

# FY23 HALF YEAR RESULTS PRESENTATION

FEBRUARY 2023

ASX: SES



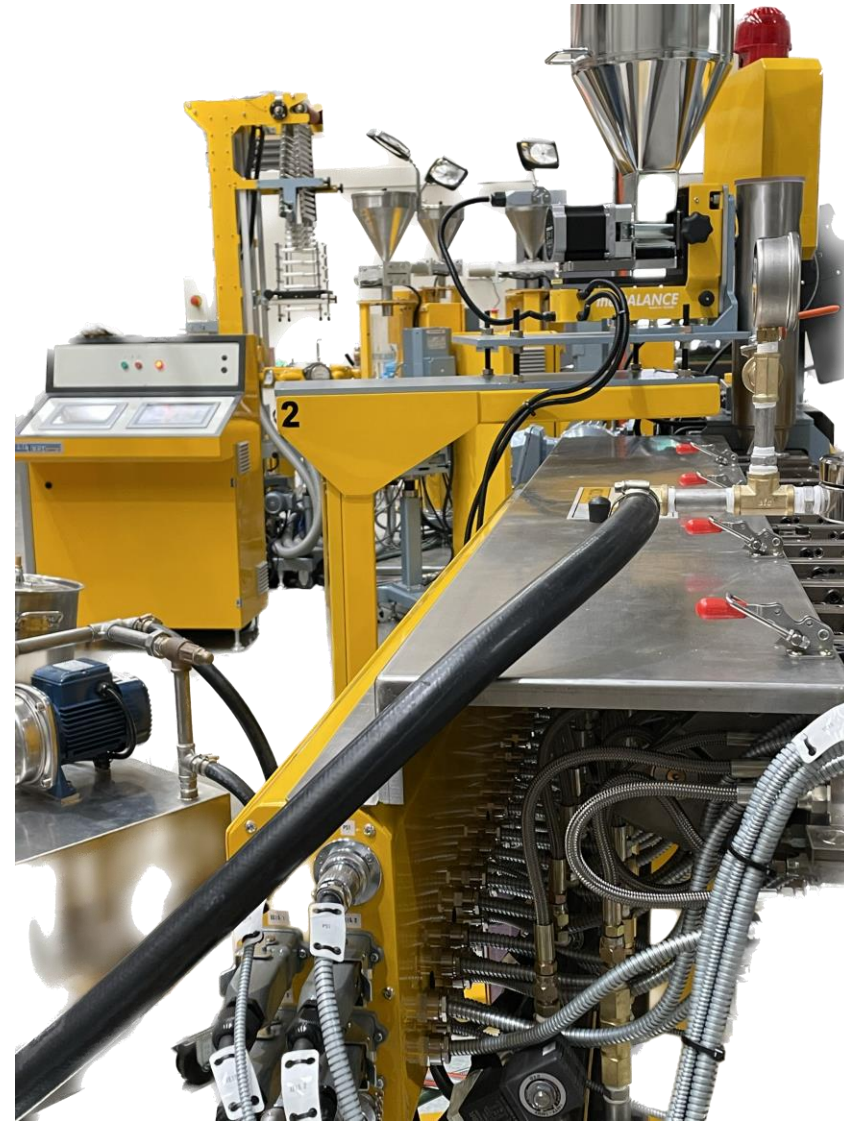
CHANGING THE WORLD OF PACKAGING

# Agenda

- Highlights & Operational Review
- Financial Summary
- Strategy & Outlook



# HIGHLIGHTS & OPERATIONAL REVIEW



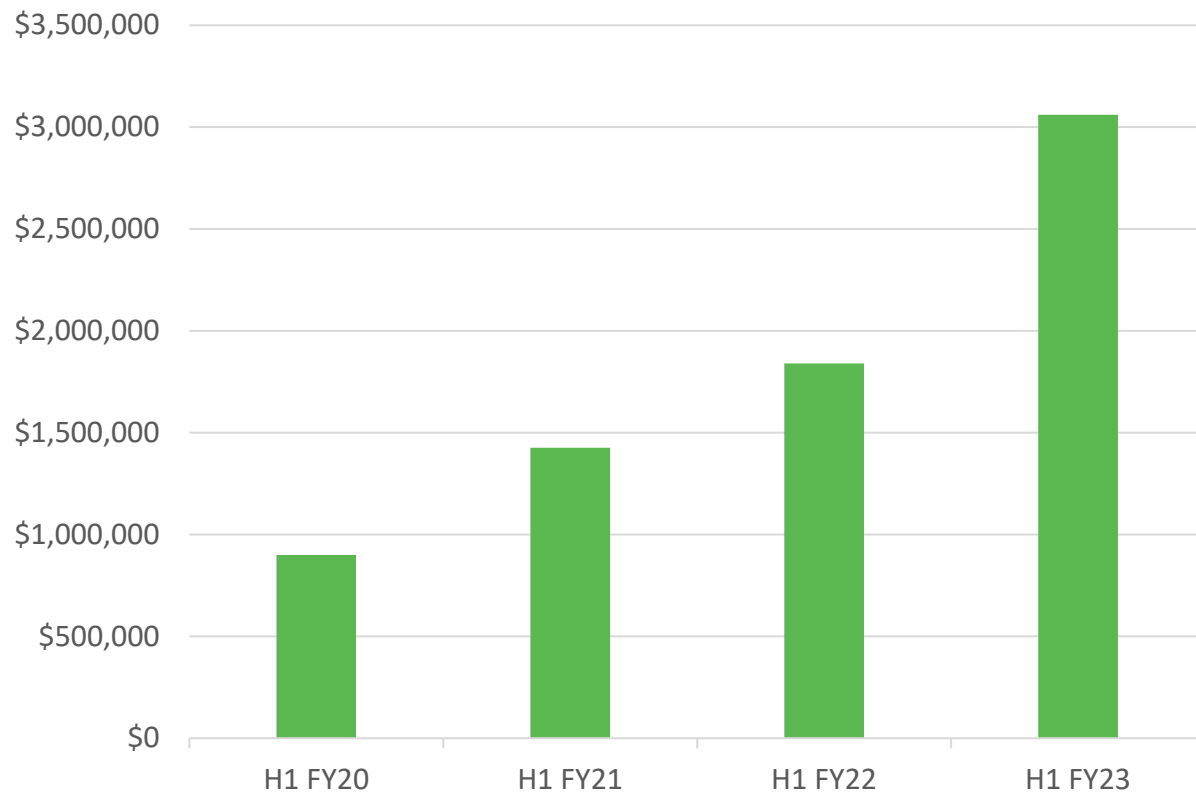
# STRATEGY ACHIEVES CRITICAL MILESTONES



- **Market leading MyEco®** Branded products now distributed through over **2000 stores**
- **Exclusive sales agreement** with Jewett Cameron (JCC) for supply of MyEcoWorld® into USA and Canada with sales target of US\$2.8m (AU\$4.0m) to maintain exclusivity.
