



SECOS  
GROUP

*Changing the world of packaging*


# Investor Presentation

**(ASX: SES)**

March 2017

*Changing the world of packaging*





SECOS is an eco-friendly, sustainable packaging manufacturer and developer. With FY16 revenue of \$21 million, SECOS supplies its patented biodegradable resins, packaging products and high-quality cast films to a blue-chip global customer base.

# SECOS Group Ltd (ASX: SES)

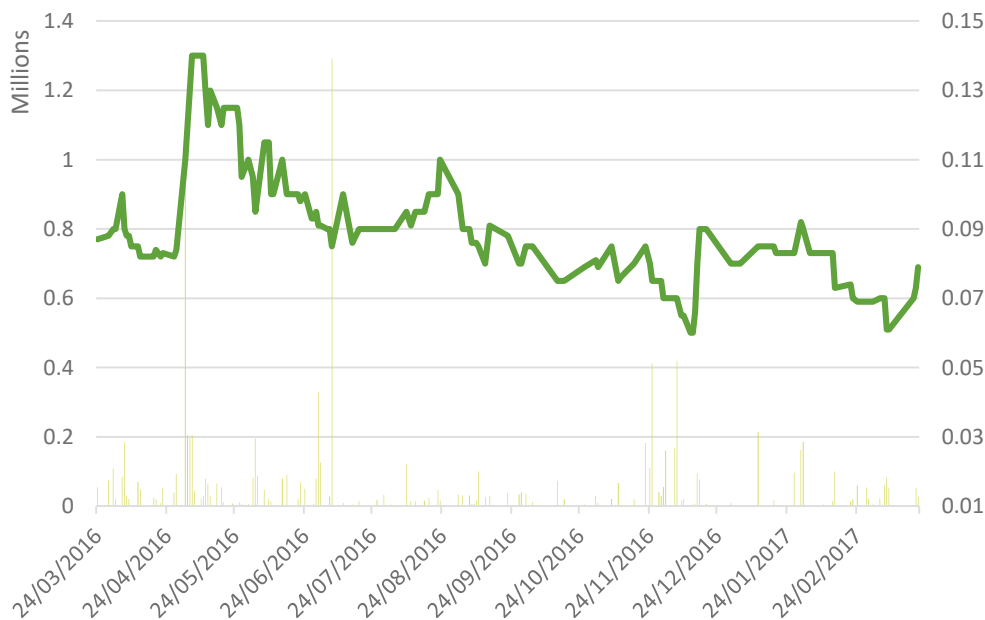
## Board of Directors and Key Management Personnel

|                          |                         |
|--------------------------|-------------------------|
| <b>Richard Tegoni</b>    | Executive Chairman      |
| <b>Stephen Walters</b>   | Managing Director       |
| <b>Trevor Haines</b>     | Executive Director      |
| <b>Donald Haller Jnr</b> | Non-Executive Director  |
| <b>Edmond Tern</b>       | Chief Financial Officer |

## Trading Information

|                            |                 |
|----------------------------|-----------------|
| ASX stock code             | <b>SES</b>      |
| Share price (23 Mar 17)    | <b>\$0.079</b>  |
| Shares quoted on ASX       | <b>163.0m</b>   |
| Market Cap (free-float)    | <b>\$12.9m</b>  |
| Convertible notes          | <b>\$0.995m</b> |
| Market cap (fully diluted) | <b>\$13.8m</b>  |

## Share price performance and volume (last 12 months)



## Top 10 shareholders % of issued capital

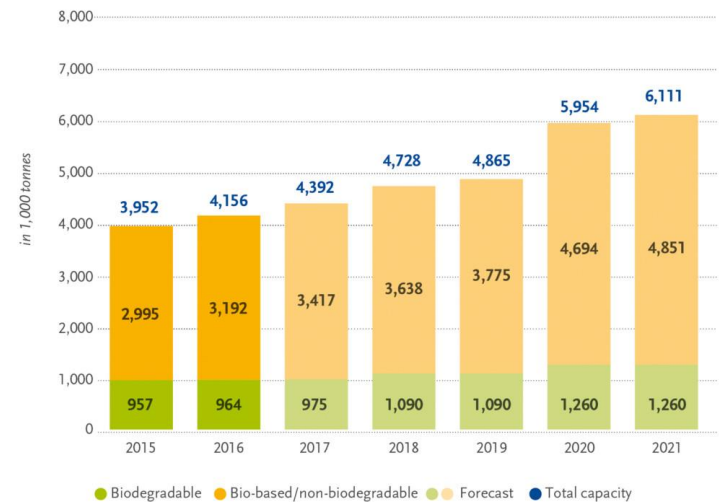
|                                      |              |
|--------------------------------------|--------------|
| 1. Stellar Developments Pty Ltd      | 12.7%        |
| 2. Mr Donald Haller Jnr              | 7.0%         |
| 3. Ganspruse Pty Ltd                 | 4.8%         |
| 4. Gobble Pty Ltd                    | 4.8%         |
| 5. Helpless Pty Ltd                  | 4.8%         |
| 6. Female Pty Ltd                    | 3.8%         |
| 7. Mr Richard Tegoni                 | 3.8%         |
| 8. G & N Lord Superannuation Pty Ltd | 3.4%         |
| 9. R&K Edwards Investments LLC       | 1.9%         |
| 10. HSBC Custody Nominees            | 1.4%         |
| <b>Top 10</b>                        | <b>48.4%</b> |

