

FY23 RESULTS PRESENTATION

AUGUST 2023

ASX: SES



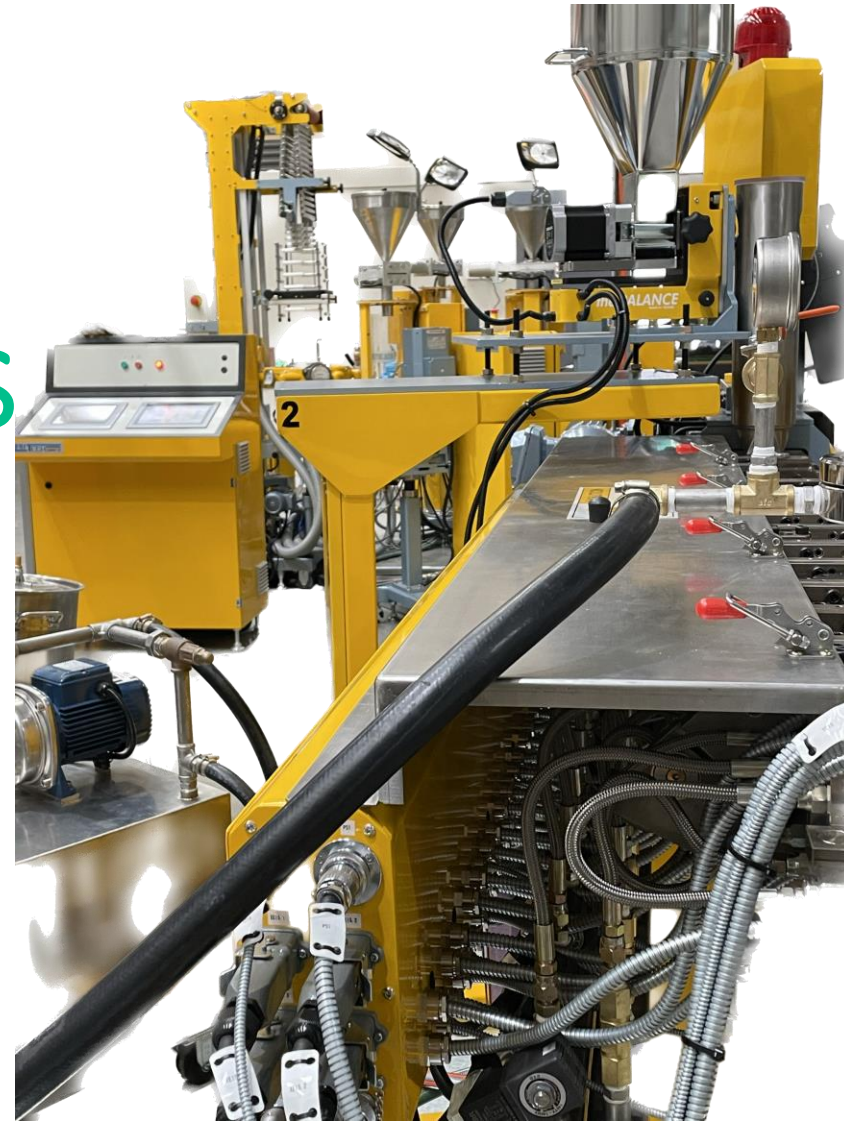
CHANGING THE WORLD OF PACKAGING

AGENDA

- Strategic & Operational Highlights
- FY23 Financial Results
- Strategy & Outlook



STRATEGIC AND OPERATIONAL HIGHLIGHTS



STRATEGIC AND OPERATIONAL HIGHLIGHTS



- **Divestment of traditional plastic manufacturing assets**

Enables SECOS to focus purely on sustainable and compostable products: namely development and sale of sustainable resins and its MyEcoWorld™ finished products (announced 1 August 2023).

- **Strategic manufacturing agreement secured** for supply of MyEcoWorld™ compostable pallet wrap and packaging films (announced 1 August 2023).

- **Exclusive sales agreement in USA and Canada** with Jewett Cameron (JCC) for supply of MyEcoWorld™ products with sales target of US\$2.8m (AU\$4.0m) to maintain exclusivity.

- Launch of **95% Certified Recycled MyEco® range** produced using **Post-Consumer Waste**

- **Market leading MyEco® products** now distributed through over **2,200 Australian stores**

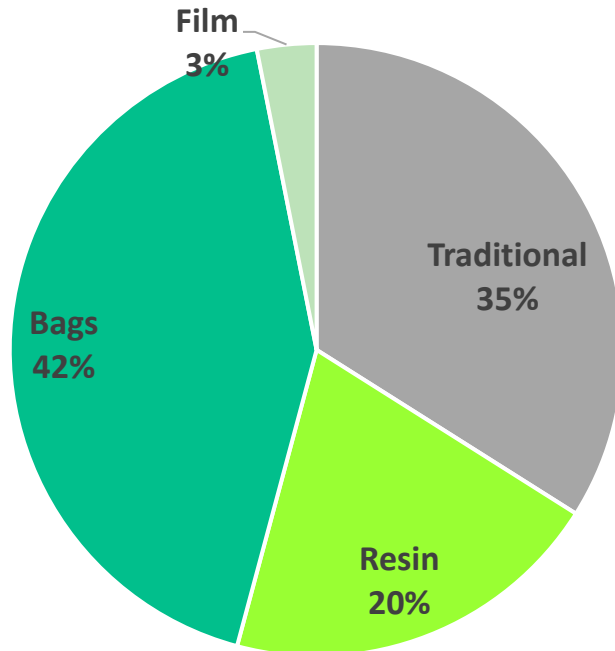
- Achieved **EcoVardis certification** - a key ESG performance rating

- R&D Centre continues to drive **new product development** to support sales pipeline