- **JCC** has relaunched their Lucky Dog® products into the US market with sales in this category growing
- Three Biopolymer plants with capacity to deliver **\$50m to \$60m sales revenue**
- R&D Centre driving **new product development** 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

# H1 REVENUE ANALYSIS BY PRODUCT SEGMENT

## COMPOSTABLE BAGS - RETAIL AND WHITE LABEL



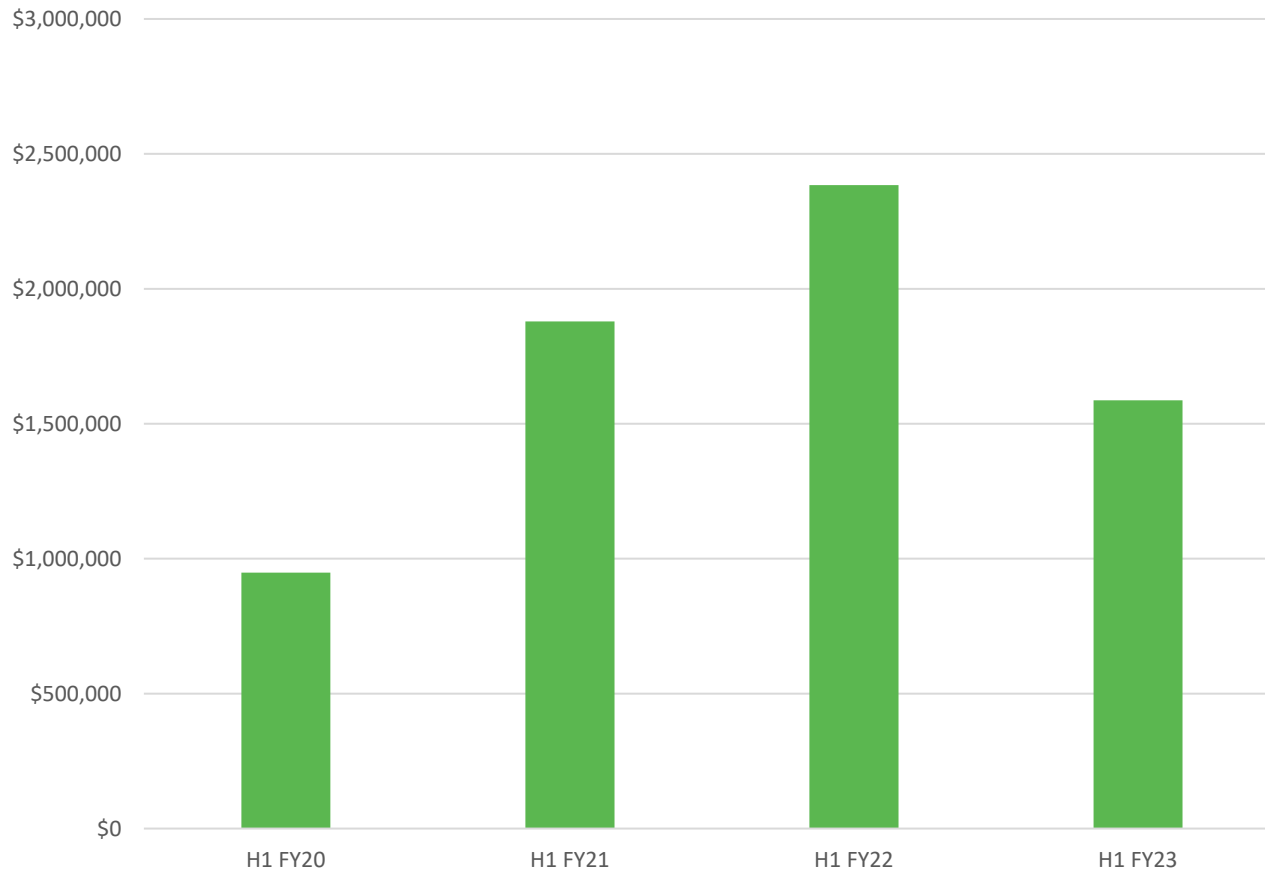
<sup>1</sup> IRI Scan Data between 16/11/22 to 7/2/23

