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# 2022 AGM PRESENTATION

30 NOVEMBER 2022

ASX: SES



CHANGING THE WORLD OF PACKAGING

# PRESENTERS



**Richard Tegoni**  
Executive Chairman



**Ian Stacey**  
Chief Executive Officer



**Colin Lai**  
Chief Financial Officer &  
Company Secretary

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# CEO PRESENTATION



CHANGING THE WORLD OF PACKAGING

# STRATEGY REACHES CRITICAL MILESTONES



- Scale of MyEco<sup>®</sup> Branded products now exceeding 2000 stores
- Major white label partners with Jewett Cameron (JCC) and EzyDog now exceeding 900 stores
- Three Biopolymer plants with capacity to deliver \$50m to \$60m sales revenue
- R&D Centre driving global brand collaboration to support sales pipeline
- Multi distribution channels offering access to over 25 markets
- Fully integrated value chain offering flexible options to enter new markets
- Achieved EcoVardis certification, a key ranking of ESG performance

# SHORT TERM OUTLOOK

- Woolworths to continue momentum in 970 stores
- Launched into 770 stores in Coles from October 2022
- JCC's Lucky dog building orders into Costco USA and beyond
- EzyDog and JCC building orders into 900 stores across major retailers in Australia, USA and other markets
- Increasing direct store growth and number of distributors in the USA
- Excess LATAM resin inventory expected to sell through during H2 FY23
- Council FOGO (Food Organic, Garden Organic) program deadline 2025

# MEDIUM TERM OUTLOOK UNDERPINNED BY R&D LED SALES PIPELINE

- Co-funded global collaboration to develop new product lines/customers
- Scale-led efficiencies expected to improve gross margins
- Global partnerships offering low cost/risk entry into new markets
- New product developments to drive sales e.g.- composable clear film and cling film
- R&D program aimed to maintain market leading technology e.g.-New Resin grades
- Beginning to supply to new markets e.g.- Middle East, Europe.

# CURRENT MARKETS DRIVING SALES GROWTH

Market	Product	Sales Channel	Branding	Success
<b>Australia</b>	Compostable Bags - Retail	Direct Major Retailers (Coles/Woolworths)	MyEco®	High
	Council FOGO Bags	Direct to Council	Cardia®	High
	Pet Waste Bags	White Label (EzyDog)	Login®	High
	Compostable Range	Ecommerce	MyEco®	Early Stage
	Compostable Courier	Direct (Officeworks)	MyEco®	Developing
<b>USA</b>	Pet Waste Bags/Bin Liners	White Label (JCC)	Lucky Dog®	High
	Pet Waste Bags/Bin Liners	Direct via Distributor	MyEco®	Developing
	Compostable Resin/Films	Direct to Converter	Cardia®	Early Stage
<b>LATAM</b>	Compostable Resin	Exclusive Distributor (ISOI)	Cardia Resin®	High/Excess Inventory Delays
	Compostable Resin	Appointed Sub-Agents	Cardia Resin®	Developing
	Compostable Films	Direct to Customer	White Label	Early Stage
<b>Malaysia</b>	Compostable Bags	White Label	White Label	High
	Compostable Resin/Films	Direct to Converter	Cardia Resin®	High
<b>China</b>	Compostable Bags	White Label	White Label	High
	Compostable Films	Direct to Converter	Cardia Film®	Developing
	Compostable Resin	Direct to Converter	Cardia Resin®	Developing
<b>Middle East</b>	Compostable Resin/Films	Direct to Converter	Cardia Resin®	Early Stage
	Compostable Bags	Direct to Retailers	White label	Early Stage
<b>Europe</b>	Compostable Resin/Films	Direct to Converter	Cardia Resin®	Early Stage
	Compostable Bags	Direct to Retailers	MyEco®	Early Stage



# INTEGRATED BUSINESS MODEL

- SECOS has a fully vertically integrated production capability from raw materials to the finished product
- Integration provides cost and supply chain efficiencies, flexibility around asset utilisation and participation in the full value chain
- At each step in the process, SECOS can sell to converters for their own use or produce and consume intermediaries internally to manufacture and sell end-products, either in the form of compostable resin film or bags to its own customers