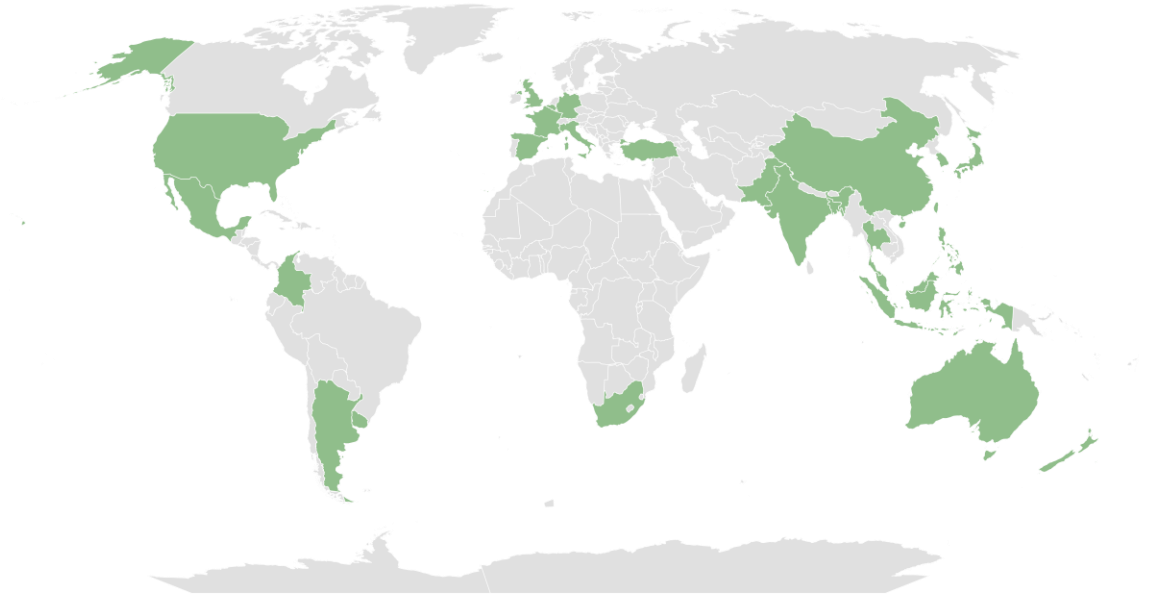
- Multi distribution channels offering access to over **25 markets**

SECOS' REACH AND RANGE ACHIEVING SCALE

FY23 Sales



Locations of Global Customers

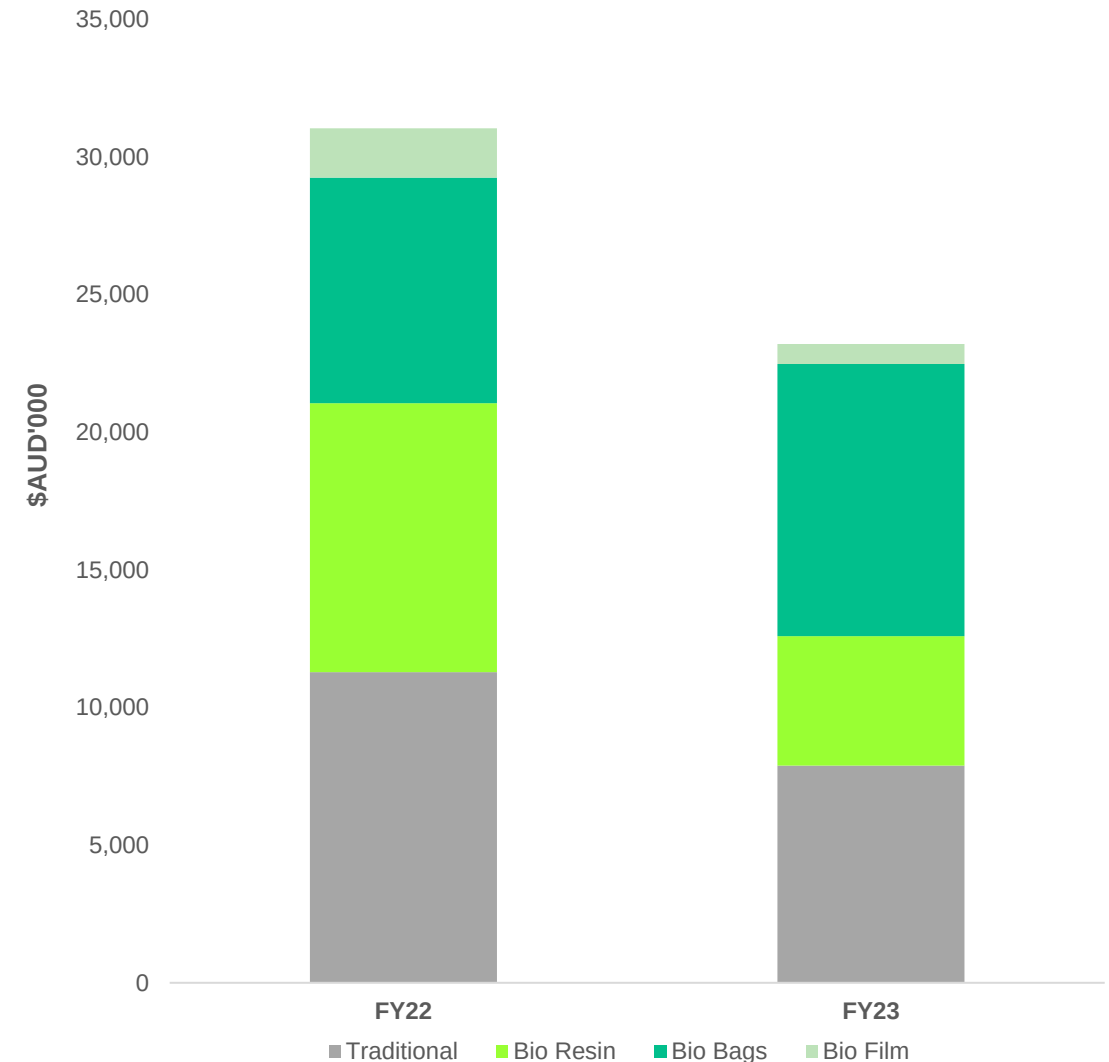


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- SECOS supplies over 25 countries globally
- Compostable Bags - the leading product category due to success of MyEco® range
- Asset sale and closure of traditional plastic business - expect completion in H1 FY24.
- Will see company producing 100% sustainable or compostable products in line with strategy to become a world leader in sustainable packaging

