

CHANGING THE WORLD OF PACKAGING



Half Year Results FY22

February 2022

ASX: SES



STRONG OUTLOOK

SECOS has a strong growth trajectory in the bioplastic market



POSITIONING FOR GROWTH

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

Growth: Bioplastic sales growing at 21.2% on PCP outstripping conventional plastic growth of leading players

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

Brand: Significant investment in USA and Australian digital assets, ecommerce capability to build retail brands and extend value chain to retail margin

COVID proofing: Additional investment in inventory to mitigate freight uncertainty and SECOS supported staff during recent Malaysian floods

New \$2 million R & D Centre for excellence established in Melbourne; testing to support product development commenced

New Retail Outlets: Store numbers expansion in Australia and USA ~1300; more anticipated with existing and new retailers

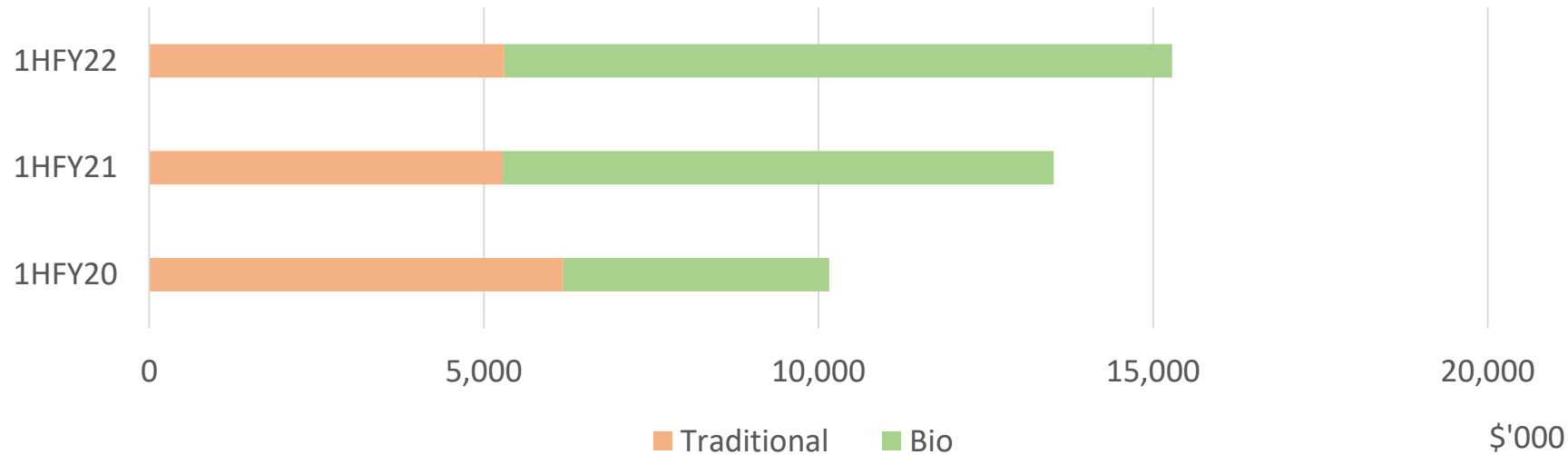
No. 1 performing SKU in Woolworths Garbage Range, Secured new accounts: Officeworks, Pacchini, Veterans Canteen