<sup>2</sup> Quantum Scan Data between 11/2/22 to 9/2/23

- H1 FY23 MyEco® Retail sales achieved a **record result** with over \$1m in sales for H1 FY23
- Over **100% growth** of MyEco® retail brand sales in major retailers and independent distributors in the past 12 months vs PCP
- Scale of MyEco® Branded products now exceeding **2000 stores** comprising 970 Woolworths stores, 770 Coles Stores and independent distributors
- MyEcoBag® maintains its position as the **number one brand** within Woolworths<sup>1</sup> compostable bin liner and kitchen caddy sales, representing **35% of sales** in this category
- MyEcoBag® range achieved **24% of all Coles<sup>2</sup>** compostable bin liner and kitchen caddy sales in twelve weeks since the launch in November 2022
- **EzyDog** sales of Login® branded dog waste bags launched into major pet stores across Australia with sales growing”

# H1 REVENUE ANALYSIS BY PRODUCT SEGMENT

## COMPOSTABLE BAGS - COUNCIL & WASTE

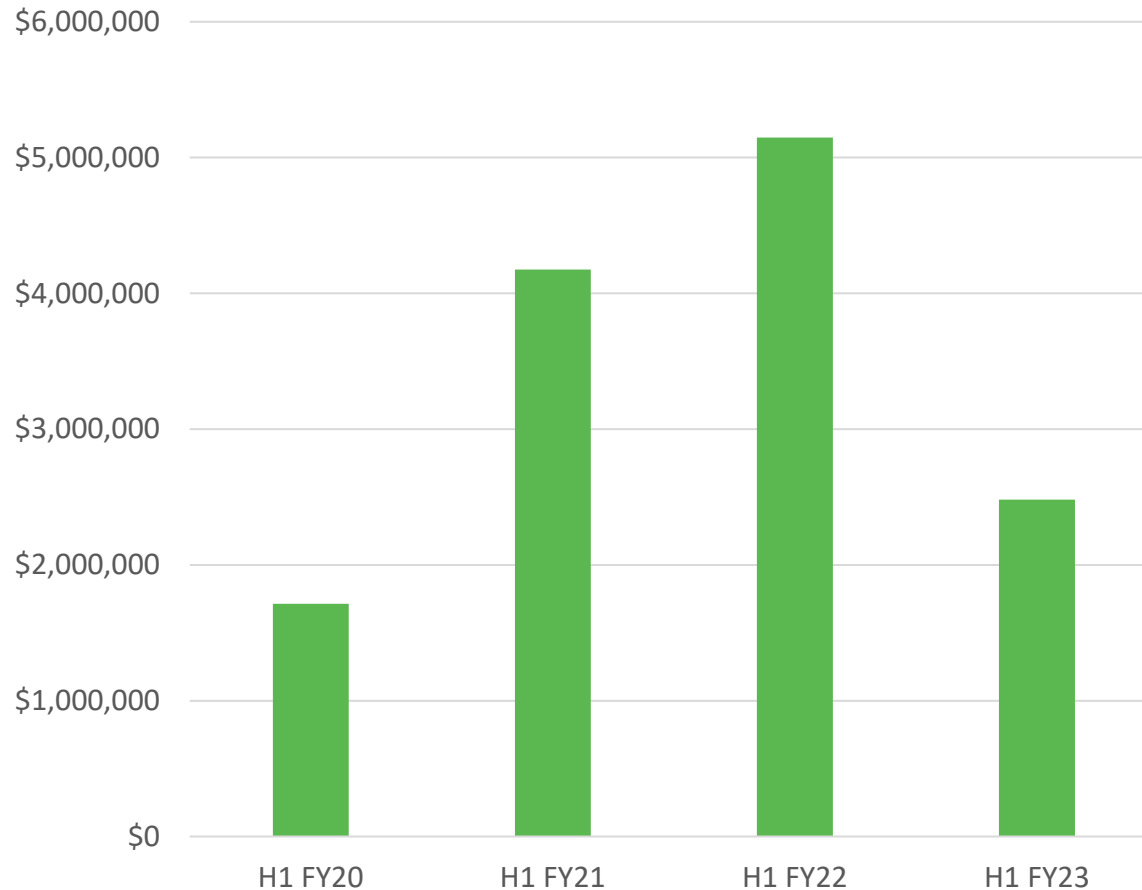


H1 FY23 Councils sales impacted with growth expected to continue in H2 FY23:

- Sales to Councils slowed during H1 FY23 due to impacts from supply chain and Covid19 disruption during the prior six to twelve month period
- Current FOGO tender pipeline indicates council and waste sales will grow during next half year with SECOS well positioned to compete in this segment
- FOGO rollout programs are expected to continue as more local governments push to achieve their 2025 Sustainability targets
- FOGO opportunities are starting to develop in other markets including NZ and USA

