

ASX RELEASE

29 April 2024

Quarterly Activities and Appendix 4C March 2024

The Board of SECOS Group Limited (ASX: SES, "SECOS" or "the Company"), a developer and manufacturer of sustainable packaging and materials, presents its Quarterly Activities Report and Appendix 4C Quarterly Cash Flow Statement for the March 2024 quarter. All figures are in A\$ and are provided on an unaudited basis.

Financial Summary

Sales

Total sales of sustainable products increased to \$4.3m in Q3 FY24, up 40.2% quarter on quarter (QOQ) and up 21.1% on the prior corresponding period (PCP)

- MyEco® branded sales were \$0.9m in Q3 FY24, up 34.9% QOQ and up 87.4% on PCP
- Council and waste management sales increased to \$1.8m in Q3 FY24, up 120.5% QOQ and up 19.8% on PCP
- Resin sales were \$0.8m in Q3 FY24, down 4.7% QOQ and down 20.9% on PCP
- Other sustainable product sales were \$0.7m in Q3 FY24, up 3.9% QOQ and up 44.5% on PCP
- SECOS ceased trading in traditional plastics in Q2 FY24 and recorded nil sales in Q3 FY24 in this sector compared to sales of \$0.3m in Q2 FY24 and \$2.0m in PCP
- Gross margins continue to grow as the Company has exited low margin traditional plastics, and freight rates and material costs return to pre-pandemic levels.

Cash

- Net operating cash flows of -\$0.8m in Q3 FY24
- Closing cash of \$6.5m with no debt.

Operational Highlights

- SECOS is now exclusively a sustainable products and solutions business in line with its strategy to be a leading producer of sustainable packaging materials following finalisation of the sale of its traditional plastic business in December 2023
- Successful Swan City Council tender expected to generate \$1.2m in sales over next three years with first deliveries expected in June 2024
- Increased orders from Jewett Cameron Company (JCC) in response to increased demand from USA retail stores
- New distribution agreement with SM Resinas, a major distributor of resins across Latin America and new SECOS sustainability partner
- MyEcoBag® range has achieved 27% market share in compostable bin liner and kitchen caddy sales in 850 Coles stores¹ since the launch in November 2022
- MyEcoBag® has maintained its position as the number one brand for compostable bin liner and kitchen caddy sales in 970 Woolworths stores², representing 45% of category sales

¹ IRI Scan Data between 12/11/22 to 9/4/24

² Quantum Scan Data between 20/4/23 to 17/4/24

Cash Flows

Net operating cash flows were negative \$0.8m for the quarter. Cash receipts from customers in Q3 FY24 were \$4.7m, in line with QOQ. Cash payments to suppliers/employees in Q3 FY24 were \$5.5m, up \$0.3m QOQ due to higher manufacturing costs resulting from higher sales in Q3 FY24.

Capital expenditure of \$0.1m was invested during Q3 FY24 relating to the Malaysian biopolymer plant and for new equipment for the Company's Research and Development Centre.

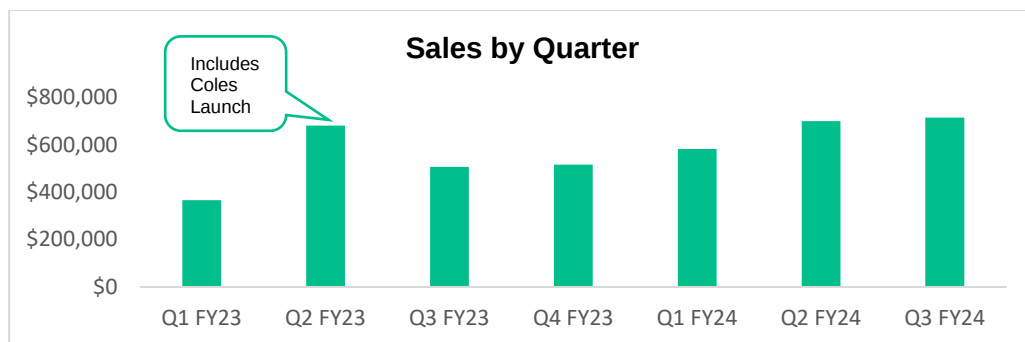
Pursuant to ASX Listing Rule 4.7C, as noted in Section 6.1 of the Company's Appendix 4C Cashflow Statement, payments made to related parties and their associates totals \$167,521 for Q3 FY24 relating to Directors' remuneration and fees.

Sales Development

Compostable Bags

MyEco® branded products (Australia)

Sales of the Company's MyEco® branded products (Australia) which comprise Woolworths, Coles and Independent Distributors were up 4.7% QOQ and up 45.4% on PCP. MyEco® branded products remain a key part of the Company's growth strategy and will be driven through increases in the number of products/SKUs and increased retailers/stores, together with the organic growth of existing products in stores. The ongoing success via major retailers within Australia in the last seven consecutive quarters is highlighted below.



