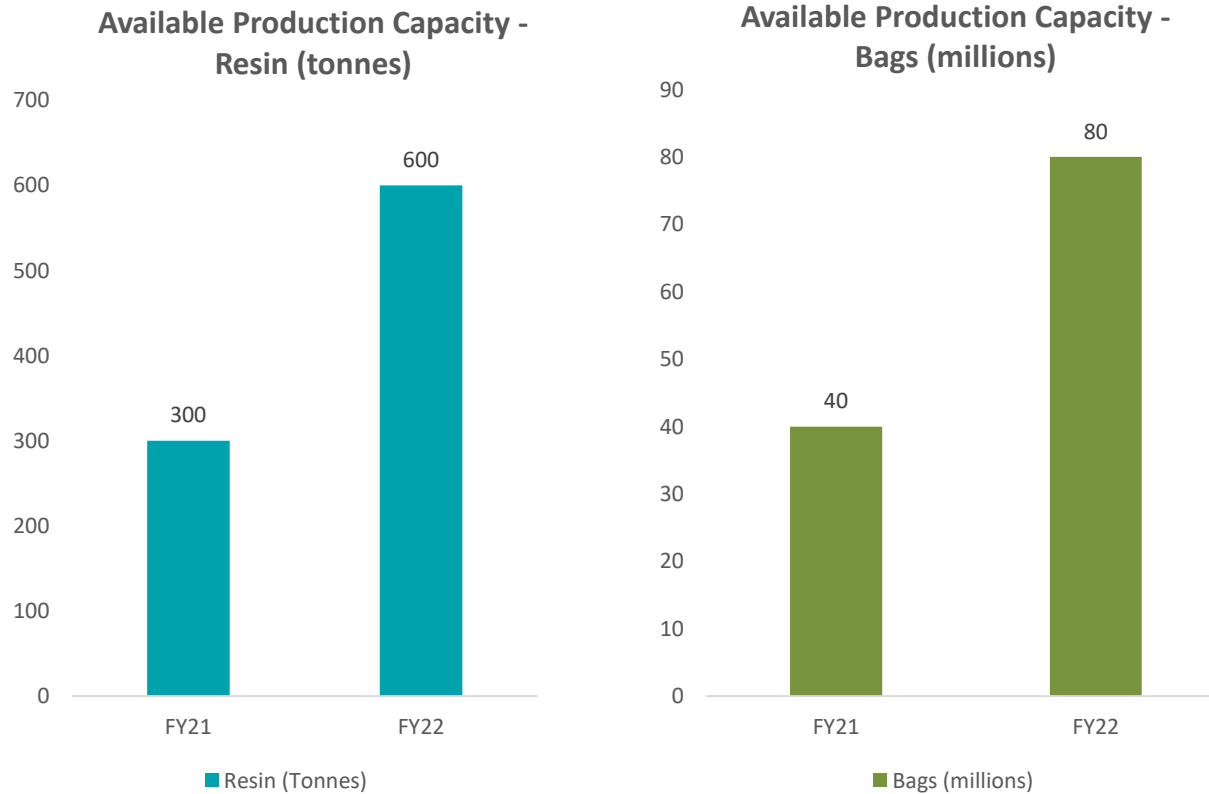


Planned capacity expansion aimed to achieve over \$100 million sales potential within next four years progressing final stage – focus on organic growth together with entry into the lucrative compostable food packaging market

Recent developments driving growth

Near term outlook

PRODUCTION CAPACITY EXPANSION



New capacity diversifies production location & increases capacity:

- Doubling of bag capability from FY21 to FY22; Malaysia's new bag plant has passed Costco GMP audit
- Tripling of compostable resin capacity from FY21 to FY22 in Malaysia and all new lines have been commissioned
- Film capacity is sufficient to handle expansion in compostable film demand

ACTIONS TO MITIGATE COVID-19 FREIGHT IMPACTS

The rebound in demand following the initial impact of COVID-19 saw an increase in freight costs and delivery lead times. To mitigate this SECOS:

- instituted a range of price increases with main customers
- increased container loading in order to reduce freight costs per item
- increased safety stocks to adjust for long lead times

Key Raw material costs are now below pre-pandemic levels, supporting stronger product margins