Strong balance sheet with > \$7m cash and no debt at 31-Dec-21



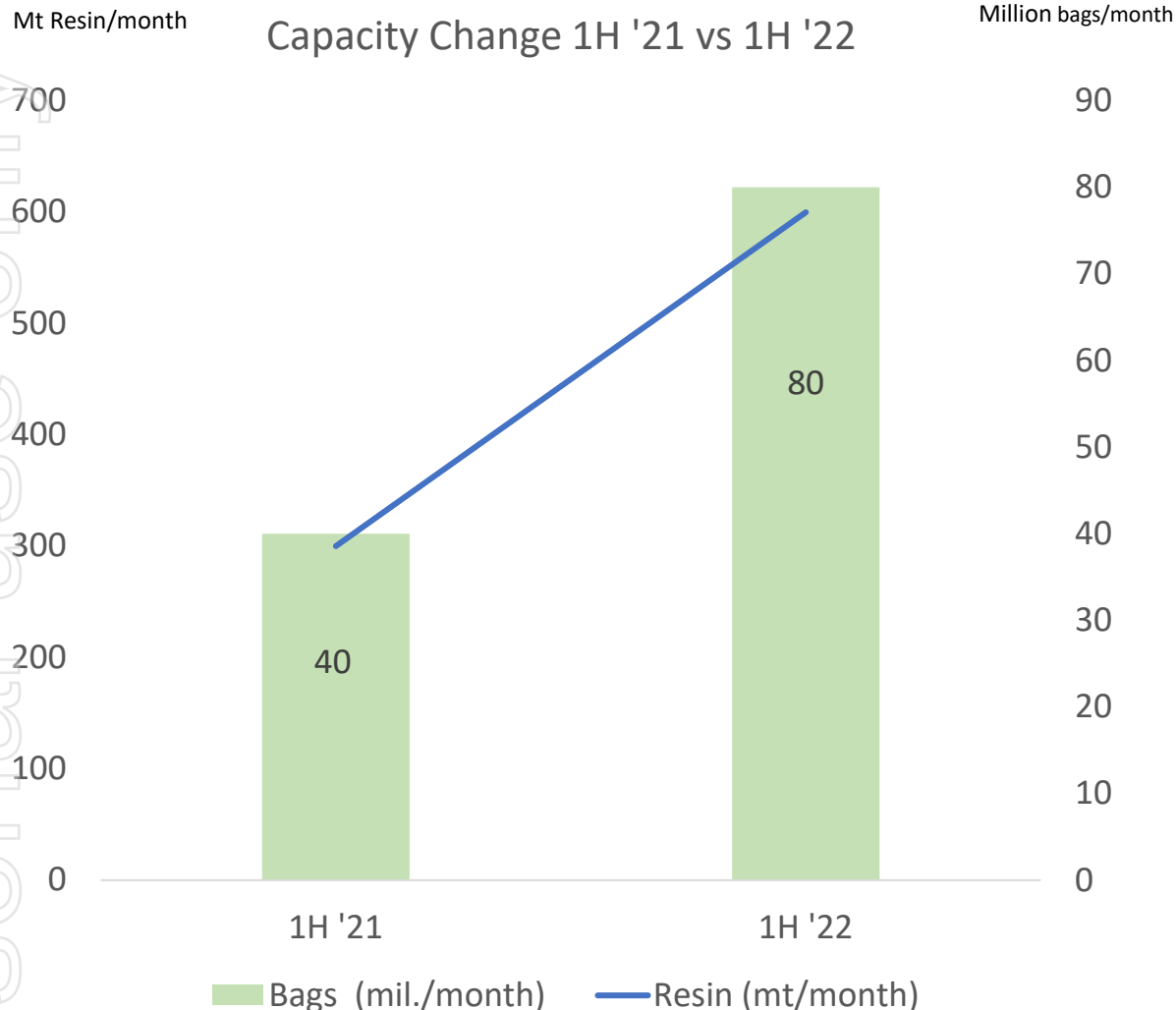
SALES GROWTH and ASSET EXPANSION (1HFY '20 - '22)

First Half Revenue Comparative



- Sales growth of 10.3% for 1HFY22 vs PCP
- The growth in compostable products saw compostable products account for 65.3% of total sales
- Growth in compostable resin, bag and film up 21.2% vs PCP
- Increased interest from general retailers to expand their presence in the Pet Sector and Compostable Bin Liners for organic waste diversion continue to support sales
- Some further growth in compostable bag sales for food waste diversion and organic waste collection is anticipated in Council business in Australia

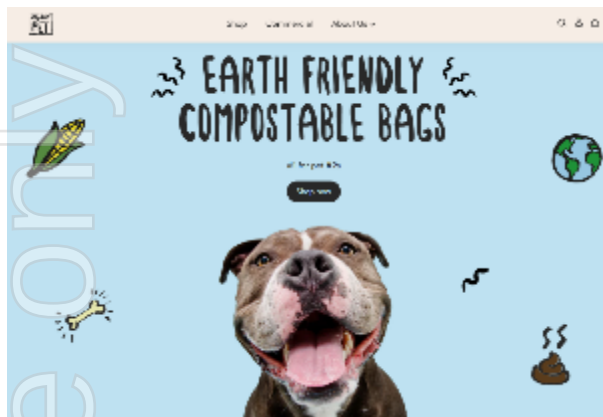
1H CAPACITY EXPANSION (1HFY '20 -'22)