# H1 REVENUE ANALYSIS BY PRODUCT SEGMENT

## COMPOSTABLE RESIN SALES



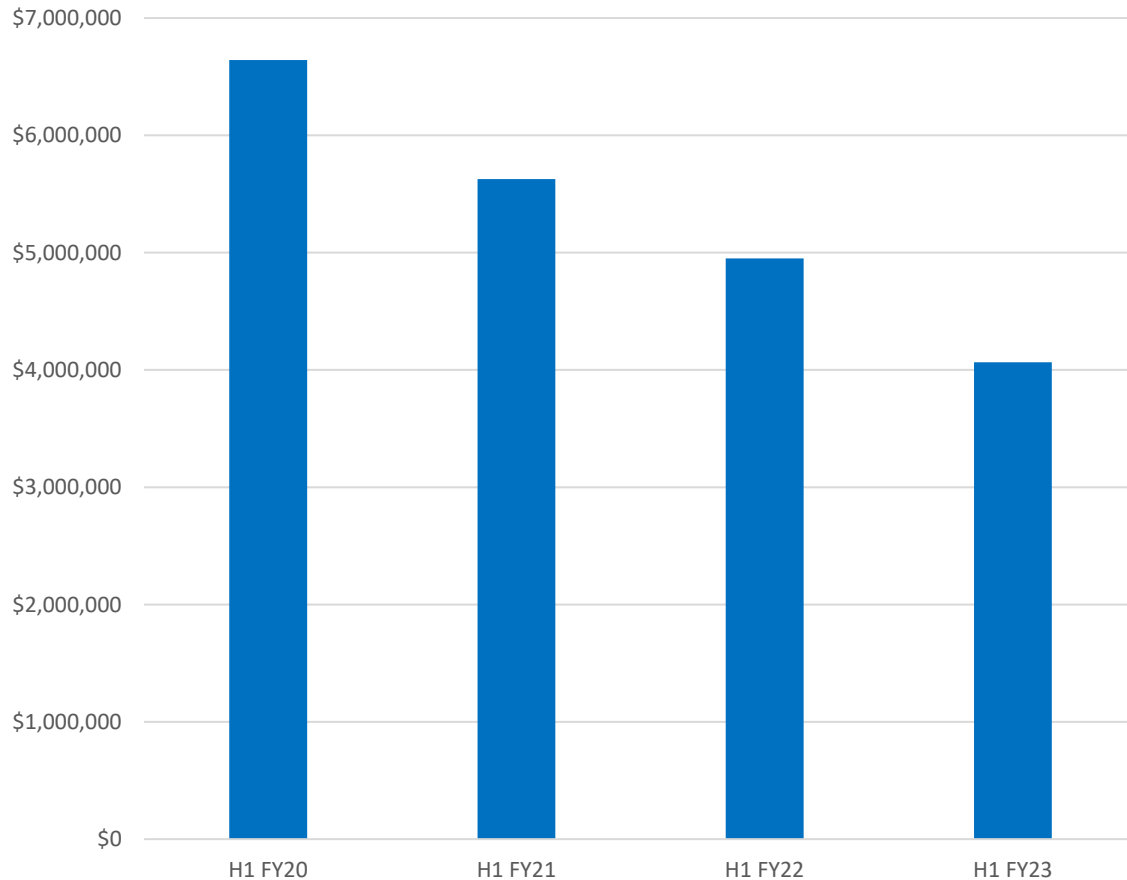
H1 FY23 Bio-resin sales reduced due to excess inventory caused by supply chain disruption during prior year

- Excess inventory of bio-resin held at a major converter in LATAM causing slower resin sales orders as excess stock is being consumed
- Growth in bio-resin sales not expected to recommence until excess stock has been sold out or greatly reduced
- LATAM converters remain highly committed to increasing sales results in this region
- Efforts are underway to increase resin distribution including the recent addition of a large middle-eastern distributor already generating sales



# H1 REVENUE ANALYSIS BY PRODUCT SEGMENT

## TRADITIONAL PLASTIC SALES



H1 FY23 Traditional plastic sales continue to decline in line with the SECOS' strategy to reduce single use plastic in the environment:

- SECOS remains committed to strategically reducing low margin traditional plastic sales
- Reducing low margin traditional plastic sales has provided improved working capital for the group with over three consecutive quarters of positive operating cash flow reported to 31 Dec 2022
- SECOS has developed a plan and is in the process of customer testing bioplastic film products off its' existing traditional plastic cast product lines