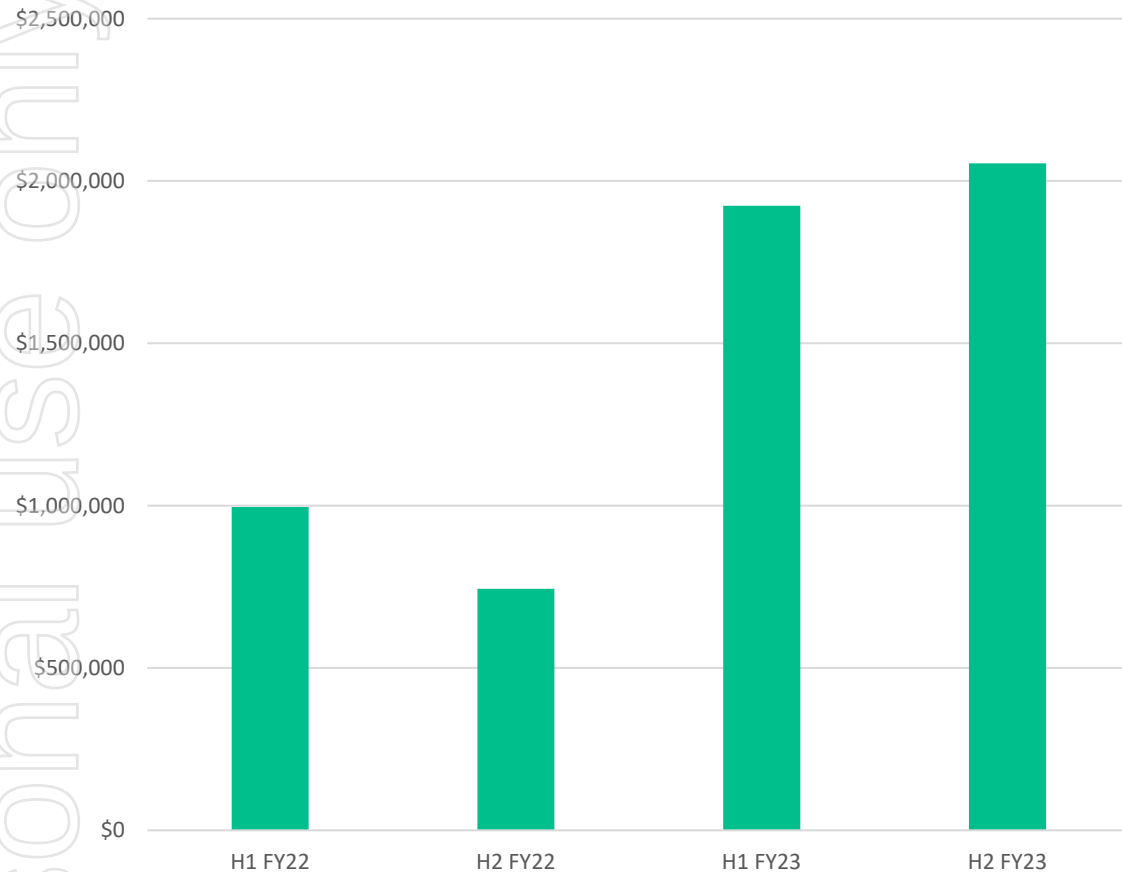
FY23 SALES BY PRODUCT GROUP

- **Compostable bag** sales were up 16.0% on prior comparative period (PCP). A large portion of the growth in bag sales reflects the success of the Company's MyEco® branded products and the shift to focus on developing a leading global brand for sustainable products that customers can trust
- **Compostable resins** sales down 51.9% on PCP due to logistic and pandemic factors that led to excess resin inventory being held by customers. Seeing progressive reduction in these levels.
- **Compostable film** sales down 59.4% on PCP due to one of our main converters losing a major hygiene film customer in the USA
- **Traditional plastic** sales down 30.0% on PCP due to strategic decision to reduce low margin traditional plastic sales in line with Company's strategy to become a leader in sustainable packaging



FY23 SALES BY PRODUCT SEGMENT

COMPOSTABLE BAGS- RETAIL & WHITE LABEL



- FY23 MyEco® Retail sales achieved a **record result** with approximate \$2.5m in gross sales
- Over **140% growth** of MyEco® retail brand gross sales in major retailers and independent distributors in the FY23 vs PCP
- Scale of MyEco® Branded products now exceeding **2200 stores** comprising 970 Woolworths stores, 770 Coles Stores and independent distributors
- MyEcoBag® maintains its position as the **number one brand** within Woolworths¹ compostable bin liner and kitchen caddy sales, representing **42% of sales** in this category
- MyEcoBag® range achieved **25% of all Coles²** compostable bin liner and kitchen caddy sales since the launch in November 2022