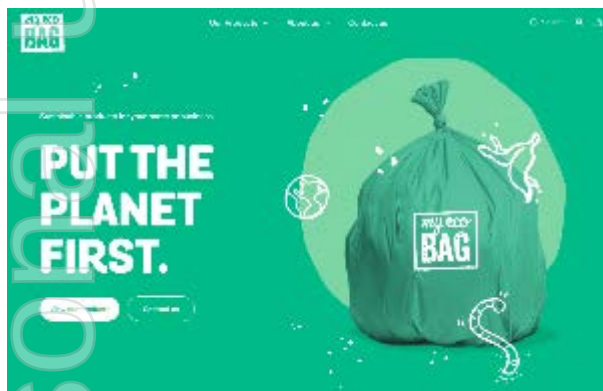
- Commitments made to order and install new capacity, will double the ability of the business to supply certified compostable products such as compostable bin liners, dog bags, film and resin.
- The expansion in resin capacity is for internal use and to supply growing compostable resin demand to 3rd party converters who convert the compostable resin to compostable bags and other end products.
- With the installation of new capacity SECOS Group will be one of the largest Australian-head quartered producers of compostable products.

SECOS – BRAND and DIGITAL ASSET INVESTMENT

Digital Assets



MyEcoPet.com.au - Aust.
MyEcoPet.com - USA



MyEcoBag.com.au – Australia | MyEcoWorld.com - USA

E-commerce sales

- MyEcoPet® sites in USA & Aust.
- Amazon USA
- Chewy USA
- Kroger USA

Retail Stores

- Veterans Canteen
 - (Costco – OEM brand)
 - Pacchini
- More to be announced shortly

- MyEcoBag® site in Aust.
- MyEcoWorld® in the USA, the site is established; launch planning underway

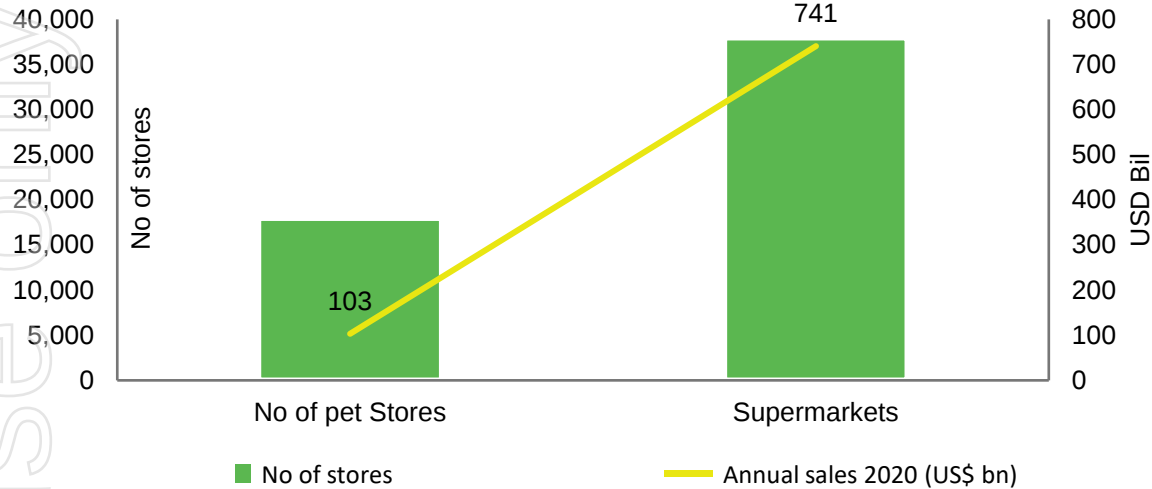
- Woolworths
 - Pacchini
 - Officeworks
- More to be announced shortly

- The planned increase in MyEco® brand and digital asset investment of \$0.218m, supported the launch of new products in Australia and the USA.
- Investment in marketing is paying back. SECOS compostable products saw the largest y on y sales growth within the entire Woolworths bin liner range. SECOS compostable products also contributed a significant amount (over 40%) to the total sales growth of the compostable bin liner segment being contributed by MyEco® Brands.
- MyEcoPet® launch in the USA, with further retail store sales anticipated. Investment in headcount and capability to support USA based marketing and sales capability also increased vs PCP of \$0.1m.
- Launch of Compostable Courier Bags with Officeworks.

