

## ASX RELEASE

28 February 2018

# SECOS raises \$2.7m to fund rapid growth in biodegradable plastic resin sales

### Highlights:

- SECOS raises \$2.7 million via an oversubscribed placement of shares to sophisticated and professional investors
- A sharp increase in demand for SECOS' biodegradable resin is being driven by strongly supportive macro trends and rising interest from new and existing blue-chip customers (resin sales up +400% in H1 FY18)
- Funds raised will be used to deliver on a strong pipeline of customer orders for resin and to enable SECOS to expand resin manufacturing capabilities in Malaysia and China
- Every \$1 million of investment in resin equipment shows potential to yield an additional \$5 million to \$6 million in annual sales
- \$0.5 million in Convertible Notes have been issued to pay down debt, strengthening the Company's balance sheet

Sustainable and eco-friendly bioplastics developer SECOS Group Limited (ASX: SES, "the Company") is pleased to announce it has received commitments to raise \$2.7 million (before costs) via the issue of 24.55 million new shares in a Placement at an issue price of \$0.11 per share.

The Company was delighted by the overwhelming response to the share placement from sophisticated and professional investors, including from US-based investors. The Company has had to scale back applications, while taking the opportunity to increase the target amount to be raised through the Placement to \$2.7 million.

The Company has also issued \$0.5 million in Convertible Notes to repay existing debt. The issue of Convertible Notes will strengthen the Company's balance sheet by extending the term of the existing debt and providing equity convertibility, with the Notes issued on the same terms as those described in the SECOS ASX Convertible Note announcement made on 27 November 2017.

The Company has developed a strong pipeline of customer orders for resin. The funds raised will provide the working capital to allow SECOS to accelerate the conversion of this pipeline into revenue, to build further on the 400% year-on-year sales growth achieved in its resin division in H1 FY18.

The funds raised will also support an expansion of SECOS' resin manufacturing capabilities and production capacity in Malaysia and China following a sustained period of strong growth in demand for the Company's proprietary bioplastic resin products.

### SECOS Group Limited (ASX: SES)

ACN 064 755 237

Level 2, Suite 6, 205-211 Forster Road Mount Waverley VIC 3149 Australia  
t: +613 8566 6804 e: [info@secosgroup.com.au](mailto:info@secosgroup.com.au) [www.secosgroup.com.au](http://www.secosgroup.com.au)

SECOS appointed Patersons Securities Limited as Lead Manager to the share placement.

The Placement will be issued pursuant to the Company's available placement capacity under Listing Rule 7.1. The \$0.11 issue price represents a 24% discount to the last traded price of \$0.145 per share and a 17% discount to the 30-day VWAP of \$0.133.

SECOS Executive Chairman, Richard Tegoni, said:

*“SECOS has seen a sharp rise in demand for its bioplastic resin in recent months. This has driven our achievement of year-on-year resin sales growth of more than 400% in the first half of FY18.*

*“As the Company benefits from several supportive macro trends, including legislation in many jurisdictions banning traditional plastics, immediate rising pressure on landfill sites and the broadening environmentally conscious ‘war on waste’, we want to be able to continue to meet this demand.*

*“The funds sourced through this capital raising will be vital in helping SECOS continue to expand our international facilities to meet this rising demand, as we expect every \$1 million we can spend on equipment can translate to at least \$5 million to \$6 million in annual resin sales.*

*“SECOS’ outlook is strong, and we expect to achieve an annualized revenue run rate of \$28 million by June 2018. This placement will provide us with the capital we need to execute our growth plans and deliver value to our customers and investors.”*

The Company expects the placement to settle on Tuesday 6 March with shares to be allotted on Wednesday 7 March.

**For more information, please contact:**

**Richard Tegoni**

Executive Chairman

+61 411 110 901

[r.tegoni@secosgroup.com.au](mailto:r.tegoni@secosgroup.com.au)

**Tim Dohrmann**

Investor and Media Enquiries

+61 468 420 846

[tim@nwrcommunications.com.au](mailto:tim@nwrcommunications.com.au)

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## **About SECOS Group Limited**

**SECOS Group Limited (ASX: SES)** is a leading developer and manufacturer of eco-friendly bioplastic materials. Based in Melbourne, Australia, SECOS supplies its proprietary biodegradable resins, packaging products and high-quality cast films to a blue-chip global customer base.

SECOS holds a strong patent portfolio and the global trend toward sustainable packaging is fueling the Company's growth, bringing FY17 revenue of \$22 million.

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 Nanjing, China, with manufacturing plants for high quality cast films in Melbourne and Kuala Lumpur, Malaysia. SECOS' annual production capacity is 7,200 tonnes of bioplastic resins, 15,000 tonnes of cast film and 2,000 tonnes of blown film and finished products.

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

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