



SECOS

GROUP

(ASX: SES)

INVESTOR PRESENTATION

121 TECH
INVESTMENT

13-14 JUNE 2018
HONG KONG

SECOS GROUP LTD (ASX: SES)



Corporate snapshot

- 212m shares on issue
- Market cap of AU\$18m at 8.3c/share
- Top 20 hold 55.7% of issued capital
- 80% Australian and 20% overseas shareholders
- Management and staff own 42.2% of company



12 month share price performance chart with volume



Richard Tegoni
Executive Chairman



Stephen Walters
Managing Director



Trevor Haines
Director of Corporate
Development



Donald Haller Jnr
Non-Executive Director



Edmond Tern
CFO & Company Secretary



- SECOS is a leading global producer of eco-friendly bioplastic materials from its proprietary bio-based resin technology.

Manufacturing assets and sales channels include:

■ **Manufacturing Assets:**

- ❖ Bioplastic manufacturing plant in Nanjing, China
- ❖ Bioplastic manufacturing plant in Kuala Lumpur, Malaysia
- ❖ Cast film manufacturing plant in Kuala Lumpur, Malaysia
- ❖ Cast film manufacturing plant in Melbourne, Australia

■ **Channels to Market:**

- ❖ Sales team and offices in Dallas, USA
- ❖ Sales team and office in Melbourne, Australia
- ❖ Sales team and offices in Nanjing, China
- ❖ Sales team and offices in Kuala Lumpur, Malaysia
- ❖ Distributors in India, Middle East, South Africa, Europe, Thailand and Korea
- ❖ MyEcoWorld eCommerce platform

**SECOS
GROUP LTD
(ASX: SES)**



RECENT ACTION IN THE WAR ON WASTE



Plastics News

May 28, 2018

Europe proposes bans on many single-use plastics

By KAREN LAIRD



Minister commits to make all Australia packaging reusable or recyclable

THE government has made a huge commitment to eliminate landfill-found packaging in all Australian products by 2025.