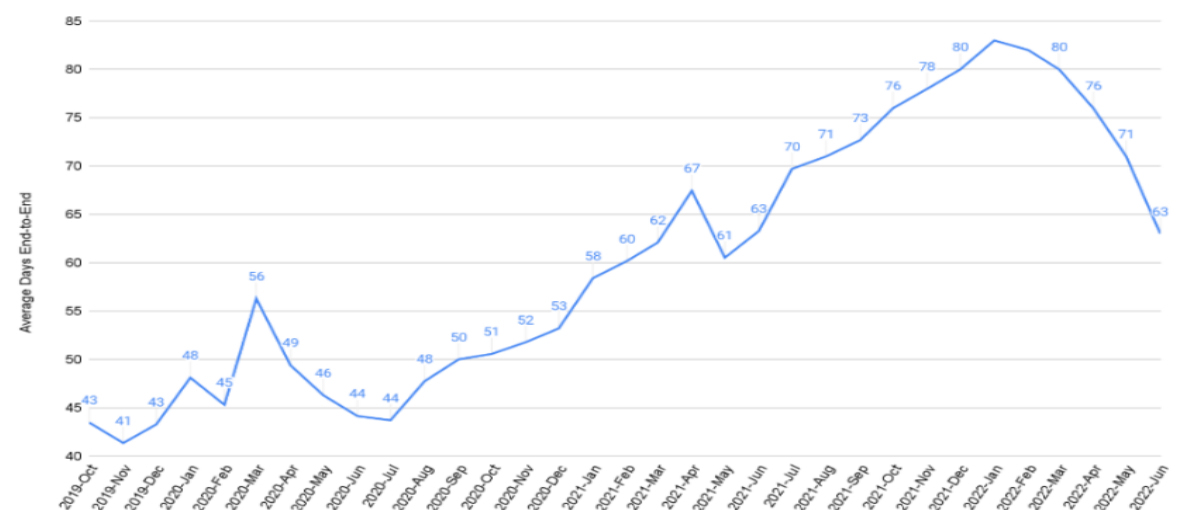
Recent data show freight costs normalising with Cargo rates approaching pre-Covid costs

Shipping times are reducing particularly between Asia and the Americas, and we expect this trend to continue as China's shipping rates improve

Freightos.com Marketplace - China-US (West Coast) Air Cargo Rate Changes



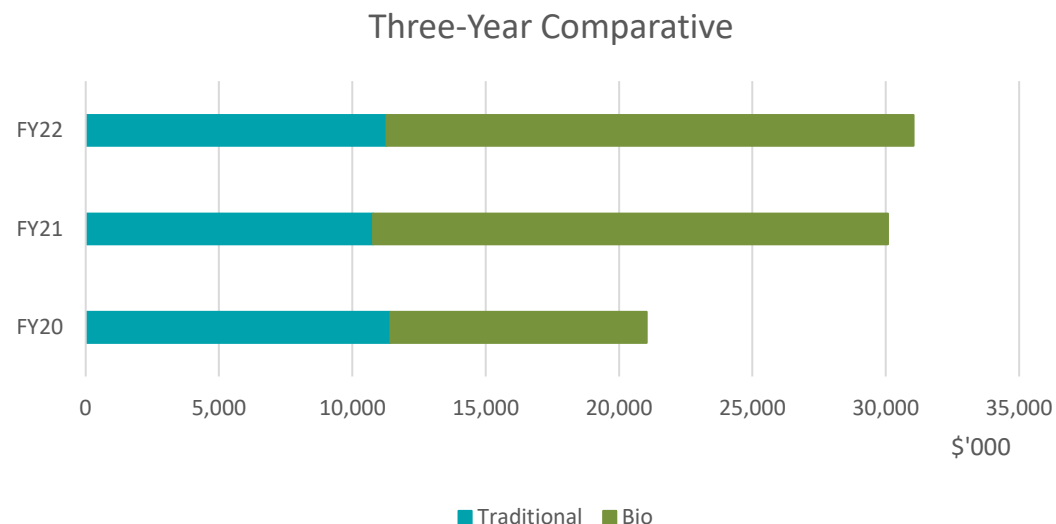
China - US Ocean Shipment Transit Time - Freightos Marketplace Shipments