Cardia Biopolymer Resin

Cardia Biopolymer Film

Film converted to bags

Direct sales under MyEco<sup>R</sup> Brand

B2B

B2B

B2B

B2B & B2C

Sold to converters

Sold to converters such as Hygiene & Form fill & seal users; Branded users

Sold to directly to retailers under Cardia or retail brands

Sold to directly to retailers and direct under MyEcoBag<sup>TM</sup> or MyEcoWorld<sup>TM</sup>;



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# CFO PRESENTATION

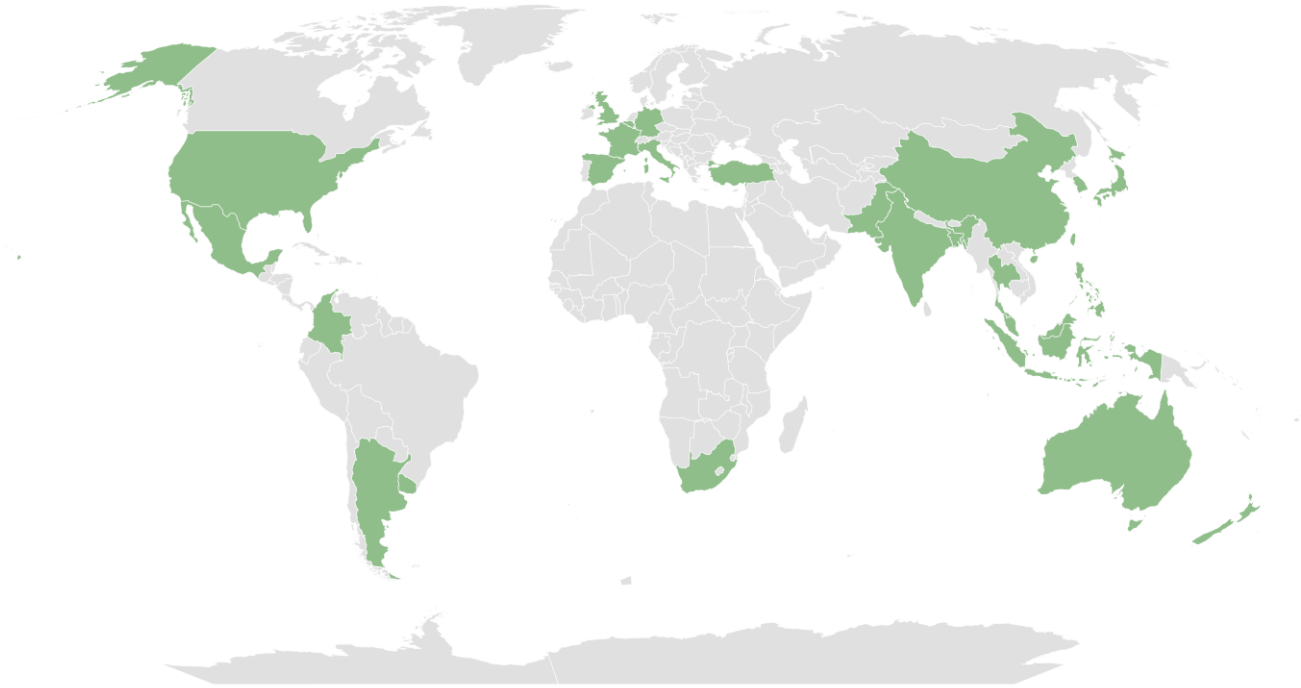


CHANGING THE WORLD OF PACKAGING

# FY22 REVENUE GROWTH UNDER DIFFICULT CONDITIONS

Region (\$'000)	FY22	FY21	Change
Oceanic	6,512	5,060	28.7%
Asia	15,617	13,930	12.1%
Americas	6,337	8,975	(29.4%)
Europe	1,426	1,402	1.7%
Africa	1,151	714	61.2%
<b>Total</b>	<b>31,043</b>	<b>30,081</b>	<b>3.2%</b>