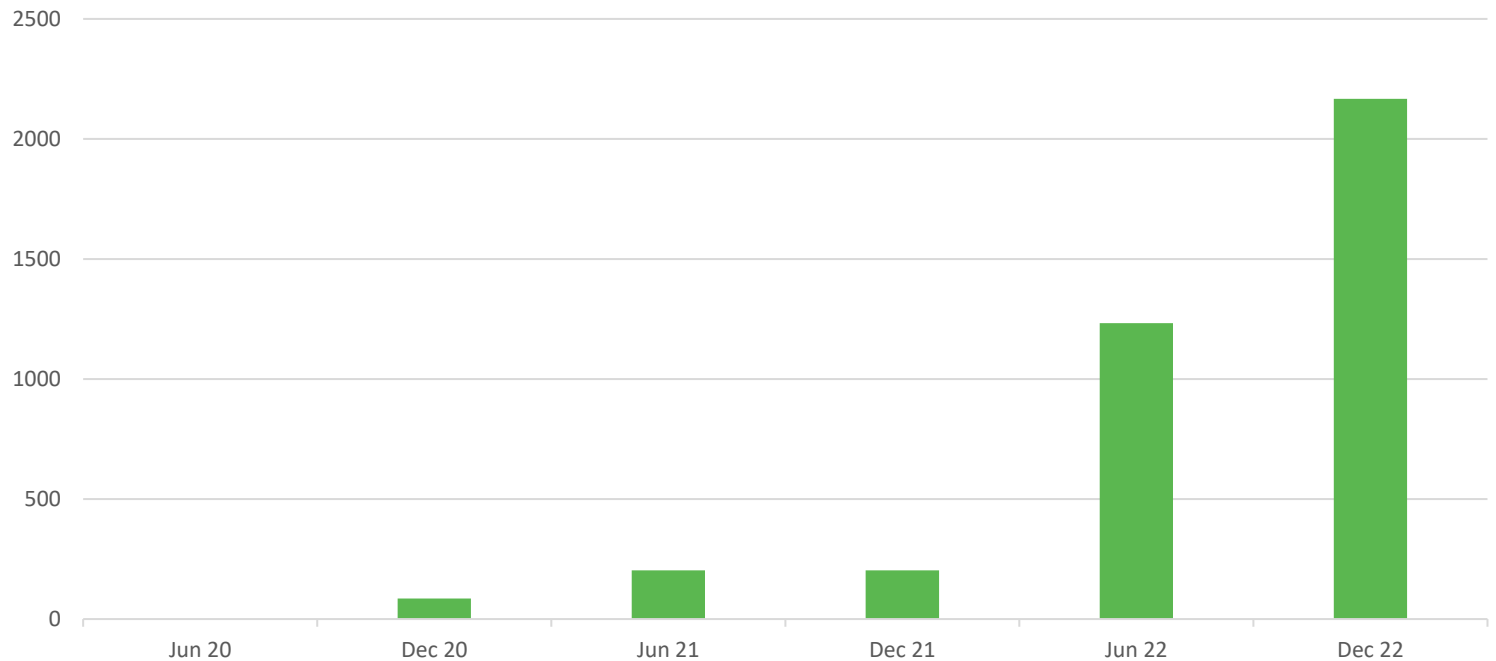


# MYECO® HIGHLIGHTS

- Over **100% growth** in MyEco® Branded products significantly offset major impacts to the group's other segments including resin and council sales
- SECOS to expand the highly successful MyEco® product range with a new product launch expected during H2 FY23



Growth in Retail Store Numbers



# EXCLUSIVE SALES AGREEMENT WITH JCC



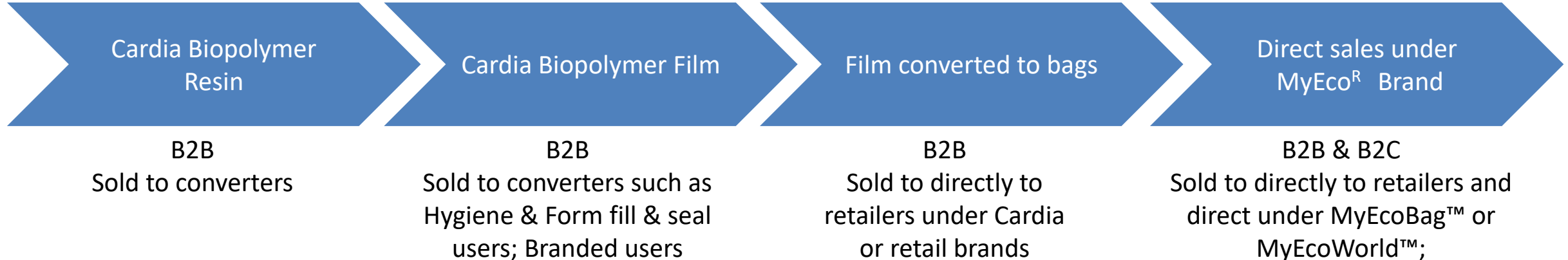
- For the supply of **MyEcoWorld®** product range and other converted compostable products in USA and Canada
- Jewett Cameron (JCC) will launch MyEcoWorld® branded range to **major US retailers**
- Effective 31 March 2023, sales target of **US\$2.8m (AU\$4.0m)** in 12 months to maintain exclusivity with increase in subsequent years
- In addition to the supply of MyEcoWorld®, JCC will continue sales of **Lucky Dog** branded pet waste bags manufactured by SECOS' white label division

# CURRENT MARKETS DRIVING SALES GROWTH

| Market      | Product                    | Sales Channel   | Branding      | Status               |
|-------------|----------------------------|---|---------------|----------------------|
| Australia   | Compostable Bags - Retail  | Direct Major Retailers (Coles/Woolworths)                                   | MyEcoBag®     | In Market/Growing    |
|             | Council FOGO Bags          | Direct to Council   | Cardia®       | In Market/Growing    |
|             | Compostable Pet Waste Bags | White Label (EzyDog)  | Login®        | In Market/Growing    |
|             | Compostable Range          | Ecommerce   | MyEco®        | In Market/Developing |
|             | Compostable Courier        | Direct  | MyEco®        | Soon to launch       |
|             | Compostable Pallet Wrap    | Direct to Customer  | Cardia®       | In Development       |
| USA         | Compostable Pet Waste Bags | White Label (JCC)   | Lucky Dog®    | In Market/Growing    |
|             | Compostable Bin Liners     | Direct via Distributor (JCC)  | MyEcoWorld    | Soon to launch       |
|             | Compostable Resin          | Direct to Converter   | Cardia®       | In Market/Developing |
|             | Compostable Pallet Wrap    | Direct via Distributor (JCC)  | Cardia®       | In Development       |
| LATAM       | Compostable Resin          | Exclusive Distributor (ISOI) & Appointed Sub-Agent across several countries | Cardia Resin® | In Market/Growing    |
|             | Compostable Films          | Direct to Customer  | White Label   | In Market/Developing |
|             | Compostable Pallet Wrap    | Direct to Customer  | Cardia®       | In Development       |
| Malaysia    | Compostable Bags           | White Label   | White Label   | Soon to launch       |
|             | Compostable Resin/Films    | Direct to Converter   | Cardia Resin® | In Market/Growing    |
|             | Compostable Pallet Wrap    | Direct to Customer  | Cardia®       | In Development       |
| China       | Compostable Bags           | White Label   | White Label   | In Market/Developing |
|             | Compostable Resin/Films    | Direct to Converter   | Cardia Film®  | In Market/Developing |
|             | Compostable Pallet Wrap    | Direct to Customer  | Cardia®       | In Development       |
| Middle East | Compostable Resin/Films    | Direct to Converter   | Cardia Resin® | In Market/Developing |
|             | Compostable Pet Waste Bags | Direct to Retailers   | White label   | Soon to launch       |
|             | Compostable Pallet Wrap    | Direct to Customer  | Cardia®       | In Development       |
| Europe      | Compostable Resin/Films    | Direct to Converter   | Cardia Resin® | In Market/Developing |
|             | Compostable Bags           | Direct to Retailers   | MyEco®        | Soon to launch       |
|             | Compostable Pallet Wrap    | Direct to Customer  | Cardia®       | In Development       |