FINANCIAL SUMMARY



SALES PERFORMANCE

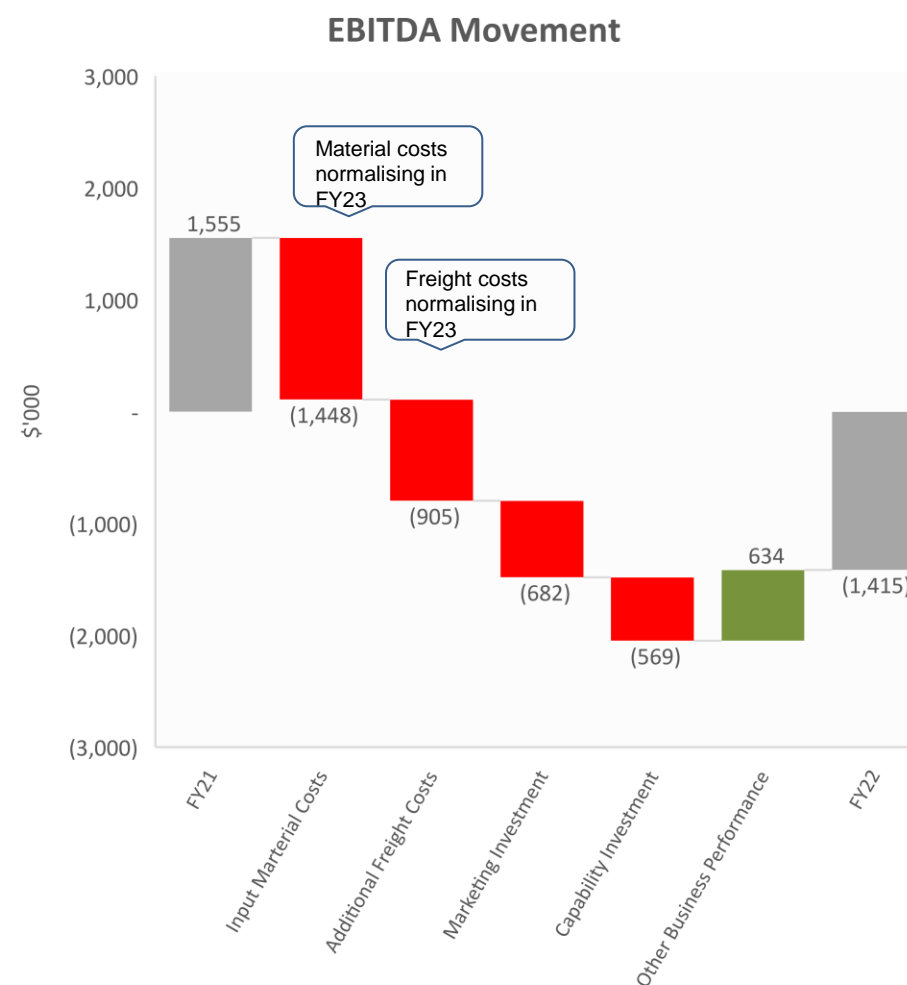