¹ IRI Scan Data between 12/11/22 to 18/7/23

² Quantum Scan Data between 20/7/22 to 18/7/23

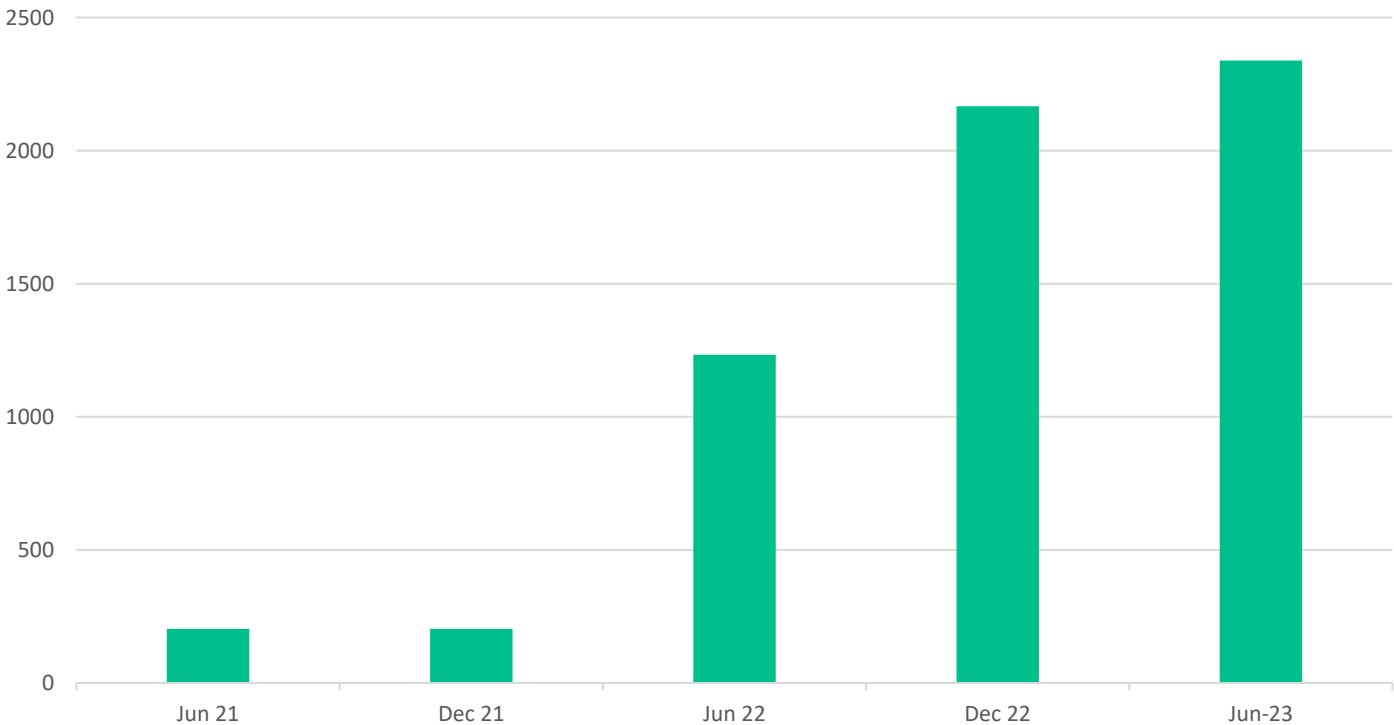
MyEco® - SIGNIFICANT AUSTRALIAN RETAIL GROWTH



140% growth in gross sales of MyEco® products in Australian retail stores

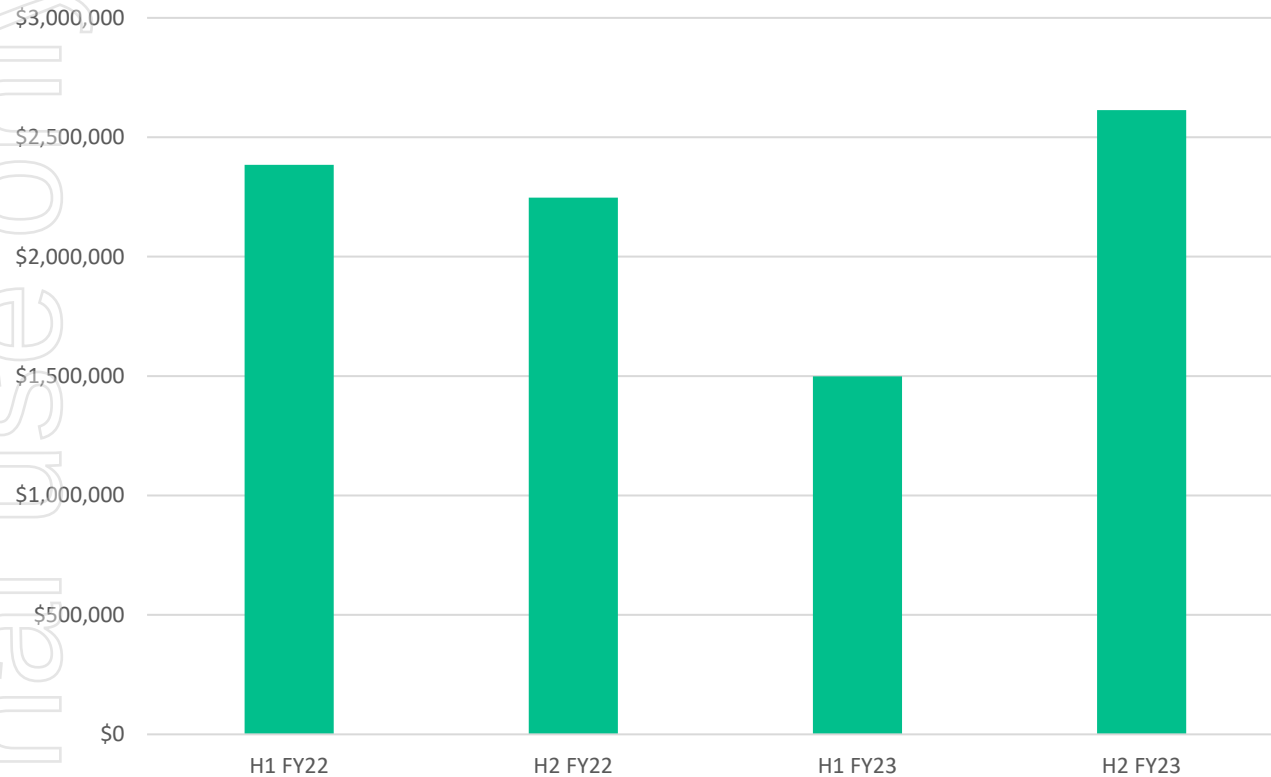


Growth in Retail Store Numbers



FY23 SALES BY PRODUCT SEGMENT (CONTINUED)