# FULLY INTEGRATED VALUE CHAIN

- 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



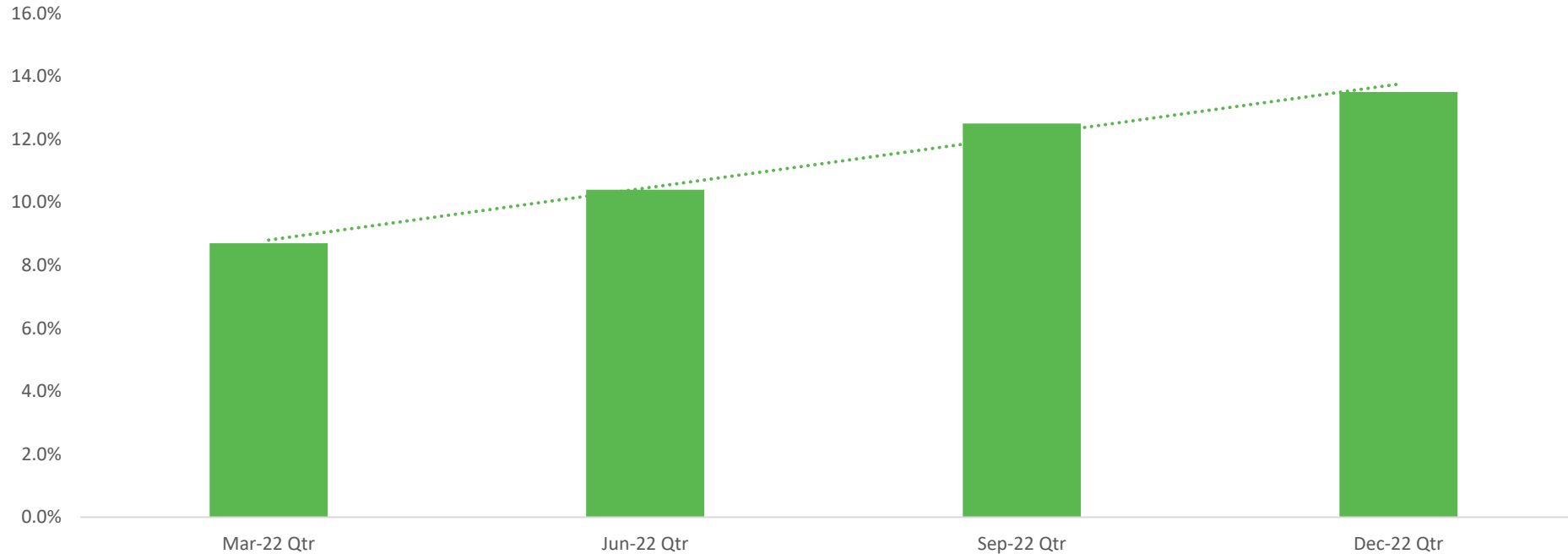
# FINANCIAL SUMMARY





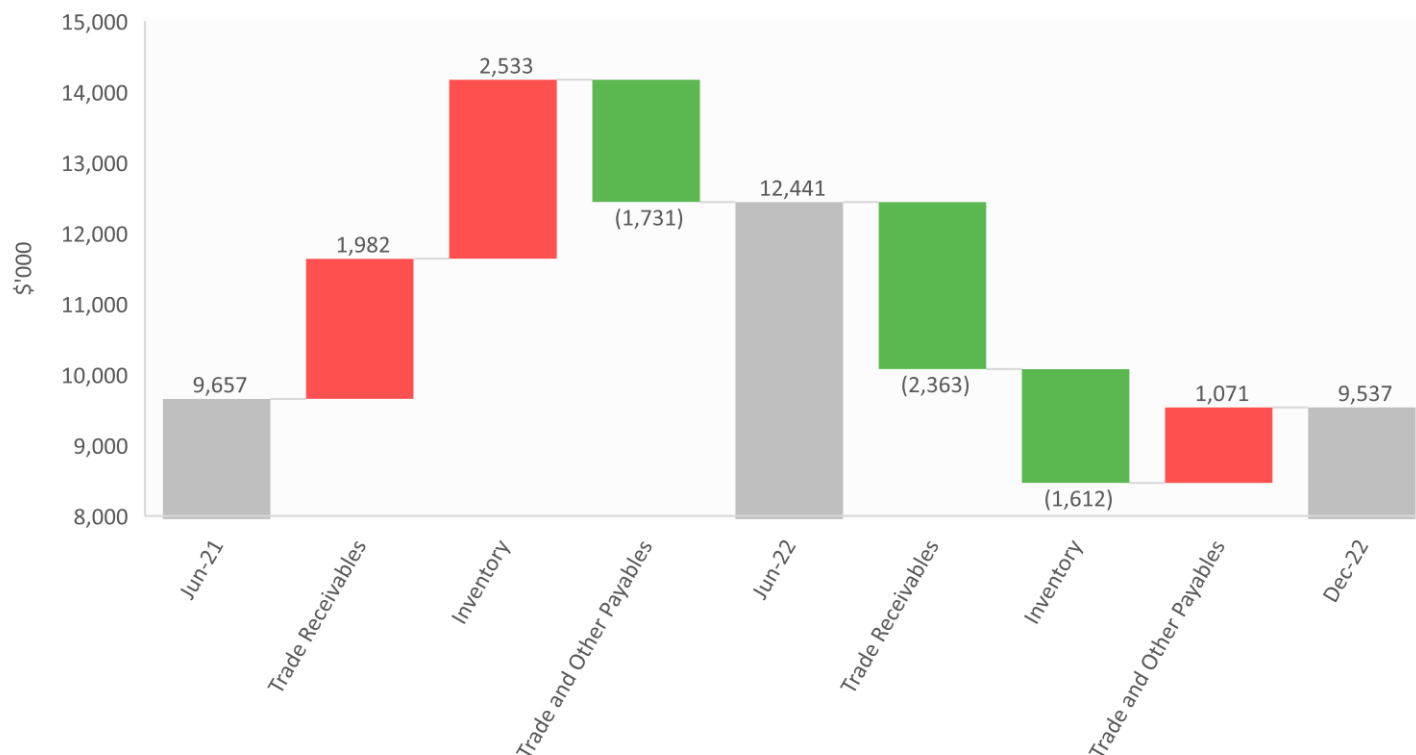
# FY22 GROSS MARGIN IMPACT AND RECOVERY IN FY23

Gross Margin (%) by Quarter



- Key raw material and freight costs continue to normalise, which will further support stronger product margins going forward.
- Strategic decision to reduce low margin traditional plastic sales has led to higher group margin

# WORKING CAPITAL AND CASH FLOW



- **Positive Operating Cash Flow** in H1 FY23 assisted by:
  - management of working capital
  - improving fulfilment timelines and
  - a heightened focus on customer collections

## Cash Flow Movement

| \$'000                               | H1 FY23      | H1 FY22      |
|--------------------------------------|--------------|--------------|