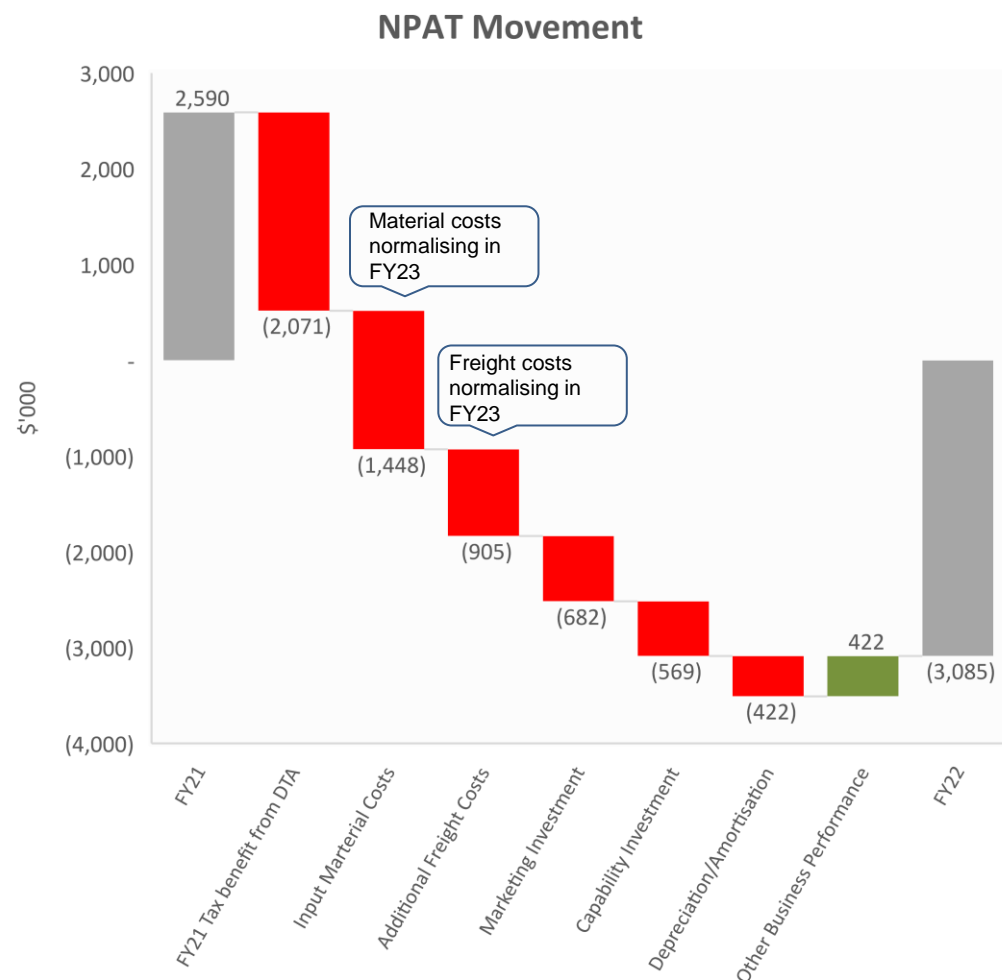