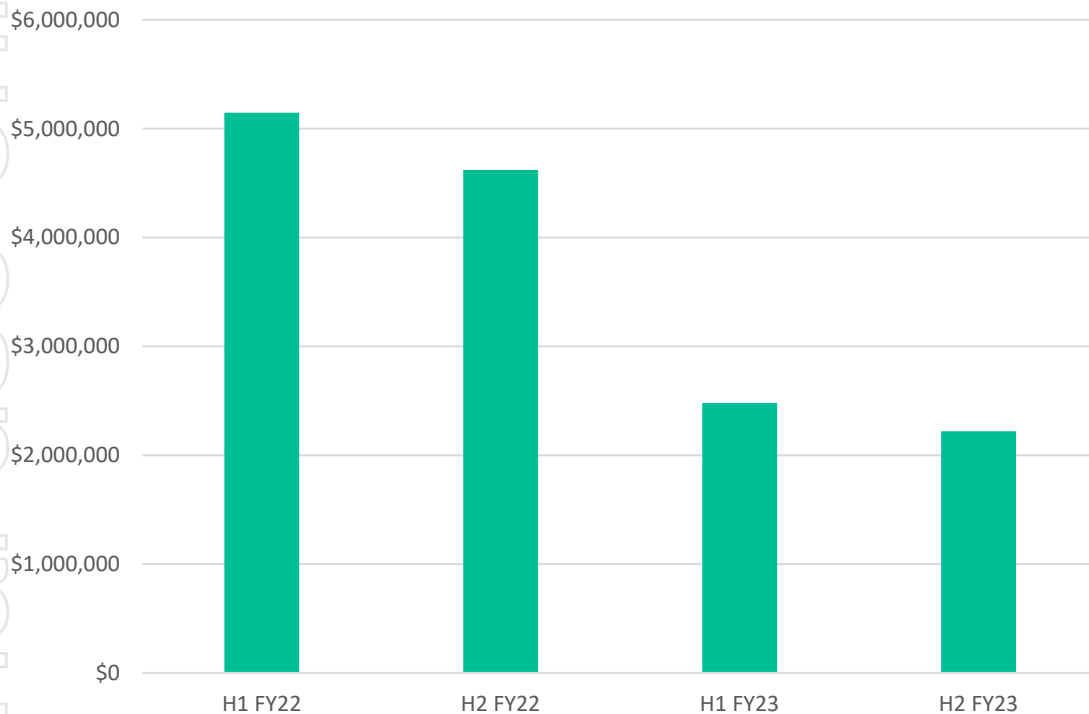
COMPOSTABLE BAGS- COUNCIL & WASTE



- Successful FOGO tenders led to increased sales to Australian councils by 74% in H2 FY23 versus H1 FY23
- FOGO rollout programs expected to continue as more local governments strive to achieve their 2025 sustainability targets
- Potential FOGO opportunities developing in other markets including NZ and USA

FY23 SALES BY PRODUCT SEGMENT (CONTINUED)

COMPOSTABLE RESIN SALES

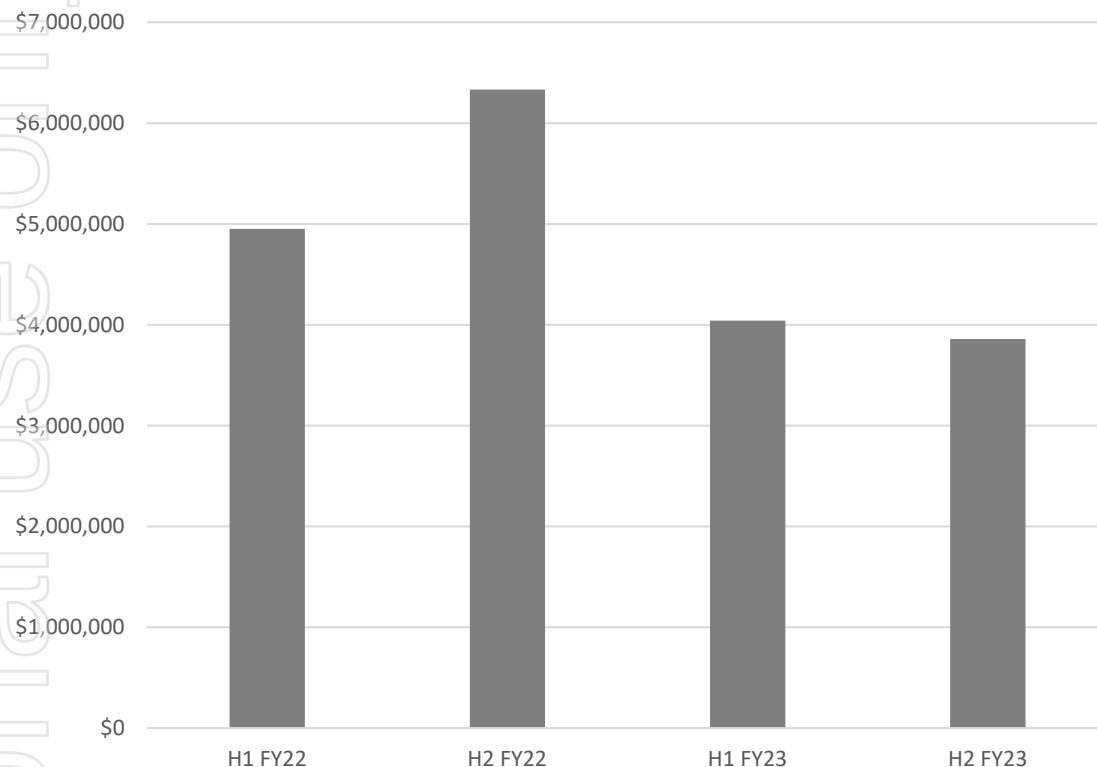


FY23 Compostable Resin sales reduced due to excess inventory caused by supply chain disruption in FY22

- Excess inventory of compostable resin held at a major converter in LATAM causing slower resin sales orders as excess stock is being consumed
- Experienced growth in Q4 FY23 through new orders from several new resin converters.
- LATAM converters remain highly committed to increasing sales results in this region

FY23 SALES BY PRODUCT SEGMENT (CONTINUED)

TRADITIONAL PLASTIC SALES



- FY23 Traditional Plastic sales declined in line with SECOS' strategy to reduce single use plastic in the environment
- Reducing low margin traditional plastic sales has improved the Group's working capital - over five consecutive quarters of positive operating cash flow reported to 30 June 2023
- SECOS announced on 1 August 2023 agreement to divest Traditional Plastic manufacturing assets. Enables SECOS to focus purely on the sale and development of sustainable resins and MyEcoWorld™ finished products