# A growing market opportunity

SECOS is strategically positioned to benefit from long-term growth in demand for bioplastics

- There is **an urgent need** to replace traditional plastics with more sustainable products across multiple industries
- SECOS has invested strongly in developing biohybrid and compostable plastics and is **ready to meet growing global demand**
- Bioplastic packaging currently represents around 1% of the 300 million tonnes of plastic produced annually, with **significant industry growth** to be driven by:
  - Rising consumer demand for eco-friendly products
  - Global brands moving toward bioplastics to meet social demand
  - Increasing financial and social cost of landfills
  - More stringent government regulation of environment and waste management

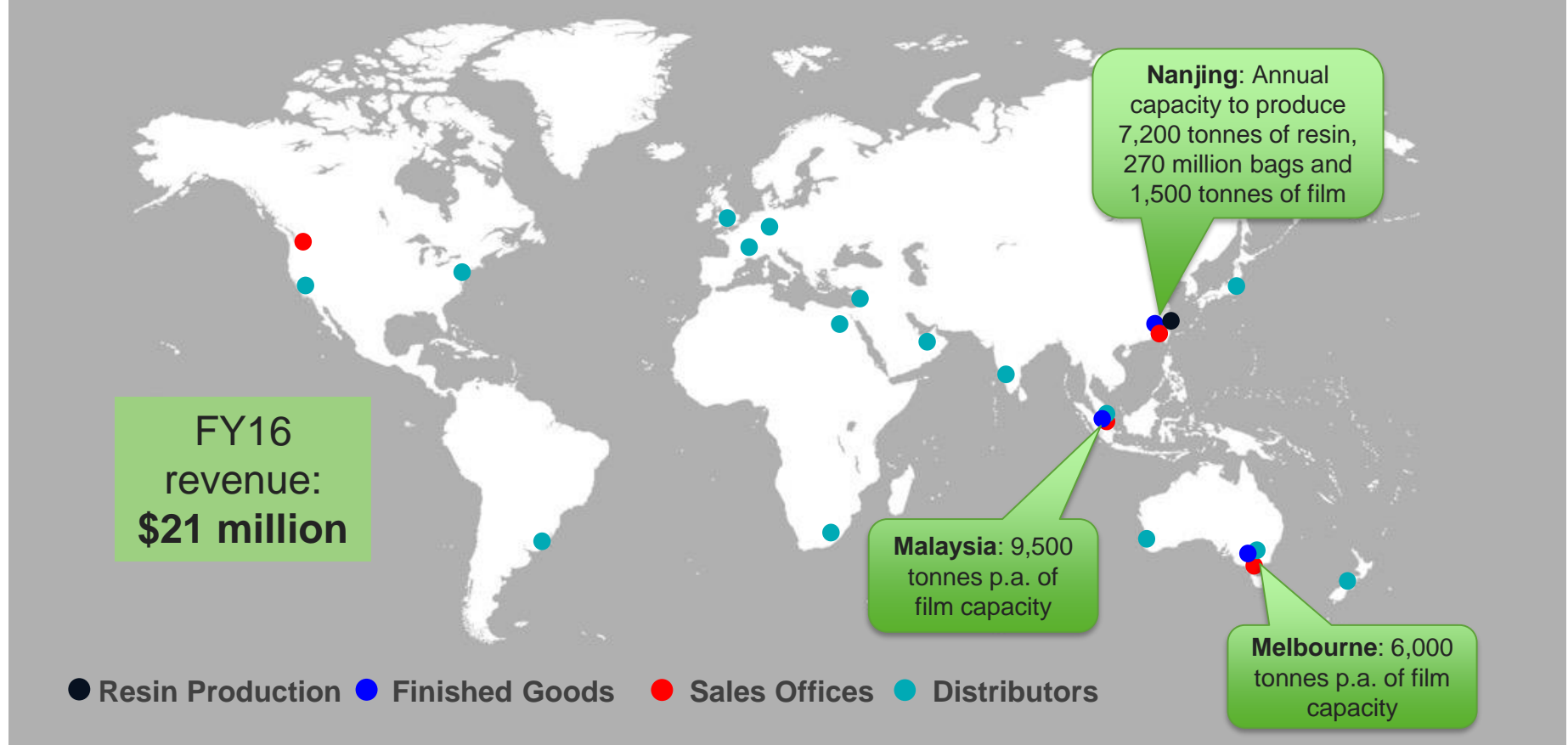
Global production capacities of bioplastics