Segment Performance (\$'000)	FY22	FY21	Change
Oceanic	6,512	5,060	28.7%
Asia	15,617	13,930	12.1%
Americas	6,337	8,975	(29.4%)
Europe	1,426	1,402	1.7%
Africa	1,151	714	61.2%
Total	31,043	30,081	3.2%

- Sales growth of 3.2% for FY22 vs PCP (prior corresponding period)
- FY22 Americas segment impacted by loss of \$3-\$4 million in sales to JCC due to packaging issues that developed with the State of California. Sales with JCC have now re-commenced.
- Compostable products accounted for 63.6% of total sales (vs 64.2% PCP)
- Growth in compostable resin, bag and film up 2.3% vs PCP

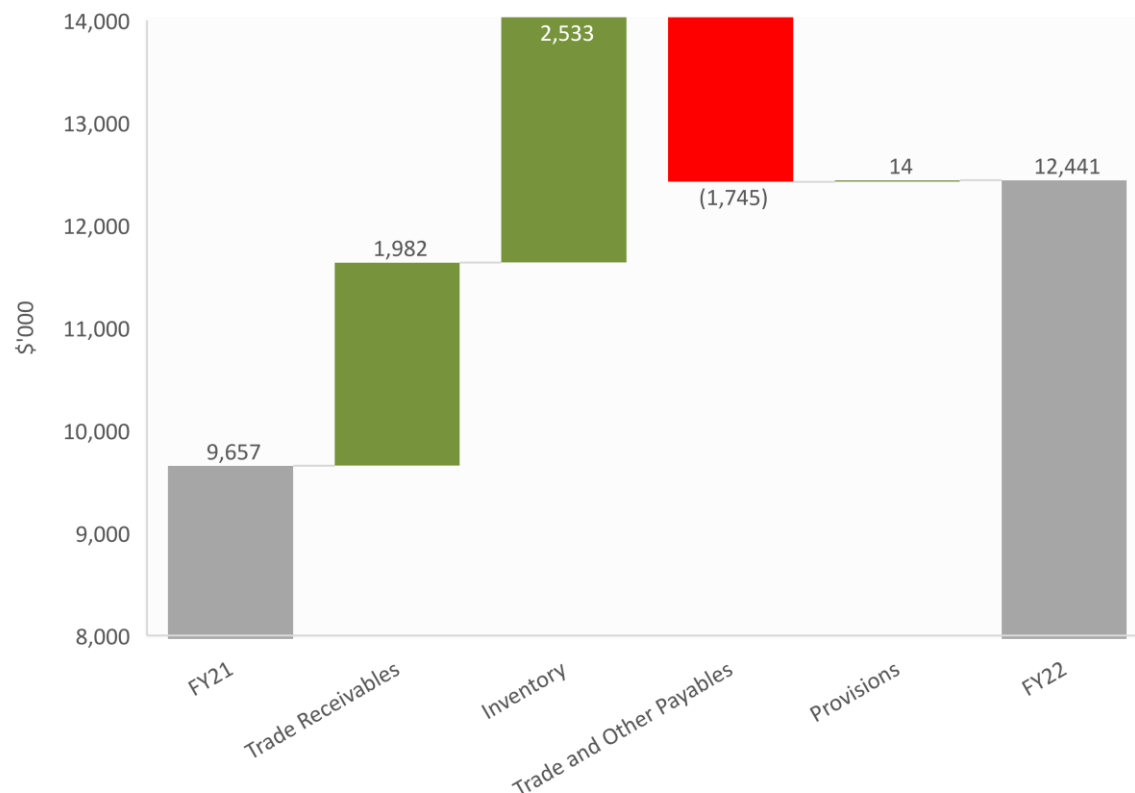
PROFIT MOVEMENT

FY22 NPAT result was impacted by disruptions in supply chain and increased freight costs resulting from global macro events, and strategic investment in marketing and capability. The variance to PCP was partly driven by a \$2.1m tax benefit booked in FY21 from the recognition of a deferred tax asset.



WORKING CAPITAL AND OPERATING CASH FLOW

Working Capital Movement



Increase in working capital due to investment in inventory to mitigate supply chain issues and meet supply requirements of customers.

Operating Cash Flow Reconciliation

\$'000	FY22	FY21
NPAT	(3,085)	2,590
Tax Expense/(Benefit)	172	(2,053)
Depreciation & Amortisation	1,304	882
Working Capital Movement	(2,784)	(5,819)
Other	333	(304)
Operating Cash Flow	(4,060)	(4,704)

Improvement in operating cash flow compared to prior year is a reflection of effective working capital management.

STRATEGY & OUTLOOK



STRATEGY: OWN BRANDS, PARTNER BRANDS & EXPANDED RANGE



SECOS aims to leverage its current compostable resin, film, and bag assets to produce:

- SECOS owned brands MyEcoPet™, & MyEcoBag™ are now available through a greater number of storefronts in Australia and the USA (collectively we have brands in over 1300 stores)
- Continue to work with partner brands such as EzyDog, Jewett Cameron, Pogis, and others to support their own product offerings
- Broaden product range to include new products, such as biobased pee pad and bin liners in the USA and Australia



- IP and knowhow - SECOS has 11 patent families
 - Patents cover multi-layer film structure and thermoplastic starch-based resin formulations
- Development of new resin grades for cast and blown film, with a particular focus on:
 - SECOS Compostable film barrier properties to assist in the extension of shelf-life of food
 - Clarity of Compostable film
 - Compostable resin development:
 - Utilizing different compostable additives to alter barrier properties of film
 - Lamination formulation for multi-layer applications
- Further development of compostable parameters to develop a compostable film that is certified home compostable at greater thickness i.e.- 101 microns.