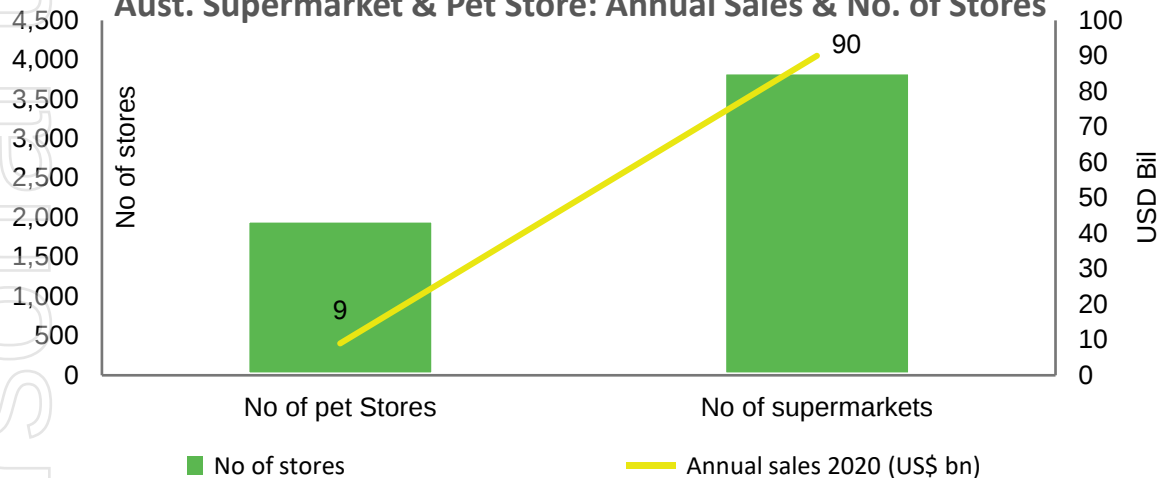
SIGNIFICANT RETAIL OPPORTUNITY

Rapid penetration of US and Australian supermarket and pet retail markets with significant scope to grow

USA Supermarket & Pet Store: Annual Sales & No. of Stores



Aust. Supermarket & Pet Store: Annual Sales & No. of Stores



- Scale of USA supermarkets and pet chains are ~8-10 times Australia in terms of store numbers and total revenue
- Increasing interest from general retailers to expand their presence in the Pet Sector and Compostable Bin Liners for organic waste diversion
- MyEcoPet® brand well-received, early orders have started with VCS and we are in discussion with other retailers
- MyEcoBag® brand well-received with expanding sales in Woolworths and Pacchini, Officeworks and a range of digital assets - MyEco® and others



ACTIONS TAKEN TO MITIGATE COVID-19

The rebound in demand following the initial impact of COVID-19 has seen freight capacity to be tight as indicated by the Ocean Demand and Capacity Index. As such freight costs rose from 5.2% of sales to 9.4% of sales during the period. To mitigate the impact of freight on the business:

- SECOS instituted a range of price increases with its main customers during the period with additional price increases. Delays in the phasing of these increases saw a minor reduction in the margin of 1.5 points for the half-year on PCP. Margin is expected to improve as freight costs normalise and as price increases are felt through the value chain.
- To address freight and logistical delays, SECOS built a strong inventory position increased stock holding from \$3.7 million in December 2020 to \$8.7 million in December 2021.
- SECOS work-safe protocols managed surges and temporary shutdowns during two years of pandemic without adverse impact on the business.