MARKETS DRIVING SALES GROWTH

Market	Product	Sales Channel	Branding	Status
Australia	Compostable Bags – Retail Council FOGO Bags Compostable Pet Waste Bags Compostable Range Compostable Courier Compostable Pallet Wrap	Direct Major Retailers (Coles/Woolworths) Direct to council White Label (EzyDog) Ecommerce Direct Direct to Customer	MyEcoBag® Cardia® Login® MyEco® MyEco® Cardia®	In Market/Growing In Market/Growing In Market/Growing In Market/Developing Soon to Launch In Development
USA	Compostable Pet Waste Bags Compostable Bin Liners PCR Bin Liners Sustainable Pet Pee Pads Compostable Resin Compostable Pallet Wrap	White Label (JCC) Direct via Distributor (JCC) Direct via Distributor (JCC) Direct via Distributor (JCC) Direct to Converter Direct via Distributor (JCC)	Lucky Dog® MyEcoWorld MyEcoWorld MyEcoWorld Cardia® Cardia®	In Market/Growing Launched Soon to Launch Soon to Launch In Market/Developing In Development
LATAM	Compostable Resin Compostable Films Compostable Pallet Wrap	Exclusive Distributor (ISOI) & Appointed Sub-Agent across several countries Direct to Customer Direct to Customer	Cardia Resin® White Label Cardia®	In Market/Growing In Market/Developing In Development
Malaysia	Compostable Bags Compostable Resin/Films Compostable Pallet Wrap	White Label Direct to Converter Direct to Customer	White Label Cardia Resin® Cardia®	Initial sales received In Market/Growing In Development
China	Compostable Bags Compostable Resin/Films Compostable Pallet Wrap	White Label Direct to Converter Direct to Customer	White Label Cardia Film® Cardia®	In Market/Developing In Market/Developing In Development

MARKETS DRIVING SALES GROWTH (CONTINUED)

Market	Product	Sales Channel	Branding	Status
Middle East	Compostable Resin/Films Compostable Pet Waste Bags Compostable Pallet Wrap	Direct to Converter Direct to Retailers Direct to Customer	Cardia Resin® White Label Cardia®	In Market/Developing Soon to Launch In Development
Europe	Compostable Resin/Films Compostable Bags Compostable Pallet Wrap	Direct to Converter Direct to Retailers Direct to Customer	Cardia Resin® MyEco® Cardia®	In Market/Developing Soon to Launch In Development

FULLY INTEGRATED VALUE CHAIN



Technical Experts in Biopolymers

Specialist
Manufacturers of
Sustainable
Products

Leading Market Brand in Sustainable
Packaging



FY23 FINANCIAL RESULTS



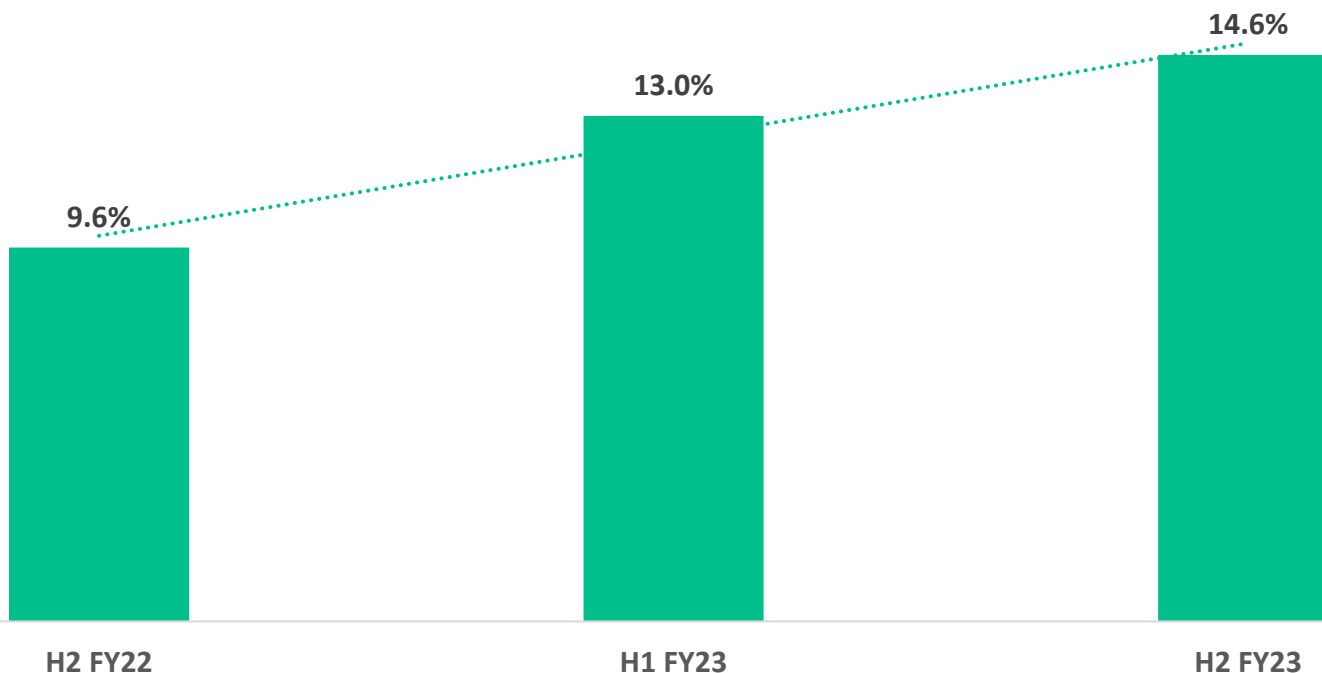
FY23 PROFIT AND LOSS

- **FY23 Group sales** of \$22.8m decreased by 26.4% impacted by:
 - significant loss of resin business, down 51.9% on PCP, from logistic and pandemic factors that led to excess resin inventory being held by customers. Seeing progressive reduction in these levels.
 - strategic decision to reduce low margin traditional plastic sales in line with Company's strategy to become a leader in sustainable packaging (down 30.0% on PCP).
- 'Administration' expenses predominantly impacted by **expected credit loss** (\$0.5m) and **inventory obsolescence** (\$0.7m).
- Tax expense reflects reduction in recognition of tax losses in Australia.