UNIQUE COMPETITIVE ADVANTAGES

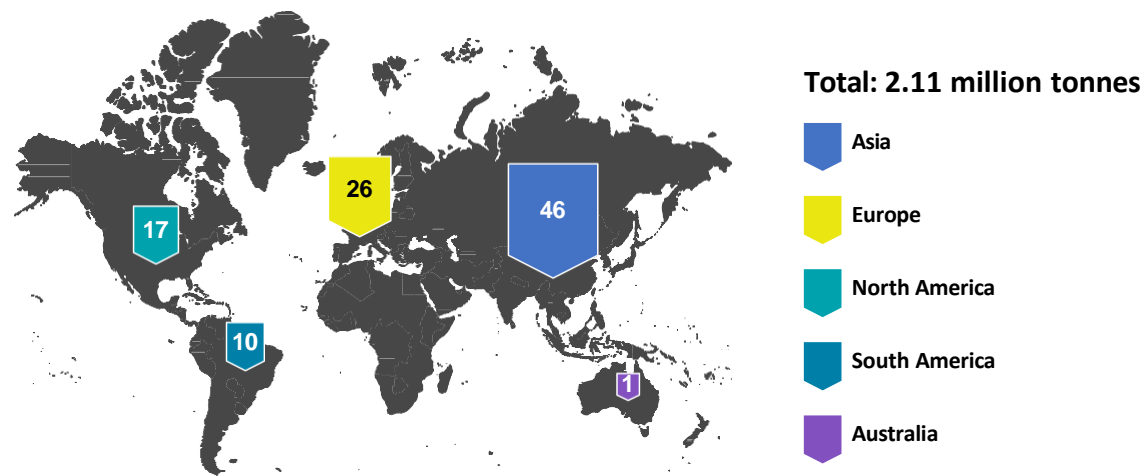


- 
- A large, light grey curved line that starts from the top left and curves downwards towards the bottom left, framing the list of advantages.
- 1 Asset location relative to large scale raw material supplies
 - 2 IP – through our patents and increasing knowhow around thermoplastic starch based formulations, bio-product film and bag production skill sets
 - 3 R & D competencies focusing on new bio-resin formulations and high-end multi-layer bio-based co-ex structures and film barrier properties
 - 4 Integration across the bio-product value chain
 - 5 Development of own-brand sales in fast growing consumer markets around the world
 - 6 Market reach to over 20 countries

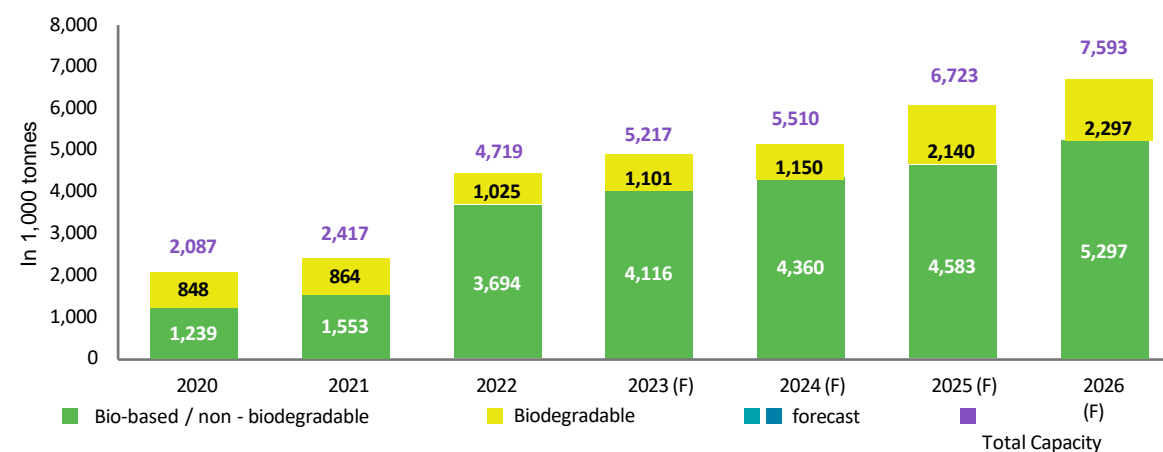
COMPETITIVE ADVANTAGE – STRATEGIC ASSET LOCATIONS

- SECOS has access to multiple, fast growing suppliers of raw materials, which enables competitive pricing and consequent margin enhancement over time
- SECOS assets and production plants are located primarily in Asia – the source of 46% of global bio-based production in 2020
- Asia's share of bio-based production is expected to increase to 56% of worldwide production with significant precursor expansion planned in the region to 2026

Global production capacities of bioplastic in 2020 (by region)



Global production capacities of bioplastic



COMPETITIVE ADVANTAGE - INTEGRATION

Integration across the bio-product value chain: Resin -> Brands -> Consumers

Integrated Value Chain - Cardia®



Developing Own - Brands MyEco®



Biobased resin production

- **Compostable resins**
 - BF 02 home compostable grade
 - BF 03 home compostable food grade
 - BF12/13 home compostable grade for greater processing stiffness and mechanical strength enhancement
- **Biohybrid resins**
 - BLF 02 non-food grade
 - BLF 03 food grade
 - 30-50 % starch inclusion with PE

Biobased & Conventional Cast Film Production

- **Cast Film Line**
 - Biobased & traditional cast line film for medical, femcare, hygiene markets
- **Cast Film Resin formulations**
 - Traditional PE
 - Compostable film:
 - Collation film
 - Form, Fill and Seal
 - Biohybrid film