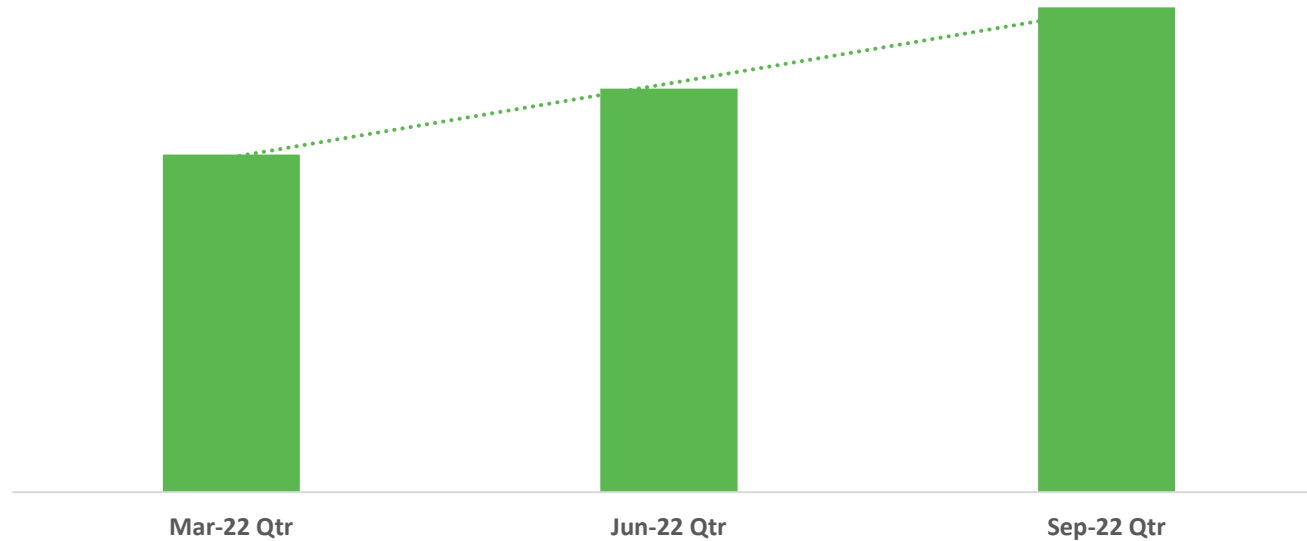
Locations of Global Customers



- FY22 **Biopolymer** revenue was up 2.3% vs PCP
- FY22 **Americas** was impacted by loss of \$3.0-\$4.0 million in sales to JCC due to packaging issues that developed with the State of California. Sales with JCC have now re-commenced.
- **Q1 FY23** Biopolymer revenue was up 13.7% vs PCP