Malcolm Farr @farm51

news.com.au APRIL 27, 2018 3:20PM

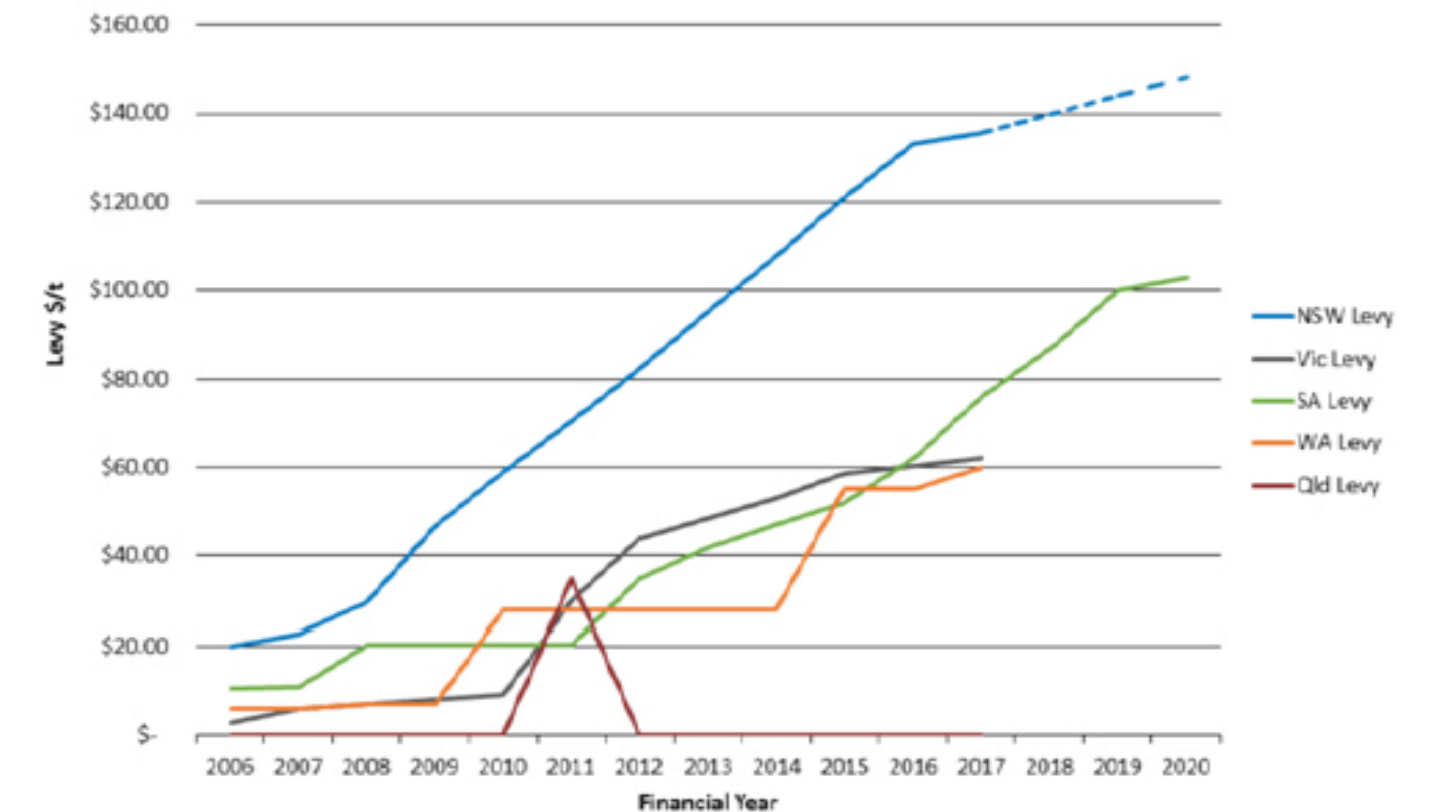


Lego joins Nestlé and McDonald's in 100% sustainable packaging pledge

Posted on May 3, 2018 2:09:28 PM

"By bringing forward our ambition for sustainable packaging, we are also acknowledging the need to find better packaging solutions sooner."

The surging cost of Australian landfill



Historic and planned landfill levies per Australian state (Source: MRA Consulting, 2016)



With more than 10 years of experience developing and marketing bioplastic products, SECOS is well positioned for growth with proven technology, growing market acceptance and a highly respected brand in bioplastics.

Strongly positive bioplastic supply and demand dynamics underpinned by:



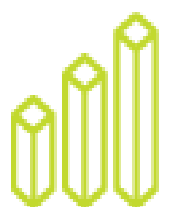
Legislators moving to ban single-use plastic bags, most recently in jurisdictions in Australia, Malaysia, Sri Lanka, Canada, China, the EU and USA



China's recent import ban on plastic waste putting pressure on Australia's landfill sites and prompting local councils to accelerate organic waste diversion programs