INTEGRATION CONTINUES TO SERVE SECOS GROUP WELL

Fully vertically integrated production capacity from raw materials to finished product

Cardia Biopolymer Resin

Cardia Biopolymer Resin

Cardia Biopolymer Resin

Cardia Biopolymer Resin



B2B

Sold to converters



B2B

Sold to converters such as
Hygiene and Femcare
manufacturers



B2B

Sold to directly to retailers under
Cardia or retail brands



B2B

Sold directly to retailers and
direct under MyEcoBag® or
MyEcoWorld®

At each stage SECOS can sell globally to converters or use internally to create and sell end product, either resin film or bags

SECOS: UNIQUE COMPETITIVE ADVANTAGES

1

Asset location relative to large scale raw material supplies

2

IP – both 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

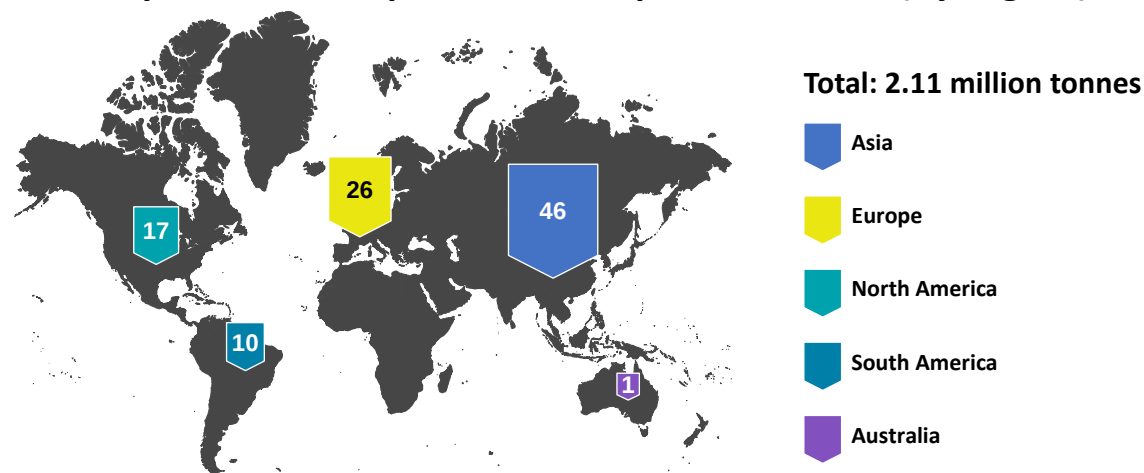
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Market reach to over 20 countries

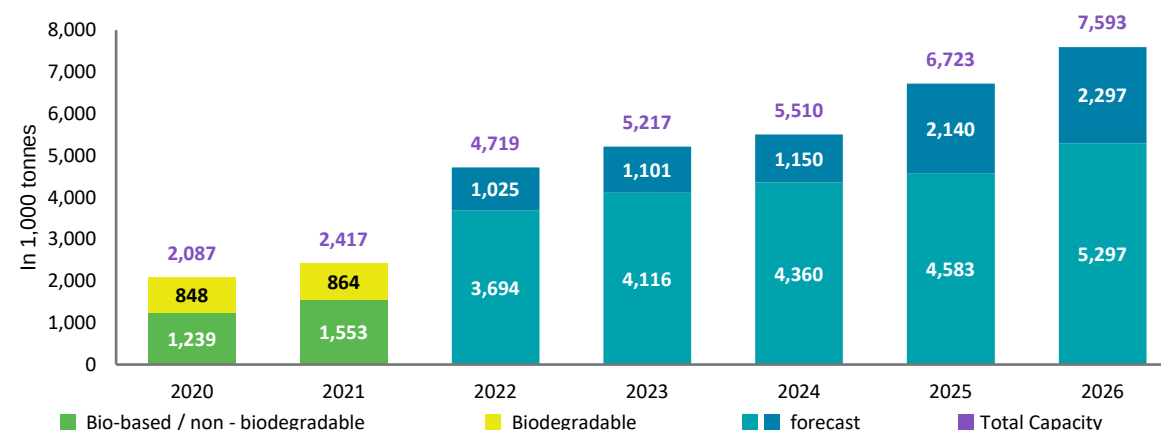
COMPETITIVE ADVANTAGE – STRATEGIC ASSET LOCATIONS

- 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% 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 - IP

- IP and knowhow - SECOS has 11 patent families
 - Patents cover multi-layer film structure and thermoplastic starch-based resin formulations
- SECOS Group has significant formulation expertise around biopolymer resin products, film and bags
- Significant and accumulated experience around film and bag production, which can be fed directly into SECOS product development plans
- Anecdotal evidence from customers suggest SECOS resin is 'easier to run' vs competitive products