# FY22 GROSS MARGIN IMPACT AND RECOVERY IN FY23

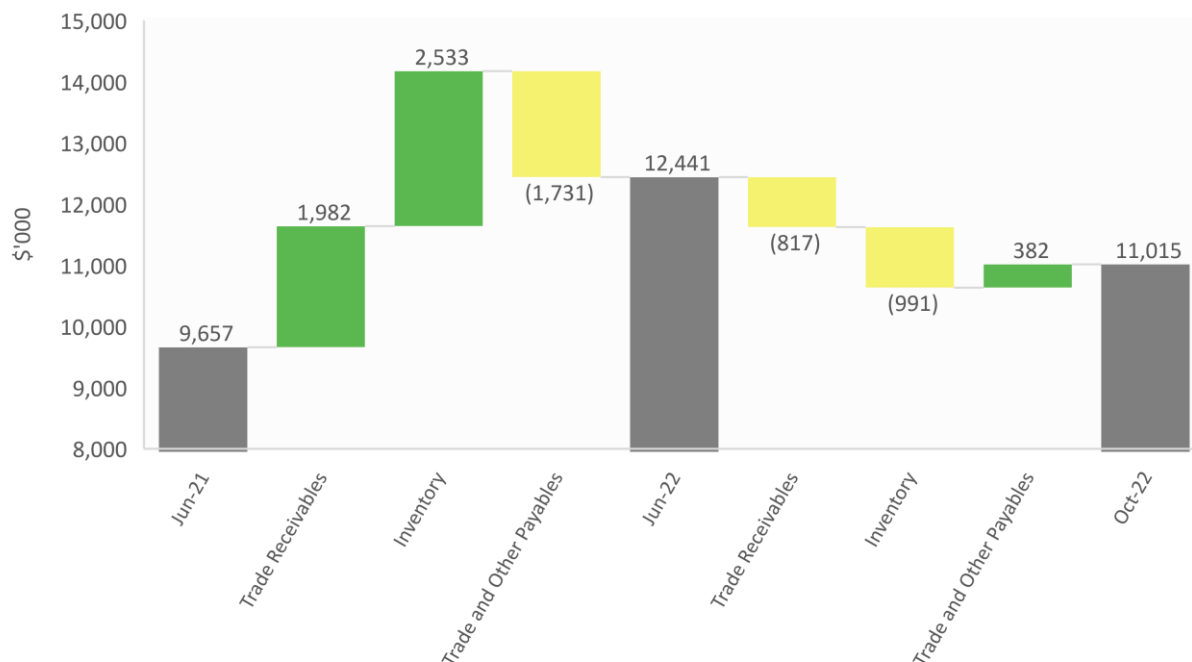
Gross Margin (%) by Quarter



- Key raw material and freight costs increased significantly in FY22 as a result of the rebound in demand following the initial impact of COVID-19 and external macro events.
- So far in FY23, key raw material costs are trending towards pre-pandemic levels, which will further support stronger product margins going forward.

# WORKING CAPITAL AND CASH FLOW

### Working Capital Movement



- In **FY22**, working capital increased due to investment in inventory to mitigate supply chain issues and meet supply requirements of customers.
- In **FY23**, working capital is starting to unwind as supply chain and fulfilment timelines begin to retract.

### Cash Flow Movement

\$'000	Q1FY23	FY22	FY21
Cash Flows from Operating Activities	960	(4,060)	(4,704)
Cash Flows from Investing Activities	(198)	(2,442)	(1,150)
Cash Flows from Financing Activities	(227)	(747)	14,390
Net Cash Movement	535	(7,249)	8,536
Foreign Exchange	11	84	(128)
<b>Closing Cash</b>	<b>4,668</b>	<b>4,122</b>	<b>11,287</b>

The Group remains **debt free** with \$4.3m cash as of 31 October 2022

# INVESTMENTS DELIVERED DURING FY22

## People

- Increased capability through new hires of key personnel to enable the following:
  - Development and enhancement of Head Office R&D competencies
  - Growth in new retailers in Australia and establishment of USA market

## Brand

- Focus on brand health and presence, with marketing spend doubling in FY22 vs PCP.
- Australia has focused on MyEcoBag brand development, website and packaging in addition to increasing our presence at trade shows.
- USA has focused on brand and website development for both MyEcoWorld and MyEcoPet.

## Capital Expenditure

- Establishment of new Malaysian Biopolymer plant with manufacturing capability
- Investment in an Australian R&D Centre

# CORPORATE OVERVIEW

## ASX Code: SES

Share Price (29 Nov 2022)	\$0.12
Market capitalisation @ \$0.12	\$64.3m
Shares on issue (listed)	535.9m

## Substantial Shareholders

R&K Edwards Investments LLC	10.7%
Belgravia Strategic Equities	9.9%
Donald Haller Jr	8.5%
Top 20	59.9%
Total Board and management shareholdings*	18.0%

*\*Includes indirect holdings*

## Board & Executive Members

Richard Tegoni	Executive Chairman
Stephen Walters	Executive Director
Donald Haller Jr	Non-Executive Director
Jim Walsh	Non-Executive Director
Ian Stacey	Chief Executive Officer
Colin Lai	Chief Financial Officer, Company Secretary

# 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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