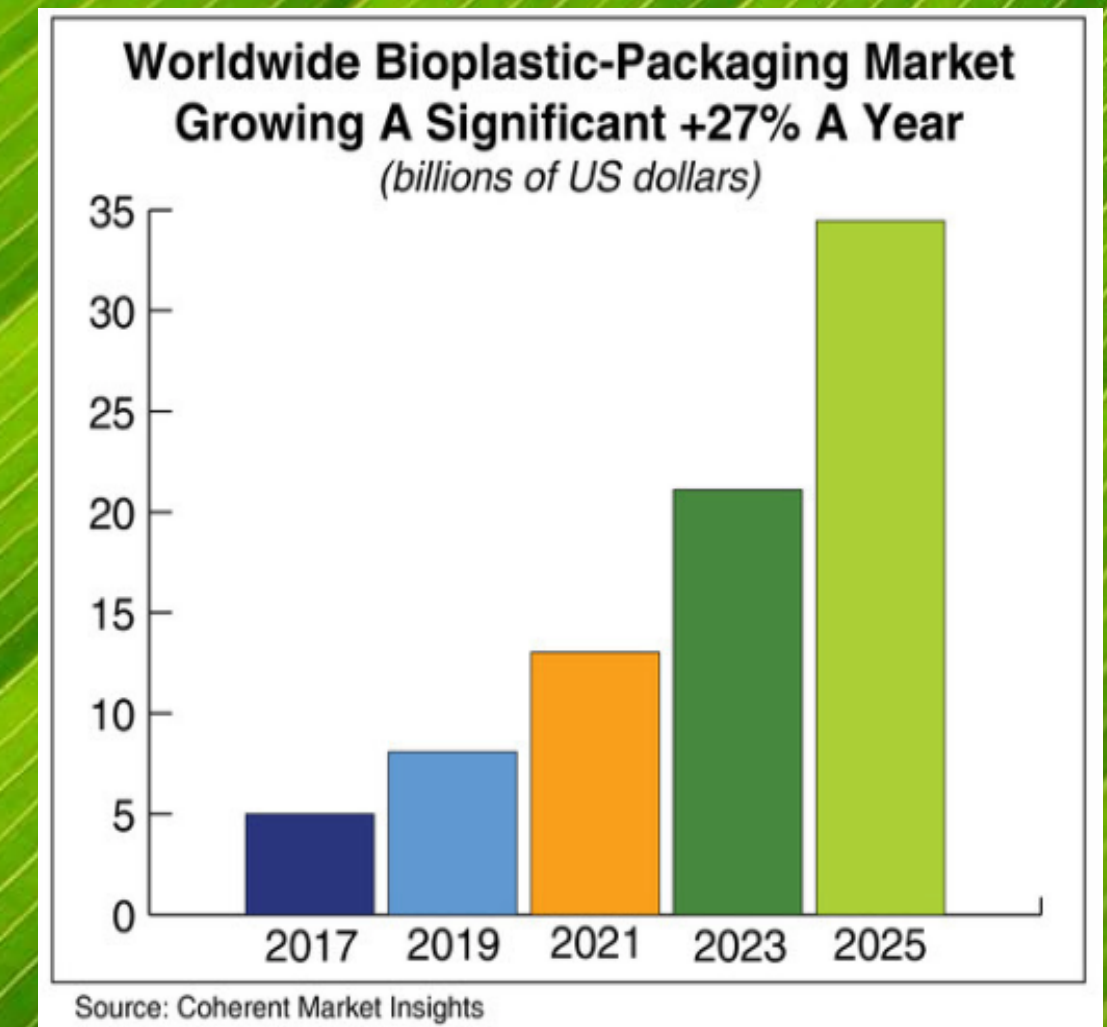


Consumers demanding sustainable products, as captured by media focus on the 'War on Waste' and publicity highlighting the quantity of ocean plastic



Long-term worldwide increase in bioplastic production capacity, now representing more than 2 million of the ~400 million tonnes of plastic produced per year