MyEcoWorld® branded products (USA and Canada)

There were sales of \$0.2m in MyEcoWorld® branded products during Q3 FY24 to Jewett Cameron Company (JCC) compared to nil sales in Q2 FY24 and PCP. The Company is expected to receive further orders in the current quarter. JCC is SECOS' exclusive distributor and strategic partner in USA and Canada and continues to develop the retail market for MyEcoWorld® branded products in this region. MyEcoWorld® branded products in major online retailers such as Amazon and Costco also continue to gain momentum since their launches in Q2 FY24.

Council and Waste Management

Council and waste management sales in Q3 FY24 were up 120.5% QOQ and up 19.8% on PCP. Sales are still expected to grow in the current financial year compared to FY23 based on the current FOGO orders and contracts in place. The roll-out of FOGO programs to householders remains a key focus for councils to divert food scrap to organic composting programs in line with increasing sustainability regulations. Local Government data shows that when households use compostable bin liners it increases the separation of food waste by as much as 32%.³ Demand for the Company's products was highlighted by the recent success in securing the tender contract of Swan City Council expected to add \$1.2m in revenue over the next three years.

³ Penrith City Council, A Guide to FOGO, 2021

Compostable Resin

Compostable resin sales in Q3 FY24 decreased 4.7% QOQ and decreased by 20.9% on PCP. Resin sales are starting to stabilise as the Company manages through the residual impact of difficult global market conditions and logistic factors that led to excess resin inventory being held by customers. The execution of the new distribution agreement with SM Resinas aims to expand sales volumes especially across LATAM.

SECOS continues to develop new resin grades aimed at meeting the differing sustainability needs in markets globally, including a lower cost resin and resins specifically designed for food packaging and magazine wrapping. The company is pursuing additional global distributors in other global regions for its resin products.

Compostable and Sustainable Film

Compostable and sustainable film sales currently represent a relatively small component of the business (\$0.2m for Q3 FY24) and were up 17.6% QOQ and up 106.0% on PCP. High-speed compostable film products remain a strategic focus for the company as they offer opportunities to enter the growing and high-volume sustainable pallet and magazine wrap markets. The Company is working to develop a distribution channel to support the sale of our compostable and sustainable film products in major markets.

Outlook

SECOS achieved growth of 87.4% in global MyEco® branded sales in major retailers and independent distributors in Q3 FY24 sales versus PCP and we continue to pursue growth in this category. This is being supported by the roll-out of a national marketing campaign that began in January 2024 which is building brand awareness and bolstering sales via our large distribution footprint in Australia. Growth in sales to local Councils is expected to continue in the current financial year as Councils continue to introduce FOGO programs and householders adopt food scrap diversion to organic composting programs.

SECOS continues to scope R&D projects as part of its role in the Solving Plastic Waste Cooperative Research Centre (CRC) program, where there is matched R&D funding from the Australian Federal Government from a joint Industry University bid. SECOS' share of the \$140.6m allocated to this CRC will be confirmed once the R&D project scope is finalised and the Commonwealth CRC Agreement, Partners Agreements, and Project Agreements are executed in Q1 FY25.

The completion of the divestment of the Company's traditional plastic business in Q2 FY24 has enabled SECOS to focus fully on compostable resin development and product sales. The strength of the MyEco® and MyEcoWorld® retail brands positions the Company well to work with large-scale converters to manufacture an expanding range of compostable and sustainable products, reducing the requirement for SECOS to invest in manufacturing and conversion plant to fulfil demand.

Gross margins continue to grow as the Company has exited low margin traditional plastic sales, and freight rates and material costs return to pre-pandemic levels.

This announcement was authorised for release by the Board of SECOS Group Limited.

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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 films to a blue-chip global customer base. SECOS Group is integrated from resin production, into film 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 fuelling 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.

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

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.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

SECOS GROUP LIMITED

ABN

89 064 755 237

Quarter ended ("current quarter")

31 March 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,692	14,414
1.2 Payments for		
(a) research and development	(98)	(253)
(b) product manufacturing and operating costs	(4,078)	(10,616)
(c) advertising and marketing	(302)	(1,171)
(d) leased assets		
(e) staff costs	(894)	(2,697)
(f) administration and corporate costs	(84)	(797)
1.3 Dividends received (see note 3)		
1.4 Interest received	28	87
1.5 Interest and other costs of finance paid	(51)	(140)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(788)	(1,174)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(137)	(466)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment	6	105
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(131)	(361)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (principal component of lease payments)	(107)	(460)
3.10	Net cash from / (used in) financing activities	(107)	(460)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,445	8,424
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(788)	(1,174)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(131)	(361)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(107)	(460)
4.5	Effect of movement in exchange rates on cash held	49	39
4.6	Cash and cash equivalents at end of period	6,468	6,468

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	6,468	7,445
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,468	7,445

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	168
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities		
7.5	Unused financing facilities available at quarter end		
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(788)
8.2	Cash and cash equivalents at quarter end (item 4.6)	6,468
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	6,468
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	8.2
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 April 2024

Authorised by: **By the board**

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.