| Cash Flows from Operating Activities | 1,137        | (2,529)      |
| Cash Flows from Investing Activities | (372)        | (1,218)      |
| Cash Flows from Financing Activities | (396)        | (389)        |
| Net Cash Movement                    | 369          | (4,136)      |
| Foreign Exchange                     | 9            | (79)         |
| <b>Closing Cash</b>                  | <b>4,500</b> | <b>7,072</b> |

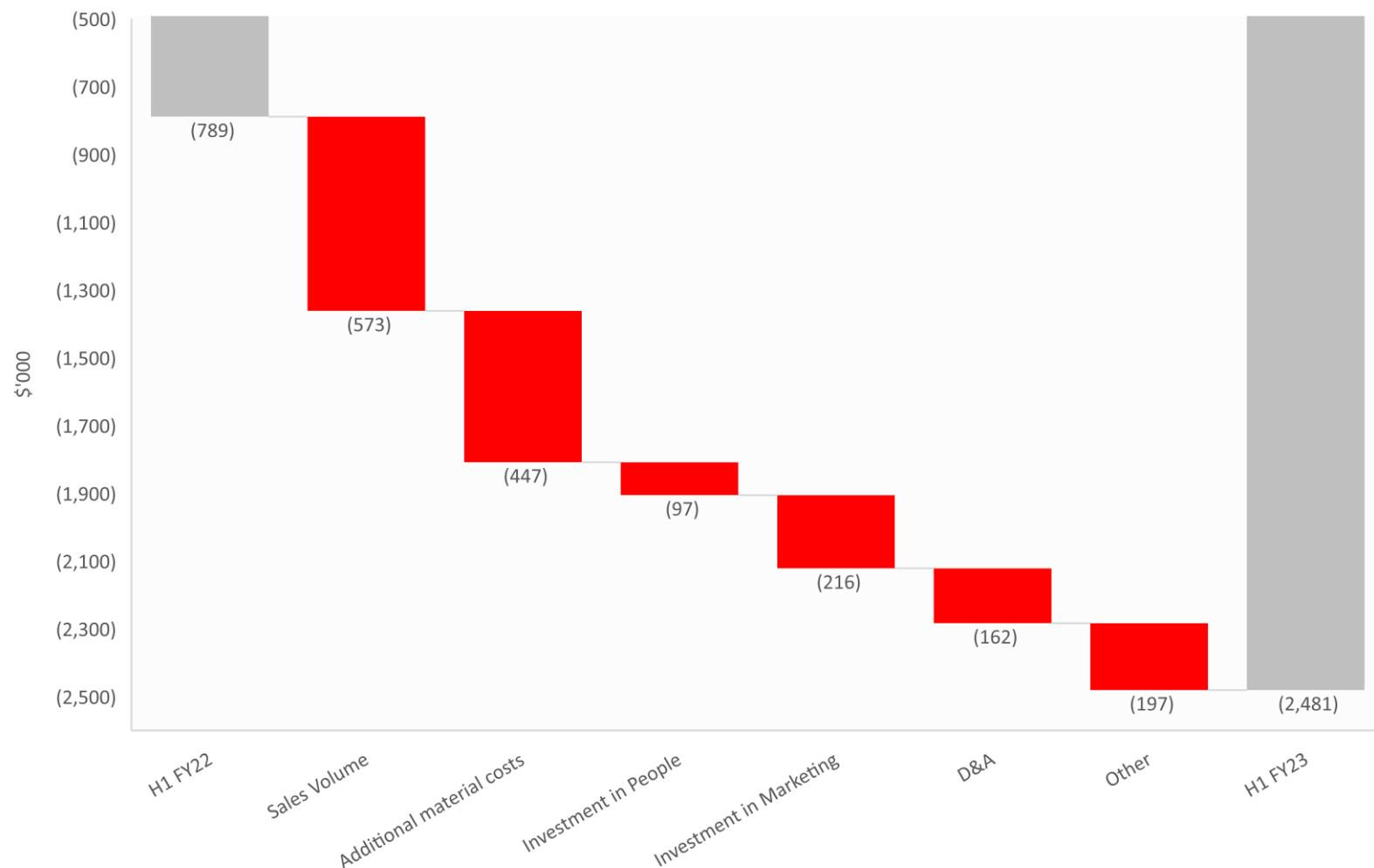
- SECOS remains **debt free** with **\$4.5m cash** as of 31 December 2022



# NET PROFIT AFTER TAX MOVEMENT

H1 FY23 NPAT was impacted by:

- Decrease in **sales volumes** including strategic decision to reduce low margin traditional plastic sales
- \$0.4m in **material costs** increases
- Increase of \$0.3m in **marketing and people investment** to support growth and research and development competency.