\$'000	FY23	FY22	Var (%)
Sales	22,836	31,043	(26.4%)
Cost of Sales	(19,691)	(26,977)	27.0%
Gross Profit	3,145	4,066	(22.7%)
Gross Profit %	13.8%	13.1%	67 bps
Employment related expense	(3,287)	(3,133)	(4.9%)
Marketing and distribution expenses	(1,869)	(1,541)	(21.3%)
Administration expenses	(1,853)	(347)	(434.0%)
Legal/Compliance/Occupancy expenses	(571)	(588)	2.9%
Other Income	464	128	262.5%
EBITDA	(3,971)	(1,415)	(180.6%)
Depreciation and Amortisation	(1,595)	(1,304)	(22.3%)
Finance Costs	(185)	(194)	4.6%
PBT	(5,751)	(2,913)	(97.4%)
Tax Expense	(999)	(172)	(480.8%)
NPAT	(6,750)	(3,085)	(118.8%)

FY23 GROSS MARGIN RECOVERY

GROSS MARGIN (%)

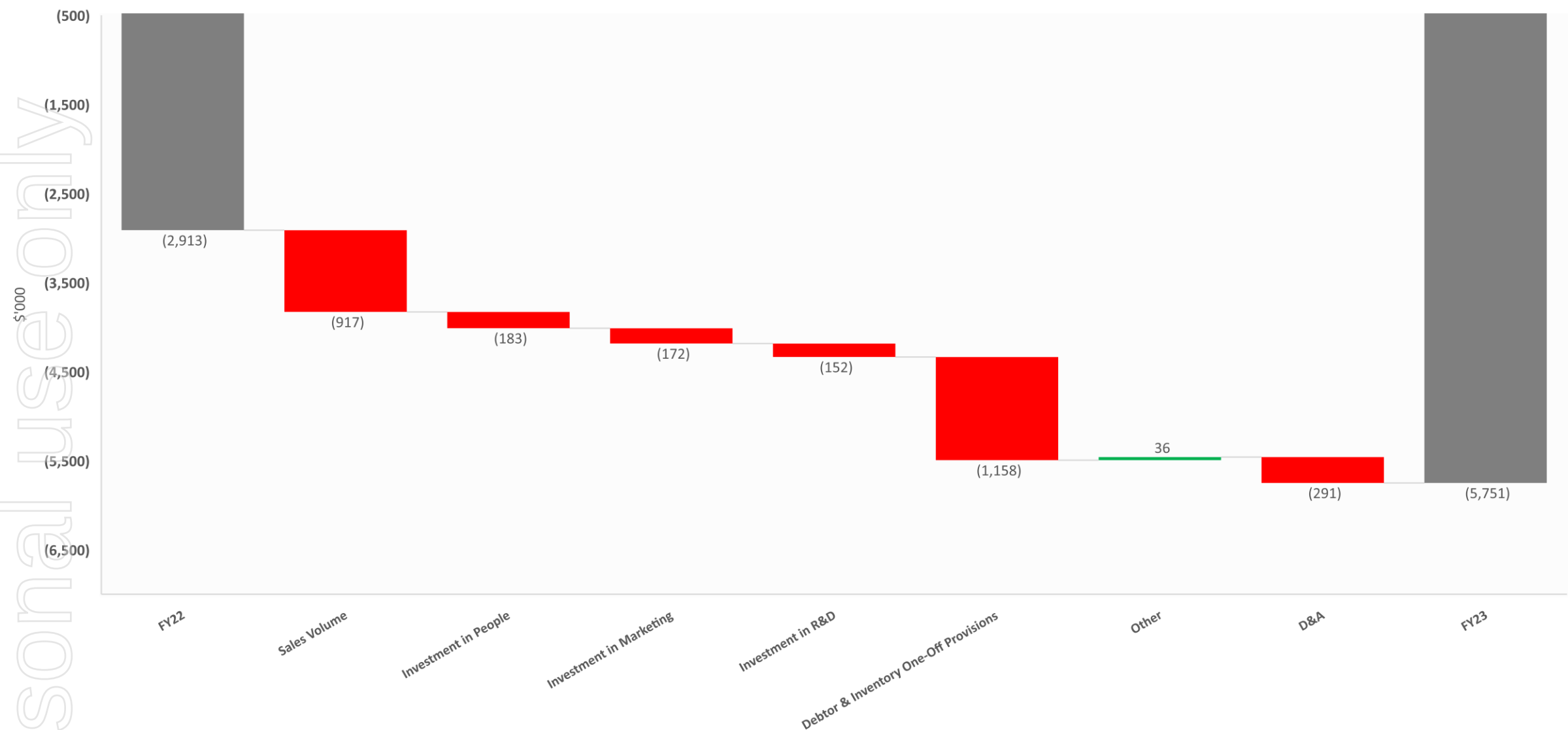


Gross margin recovery driven by:

- Strategic decision to reduce low margin traditional plastic business
- Freight rates and material costs returning to pre-pandemic levels, which is also enabling more predictable working capital management