Source: European Bioplastics, nova-Institute (2016).  
More information: [www.bio-based.eu/markets](http://www.bio-based.eu/markets) and [www.european-bioplastics.org/market](http://www.european-bioplastics.org/market)

# Global sales and manufacturing capability

SECOS sells biodegradable resins, cast films and finished products from three manufacturing hubs to a growing customer base through its global network of sales offices and distribution partners



# The SECOS advantage

Genuine financial and social benefits for customers and consumers



## SECOS packaging products offer the following environmental benefits...

- A reduced carbon footprint of up to 70% compared to conventional oil-based polyethylene
- Fully recyclable via the standard plastic waste stream
- Heavy metal and GMO free, certified compostable and food-safe compliant

## ...with great features at a price competitive with traditional plastics:

- Uncompromising performance, softness, quietness and strength
- Customers can print, colour and efficiently process SECOS products using traditional plastic manufacturing equipment at a range of sizes and thicknesses
- A tangible way for high profile brand owners, retailers, packaging companies and local governments to implement sustainable environmental policy



# A diverse mix of attractive products and customers

SECOS' core products by segment:

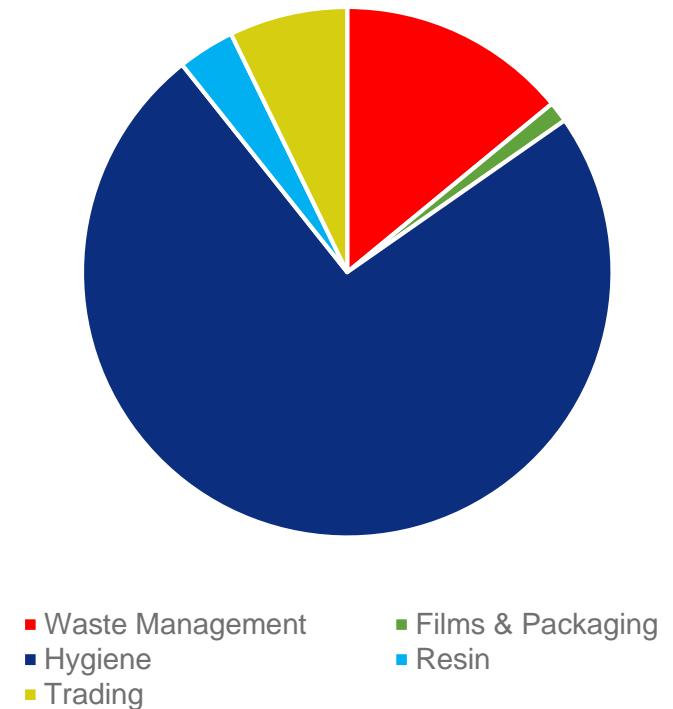
➤ **Films & Packaging:**

- High quality cast films, thermal and adhesive laminates with excellent barrier properties
- A range of products for use in food packaging, feminine hygiene, pet sheets and disposable diapers

➤ **Waste Management Solutions:**

- Compostable shopping bags
- Bin liners, garbage bags and kitchen tidy bags
- Garden waste bags
- Nappy bags
- Dog waste bags