Biobased Blown Film

- **Blown Film Line**
 - Consumer Packaging
 - Industrial Packaging
- **Flexible Packaging Products:**
 - Bin liners,
 - Courier bags
 - Dog Waste bags
 - Flow wrap
 - Outer Wraps for diaper market
 - Kitchen caddy liner for food waste diversion programs
 - Compostable netting

MyEcoBag/ MyEcoWorld®

- **Own-Brand Compostable Offerings:**
 - Bin Liners
 - Food diversion bags
 - Produce bags
 - Carry bags
 - Gloves

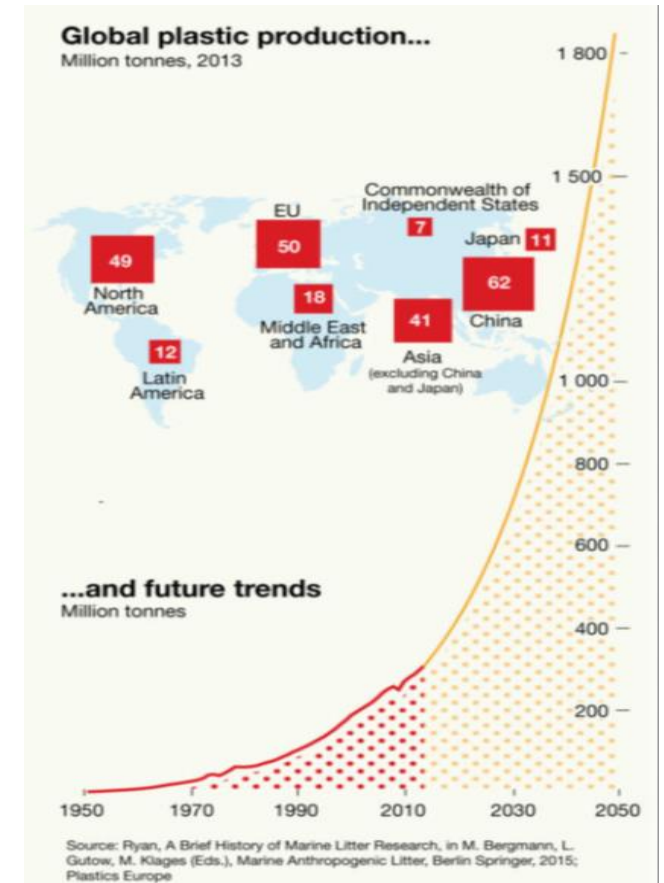
MyEcoPet®

- **Own-Brand Range consists of:**
 - Pet waste bags

FUTURE CHOICES – MATERIAL USAGE

Petrochemical Industry – US\$3 trillion in sunk infrastructure and it will continue to run and produce. However there are challenges ahead:

- Conventional Plastics/Petrochemicals; increasingly associated with global warming & environmental contamination (marine and land)
- Do nothing now means that by 2050, petrochemical production doubles, is responsible for 20% of the world's CO2 emissions and we have more plastic in the sea than fish
- Circular economy options to replace plastic with materials with similar mechanical properties (but can compost) are a viable alternative



SALES OUTLOOK IS STRENGTHENING

- Strong orders received in Q1 expected to deliver double-digit growth from Q2
- Recommencement of JCC business to further underpin expected growth
- Increasing sales with domestic and international partner brands
- Australian Council business remains strong with new FOGO councils in 4 states
- Continued roll-out of retail adoption of MyEco™ branded business in Woolworths and other retailers in Australia and the USA

MARGINS ARE NORMALISING

- Freight rates are almost back to the pre-COVID rates
- Key raw material prices are now substantially lower than during COVID
- Increased volumes and reduced input costs are expected to improve margins through FY23

R & D ACTIVITIES

- Development of new resin formulation & film applications to expand products and markets for SECOS
- Range of break-through technology projects underway utilising new R&D facilities

FORWARD-LOOKING STATEMENTS DISCLAIMER

This presentation contains “forward-looking statements.” Such forward-looking statements may include, without limitation:

- estimates of future earnings;
- estimates of future production and sales;
- estimates of future cash costs;
- estimates of future cash flows;
- statements regarding future debt repayments; and
- estimates of future capital expenditures.

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.

All financial amounts are expressed in Australian dollars unless otherwise indicated. The Company trades globally using over four different currencies which may materially impact the consolidation of the group’s accounts and may impact the outcome of future events or results expressed or implied in this presentation.



CHANGING THE WORLD OF PACKAGING