LOSS BEFORE TAX MOVEMENT

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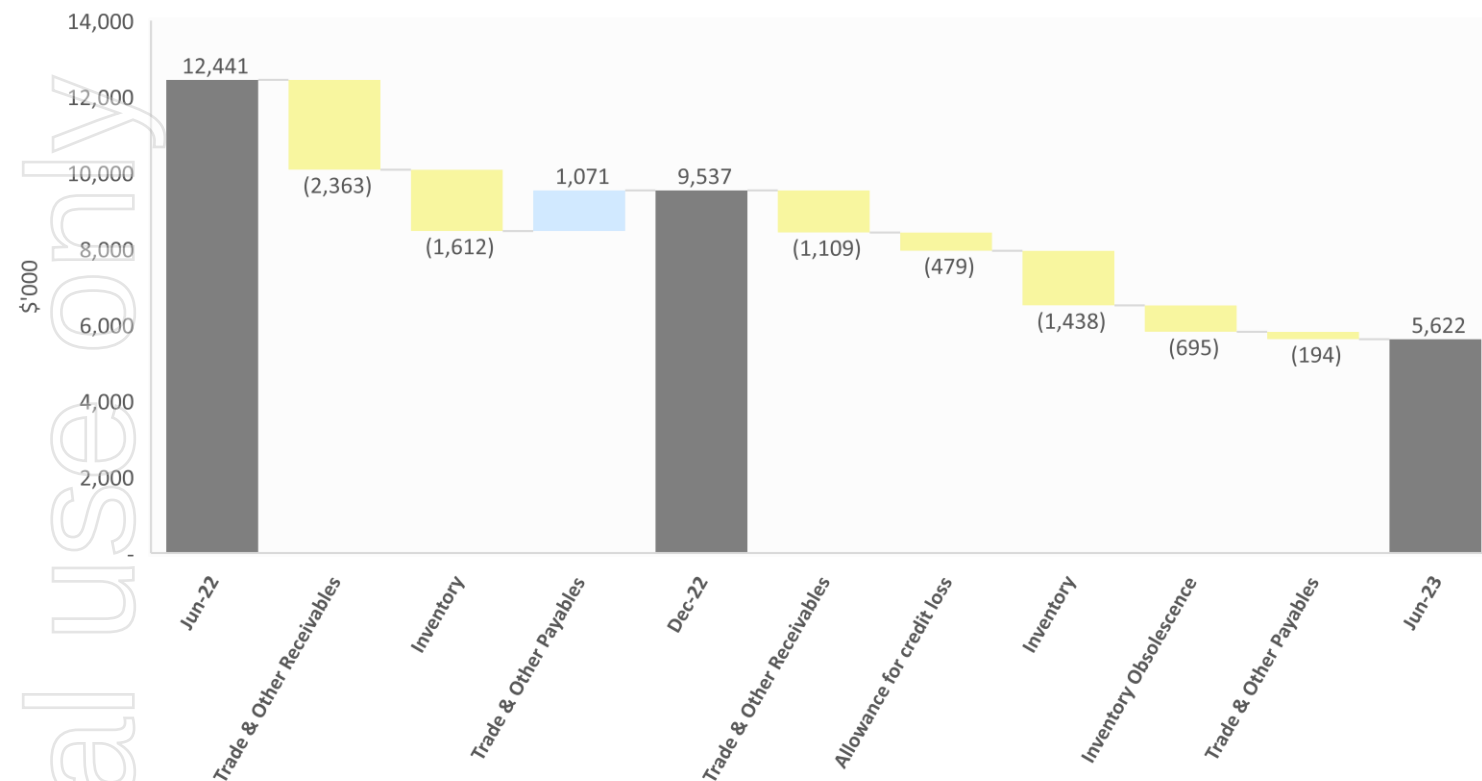
30 JUNE 2023 BALANCE SHEET

- Current ratio of 4.6x compared to 4.2x in June 2022
- Cash at bank increased by \$4.3m driven by positive operating cashflow of \$2.0m and net \$3.7m raised from share placement and Share Purchase Plan
- Trade and other receivables decreased by \$3.9m which contributed to full year positive \$2.0m operating cash flow
- Inventory decreased by \$3.7m due to unwinding of stock build up in prior year as supply chain and fulfilment timelines began to retract in FY23.
- Deferred tax assets decreased by \$1.0m due to reduction in tax losses recognised in Australia.

\$'000	2023	2022	Var %
Cash at Bank	8,424	4,122	104.4%
Trade and Other Receivables	4,033	7,955	(49.3%)
Inventories	4,095	7,841	(47.8%)
Prepayments and Other Assets	664	779	(14.8%)
Deferred Tax Assets	960	1,918	(49.9%)
Plant and Equipment	4,535	4,703	(3.6%)
Right-of-Use Asset	1,645	2,266	(27.4%)
Intangible Assets and Other	3,606	3,637	(0.9%)
Trade and Other Payables	1,807	3,244	(44.3%)
Employee Benefits	320	435	(26.4%)
Accrued Expenses	861	483	78.3%
Lease Liability	1,841	2,390	(23.0%)
Net Assets	23,133	26,669	(13.3%)

WORKING CAPITAL AND CASH FLOW

WORKING CAPITAL MOVEMENT



- **Decrease in working capital** driven by improving fulfilment timelines and heightened focus on customer collections

CASH FLOW MOVEMENT

\$'000	FY23	FY22
Opening Cash	4,122	11,287
Cash Flows from Operating Activities	2,018	(4,060)
Cash Flows from Investing Activities	(639)	(2,442)
Cash Flows from Financing Activities	2,938	(747)
Net Cash Movement	4,317	(7,249)
Foreign Exchange	(15)	84
Closing Cash	8,424	4,122

- SECOS has achieved **five consecutive quarters** of positive operating cash flows
- SECOS remains **debt free** with **\$8.4m cash** as of 30 June 2023

STRATEGY & OUTLOOK



STRATEGIC DIRECTION

SECOS is moving with the evolving regulatory and market landscape

- Complete divestment from low margin traditional plastic sales which are not core to our corporate mission
- Enter new markets and build market share with our leading MyEcoWorld™ brand
- Develop strategic partnerships for the sale of compostable resin and production of new MyEcoWorld™ products
- Increase investment in R&D to support next generation of biopolymers, add to our portfolio of retail and commercial end products
- Invest in marketing to support brand, product sales, and to become a recognized global leader in compostable products



SALES OUTLOOK IS STRENGTHENING

- Continuing **retail momentum** with adoption of MyEcoWorld™ branded business in over **2,200 stores** in Australia
- **Council and waste business** continued growth opportunity as FOGO waste programs expand in new markets around the world
- Beginning to supply initial orders into **new markets** including Middle East, Europe, Argentina, Uruguay, Peru
- Growth expected to come from **domestic and international distribution partnerships** such as JCC
- **New product developments** for new sales opportunities e.g. compostable packaging film and new MyEco® product expansion

MARGINS ARE IMPROVING

- Improving from **normalisation** of raw material and freight costs, **scale-led efficiencies** and **exit of traditional plastic business**

INVESTMENT IN MARKETING AND CAPABILITY TO UNDERPIN GROWTH

- Investment in people and distribution channels to drive sales
- Successful test marketing campaign in Q4 FY23 will underpin launch of **major campaign** during FY24 to support further growth

R & D ACTIVITIES

- Ongoing development of new resin formulations & film applications to expand products and markets

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.

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