COMPETITIVE ADVANTAGE - R&D

- In-house R&D competencies focusing on new bio-resin formulations and biofilm, biobag plus high-end multi-layer bio-based co-ex structures:
 - Qualified Material Engineers and Scientists employed in China, Malaysia and Australia to work on new resin formulation, new film applications
 - Project work underway with local universities to fast-track development of new barrier properties for bioresins and biofilms



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®

► Own-Brand Compostable Offerings:

- MyEcoPet®
- MyEcoBag®
- MyEcoWorld®

MyEcoPet®

► Own-Brand Range consists of:

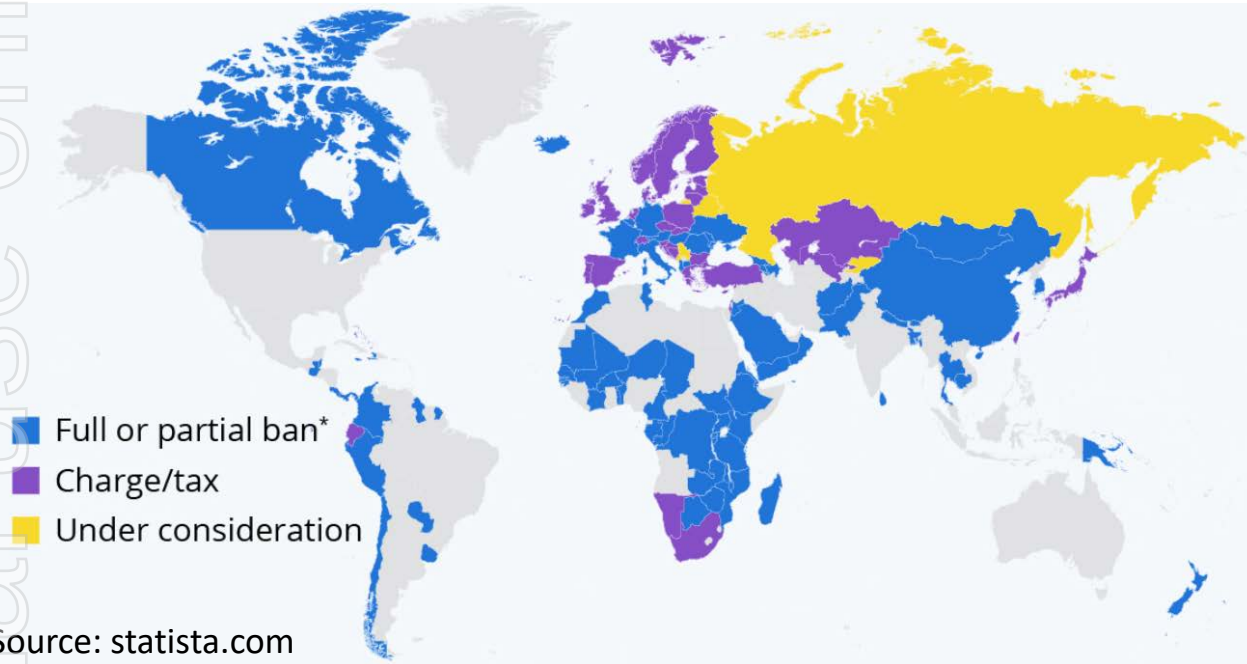
- Pet waste bags
- Bin Liners
- Food diversion bags
- Produce bags
- Carry bags

REGULATORY and MARKET DRIVERS

Multiple forces are disrupting the global market for conventional plastics

The Countries Banning Plastic Bags

National-level regulation to ban/limit the use of plastic bags (2021)



Regulatory driver to disruption of conventional plastic demand:

~130 countries have regulated the use of single use conventional plastics, which brings bio-products into the frame as a substitute to conventional plastics

Market driven disruption:

- Brands looking for a way out of conventional plastic
- Governments and NGOs adopting recycle and new material options
- Australia – national plastics plan => 70% of plastic packaging needs to be compostable
- Europe driving towards renewable bioplastic adoption
- California-USA, announces from 1st Jan 2022, plans to compost all organic waste, which currently accounts for 56% of total land fill. This will encourage compostable packaging and film use

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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.

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