THE GLOBAL BIOPLASTICS MARKET: SET TO SKYROCKET



OUTLOOK

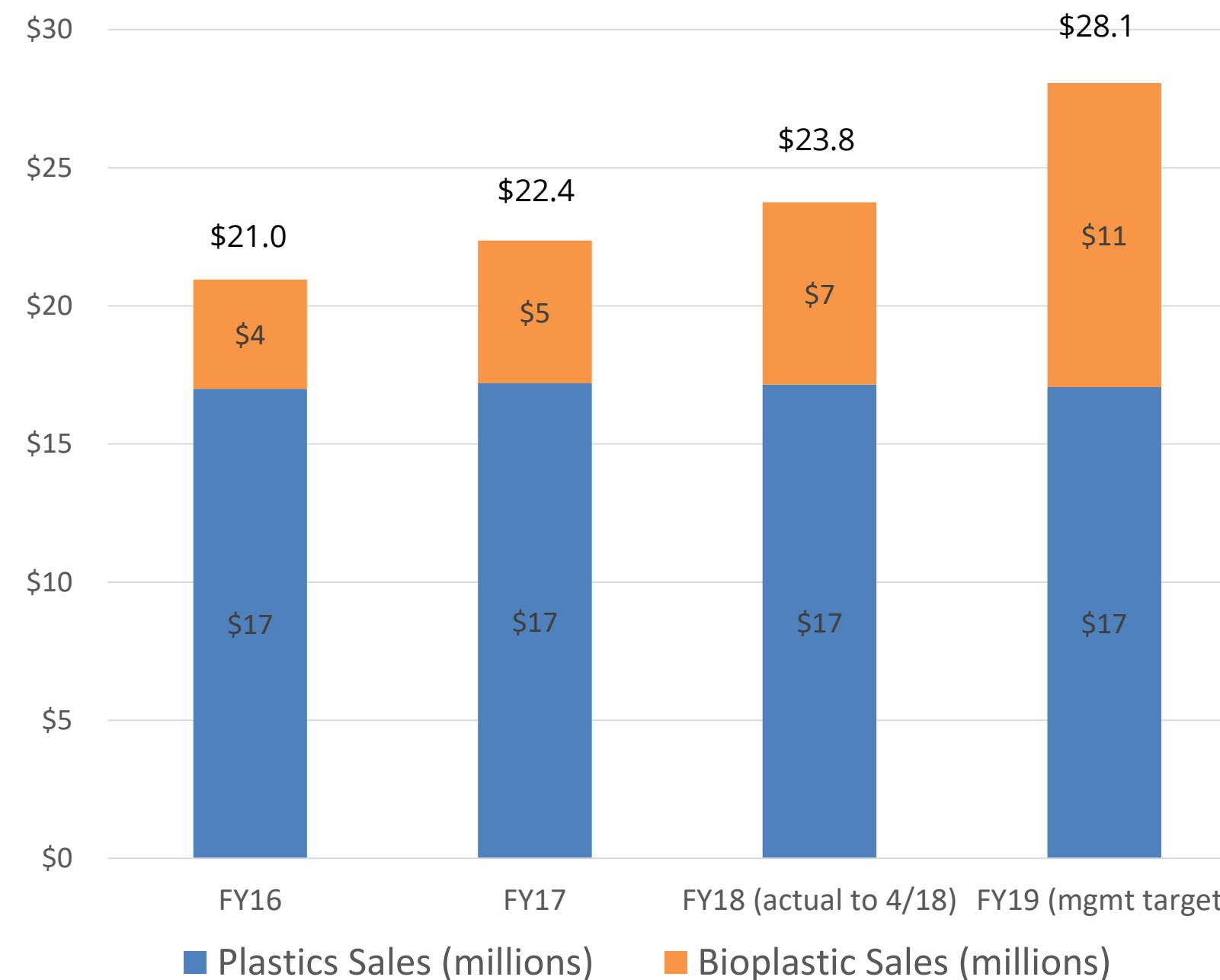


SECOS has an immediate opportunity to significantly drive sales growth to support the global switch to bioplastic products.



FY18 sales guidance of approximately \$24 million, with a management target of \$28 million in FY19.

SECOS Group Sales Growth





SECOS' core product line is its compostable and biodegradable resins.

- SECOS' resins empower retail and industrial clients to boost their environmental credentials by offering consumers compostable plastic packaging of superior quality at a similar price to traditional plastics.
- SECOS' bioplastic business will deliver FY18 revenue of more than \$6 million and is growing rapidly.
- SECOS also develops and sells a diverse mix of high-quality films, packaging products and waste management solutions to a blue-chip global client base.
- Key products include cast films for the hygiene market with excellent barrier properties, compostable organic waste diversion bags, bin liners and pet supplies.
- SECOS' film business will deliver FY18 revenue of more than \$17m, with spare capacity to continue growing sales and margins.