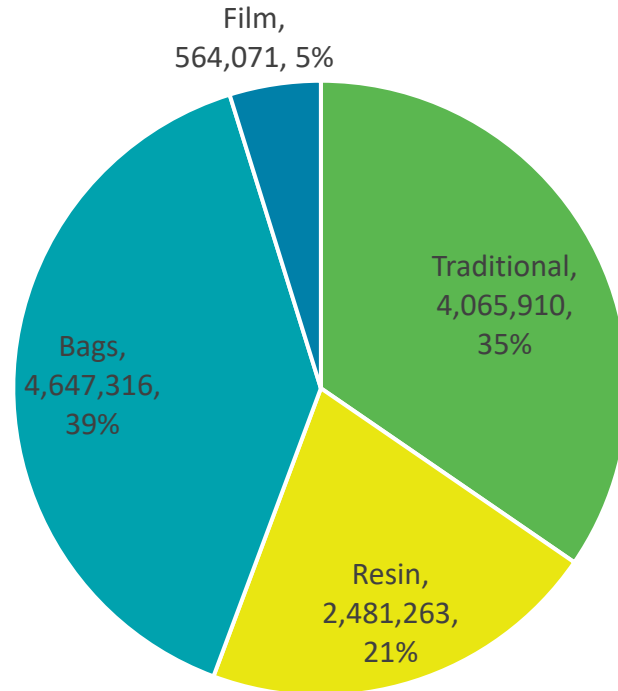


# STRATEGY & OUTLOOK

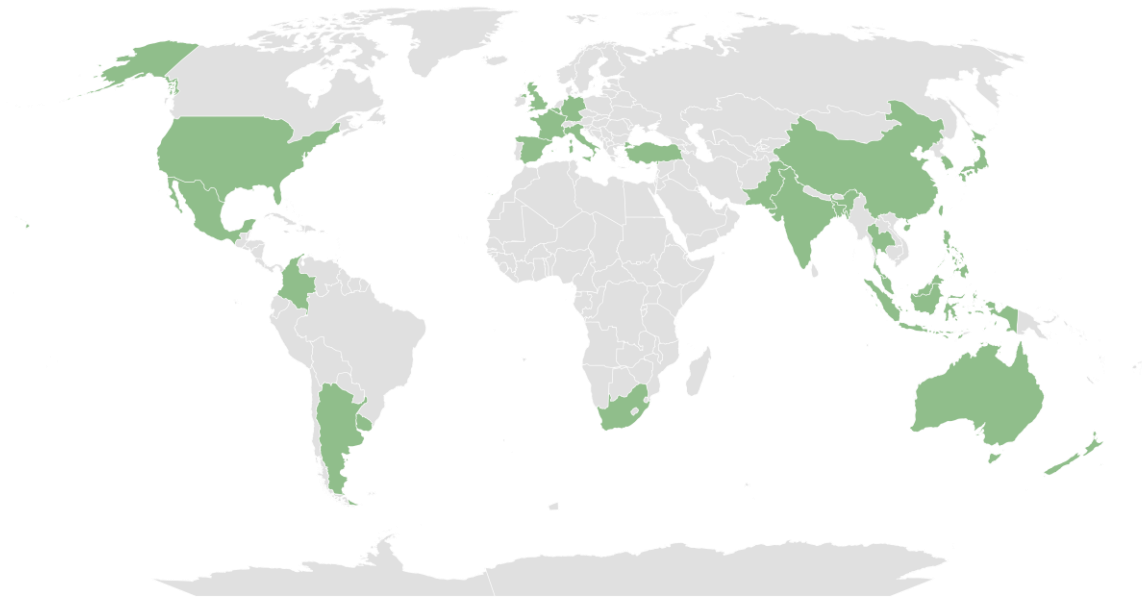


# SECOS' REACH AND RANGE NOW ACHIEVING SCALE

H1 FY23 Revenue



Locations of Global Customers



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- SECOS supplies over 25 Countries globally
- Bio Bags now represent largest segment replacing resin and traditional plastic due to success of MyEco® range
- Bio Film remains a small segment but has significant potential if products can be produced in scale off traditional plastic cast film product lines

# OUTLOOK

Improving outlook driven by growth initiatives and normalisation of supply chain disruptions

## SALES OUTLOOK IS STRENGTHENING

- Commencement of exclusive sales agreement with **JCC** to supply MyEcoWorld in USA and Canada
- Continuing **retail momentum** with adoption of MyEco branded business in over **2000 stores**
- **Council and waste business** continues to increase as FOGO waste programs expand in new markets around the world
- Beginning to supply **new markets** including: Middle East, Europe
- Increasing sales with **domestic and international partner brands**
- **New product developments** to drive sales e.g.- compostable stretch film and new MyEco® product expansion

## MARGINS ARE IMPROVING

- Improving from **normalisation** of raw material and freight costs and **scale-led efficiencies**

## CONSUMER MARKETING FOCUS

- Key marketing campaign planned for Q4 FY23 to support further growth

## R & D ACTIVITIES

- Ongoing development of new resin formulations & film applications to expand products and markets

# 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.

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