FY16 revenue of \$21 million

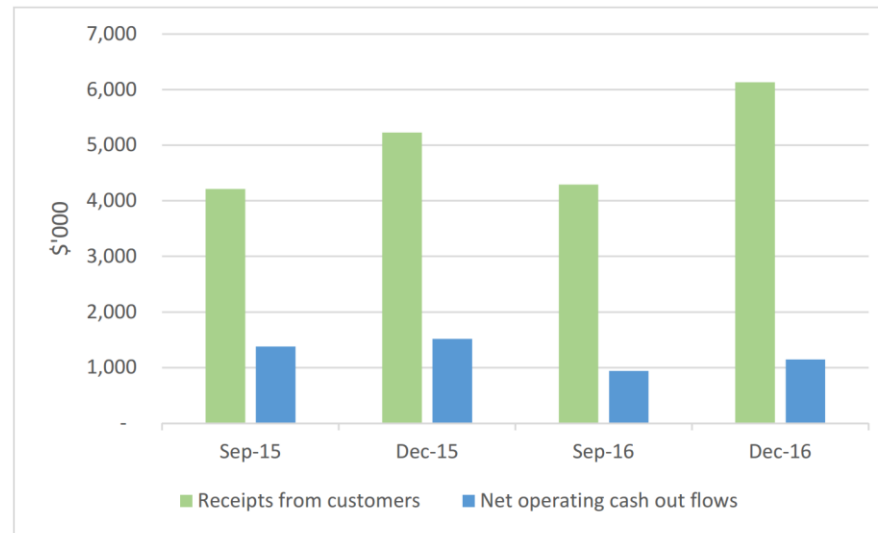


# A diverse mix of attractive products and customers





# 1HFY17 operational and corporate highlights



- In the December 2016 quarter, SECOS achieved a **record level of cash receipts** from customers of \$6.1 million — up 42% from previous quarter, and up 16% year on year. HY revenue: \$10.7 million
- SECOS is currently experiencing **strong levels of interest** in its products, particularly its innovative biohybrid films
- Cash outflows decreasing with a **continued focus on fixed cost reduction** and a new, more attractive export invoice funding arrangement secured
- Cash balance of \$1.5 million at 31 December 2016, having **raised \$0.995 million** through the issue of two-year convertible notes

# Business units turning profitable, outlook positive

Two of SECOS' three units have achieved trading profitability in FY17 to date: Australia and Malaysia

- An ongoing ramping up of business development at SECOS' Australian and Malaysian operations now sees both units **trading profitably in 2017 on a run-rate basis**
- Australian business now generating more than \$500,000 in monthly revenue; Malaysian sales have grown to more than \$880,000 per month
- Significant scope to continue to boost both plants' utilisation
- Recent operational review to yield fixed overhead cost savings **in excess of \$250,000 per annum**
- Continued business development progress expected to **fast track SECOS' progress toward profitability** at a Group level



*All manufacturing assets are now close to being fully depreciated (replacement value >\$25 million)*

# Strong near-term sales growth pipeline across multiple segments and geographies

**Line of sight on more than \$29 million of potential incremental annual revenue in the short to medium term**

|  |   |   |
|--|---|---|
| Short term (FY17) revenue potential — <b>additional \$7.5 million p.a.</b> | Australia, US, Japan and Europe               | Pet sheet pads and related products, biohybrid dog waste bags and plain hygiene film, biohybrid resin and static mat film, compostable void fill pouch film                                 |
| Medium term (FY18) revenue potential — <b>additional \$22 million p.a.</b> | Australia, US, Canada, Hong Kong and Malaysia | Pet products, compostable air pockets, resin and film for garments, graphics and board lamination, biohybrid bin liners, pet sheet pads, dog bags, food packaging resin and breathable film |

# Sustainable growth strategy and action plans

1. Continue to meet demand among existing users of traditional plastics to **substitute SECOS' patented eco-friendly products**, underpinning long-term revenue growth through higher resin sales
2. Improve sales strike rate by **focusing on commercially ready products**, while continuing to develop breathable and biohybrid films for the strongly growing Asian sanitary product market
3. Continue to review cost base and boost contribution from higher-margin products to **accelerate SECOS' path to profit**
4. Continue to meet the **growing demand for dog waste bags** in the Australian, US and European markets
5. Leverage the rollout of waste diversion programs in the US, Australia and Malaysia by pursuing and **expanding compostable bag sales** to governments, councils and the retail sector

# Investment highlights

(ASX: SES)

- ✓ An established clean tech business, growing rapidly in the attractive sustainable packaging market
- ✓ Expanding sales driven by multi-year industry trend favouring SECOS' unique eco-friendly products
- ✓ Strong intellectual property and patent protection
- ✓ Increasingly cost-effective manufacturing facilities in Nanjing, Kuala Lumpur and Melbourne, with low-cost expansion options and global distribution
- ✓ Talented management team led by internationally recognised industry experts
- ✓ Compelling valuation with fully diluted market cap of \$13 million at 7.9 cents per share

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# Disclaimer

## Forward looking statements disclaimer

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

- (i) estimates of future earnings;
- (ii) estimates of future production and sales;
- (ii) estimates of future cash costs;
- (iv) estimates of future cash flows;
- (v) statements regarding future debt repayments; and
- (vi) estimates of future capital expenditures.

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All financial amounts are expressed in Australian dollars unless otherwise indicated.