OUR PRODUCTS

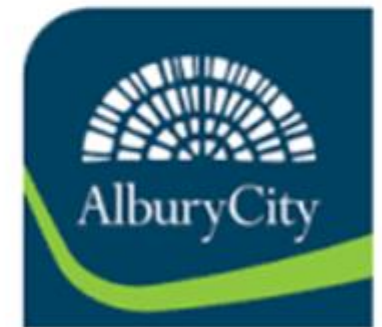


Resin is SECOS' growth engine.



- Compostable resin sales interest is at an all time high throughout the world:
 - The price spread between petroleum and compostable resins is tightening
 - Brands and packaging companies are pursuing the benefits of customer acceptance and boost to loyalty associated with environmental packaging
- After a decade of R&D and customer trials, SECOS is delivering significant growth in resin sales, with FY18 annual forecast sales growth of >400% to c. \$1.5 million.
- SECOS is now selling predominantly to large commercial customers in Southeast Asia from its production facilities in China, with new capacity coming online in July 2018 through new Malaysian facility.
- New resin manufacturing capacity at our Malaysian plant will commence production in July, with capacity to produce up to 3,000 tonnes p.a. for revenues of \$9 million p.a. at current prices. Total plant capacity (including China): 15,000 tonnes p.a.
- Strong pipeline of orders and sales worldwide as consumers and regulators continue to favour more environmentally conscious brands. With a high-quality US sales team in place, rising demand is expected to help drive US resin sales in 2019.

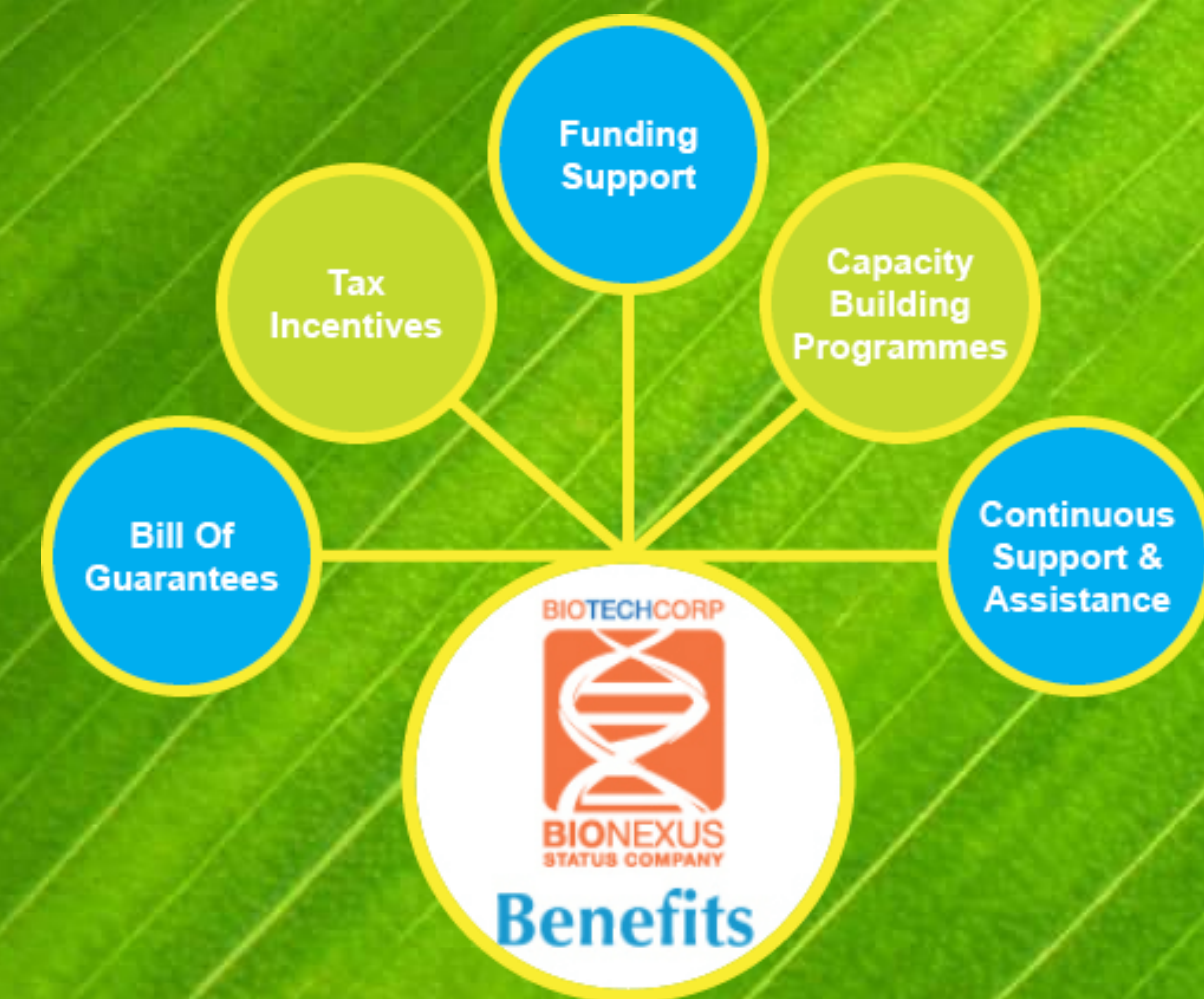
SECOS' BLUE-CHIP GLOBAL CUSTOMER BASE IN ENVIRONMENTAL FILMS AND BAGS





- SECOS gained the valuable benefits of BioNexus status in Malaysia in H1 FY18. This recognition, granted by the Malaysian government, bestows various tax incentives and other financial incentives to promote growth.
- SECOS' BioNexus status will provide the Company with tax deductions for its investment in the approved Malaysian entity, a tax exemption on dividends distributed by the entity, plus fiscal benefits including:
 - The opportunity to apply for tax exemption of 100% of statutory income in Malaysia for the first 10 years
 - Double deductions for expenditure incurred for R&D and for the promotion of exports
 - An exemption of duty and sales tax on imported raw material and equipment
 - A 20% income tax rate for the following 10 years after the initial exemption period — with additional incentives as outlined by the Malaysian Bioeconomy Corporation.

MALAYSIAN GOVERNMENT INCENTIVES TO PROMOTE GROWTH





ACCELERATING THE PATH TO PROFITABILITY: COST SAVINGS AND SCALE IMPROVEMENTS

- A detailed business review completed in CY17 brought an operational overhaul in China and staff restructuring in Australia, the US and China, yielding a material improvement in manufacturing costs of c. \$400k p.a.
- Recent sale and leaseback of Malaysian facility will release c. \$2m in free cash after reducing net debt by c. \$1.3m
- Plan to reduce overheads by \$500k-750k p.a.
- Improve gross profit margin > 15% (FY17: 11.2%) with benefits of scale as resin orders grow, utilisation rises and fixed costs remain flat to down
- Existing capacity in the film business available to support anticipated revenue growth and margin expansion as SECOS rolls out new breathable film technology



- ✓ An established clean tech business, progressing rapidly toward profitability in the attractive market for bio-based resins and finished products
- ✓ Consistent revenue growth driven by macro megatrends, effective sales and marketing and rising interest in SECOS' unique eco-friendly products
- ✓ Newly rationalised manufacturing facilities in strategic hubs with increasing utilisation, low-cost expansion options and global distribution
- ✓ Strong intellectual property and patent protection
- ✓ Compelling valuation with fully diluted market cap of AU\$18m at 8.3 cents per share

INVESTMENT SUMMARY (ASX: SES)

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Forward-looking statements disclaimer

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- (i) estimates of future earnings;
- (ii) estimates of future production and sales;
- (iii) 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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The Company does not undertake any obligation to release publicly any revisions to any “forward-looking statement” to reflect events or circumstances after the date of this presentation, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

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