

## ASX RELEASE

17 November 2023

# SECOS Group Chairman's AGM Address

Dear fellow Shareholders,

On behalf of the Board of SECOS Group Ltd (ASX: SES), I am pleased to welcome you all here to our 2023 Annual General Meeting.

In FY23 the Company's sales and marketing team delivered a range of important customer wins. The launch into 770 Coles stores in November 2022 has been successful to date with scan data indicating that MyEcoBag™ makes up 24% of compostable kitchen caddy and bin liner category sales<sup>(1)</sup>. MyEcoBag™ has maintained its position as the number one brand in the compostable kitchen caddy and bin liner category in 970 Woolworths stores, representing 43% of all category sales.<sup>(2)</sup> There was further expansion to the national independent store network through the addition of new distributors, furthering the footprint for the sale of the MyEco™ brand nationally to over 2,300 stores within Australia. This includes the recent commencement of supplying to 80 Ritchies stores in Australia.

As part of its plan to expand into the US and Canadian markets, SECOS entered into an exclusive sales agreement in the prior year with Jewett Cameron Company (JCC) with an annual sales target of US\$2.8 million (~ AUD\$4.0 million) for exclusive distribution rights of MyEcoWorld to US and Canadian markets. We work collaboratively with JCC to market to consumers who are increasingly seeking more environmentally friendly alternatives to conventional hydrocarbon derived plastic products.

It was pleasing to see a 74% increase in the second half of FY23 (compared to the previous half) for sales to Australian councils recovering from a decrease in the first half of that year. Australian councils are a key component of our core business. We supply them with compostable waste bags that facilitate the clean and hygienic diversion of food, garden, and organic waste away from landfill and to composting waste streams. This segment is expected to grow as more councils implement organic waste diversion programs across the country.

We received strong support from existing shareholders and new investors in the share placement and share purchase plan, which raised a total of almost \$4 million in the fourth quarter of FY23. The proceeds are enabling the business to expand the MyEco™ product range, invest in marketing initiatives and the enterprise resource planning system implementation which launched in Australia in July 2023.

The key financial results for FY23 were disappointing with the decrease in sales due to the strategic decision to reduce low margin traditional plastic sales, and lower resin sales arising from supply chain and pandemic issues which created excess inventories at some converters. The profitability of the Company was also impacted by non-cash provisions totaling \$1.2 million in relation to potential credit loss and inventory obsolescence. The directors are acutely aware financial performance must improve, and we are striving with management to increase biopolymer sales and margins. On a positive note, prudent working capital management has delivered six consecutive quarters of positive net operating cash flows. On 1 August 2023, the Group announced the asset sale and closure of its traditional plastic business, which is reshaping SECOS and has set a clearer runway for the business to grow and concentrate fully

<sup>1</sup> IRI Scan Data between 12/11/22 to 10/10/23

<sup>2</sup> Quantium Scan Data between 11/10/22 to 10/10/23

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on its core mission and business. Going forward, the company will be producing 100% of its products as sustainable or compostable in line with its strategy to become a world leader in sustainable packaging.

Your company today is developing key areas of its business to drive growth. Investments in marketing are being made to grow brand awareness and to promote the environmental benefits of our MyEcoBag™ range of products. Research and development capabilities are being deployed to grow the MyEcoBag™ range of products in retail stores and other markets. A repositioning is underway of our range of resin products to allow us to expand our portfolio of products to converters and to enter new markets. We are positioned, with the capacity in the Malaysian biopolymer manufacturing plant, to deliver up to \$60 million of sales per annum. These investments and initiatives underpin the belief that we have the core competencies and technologies to be a global leader in our markets. As a result, today SECOS is stronger in terms of resources to take advantage of the global trend to remove plastic from the environment.

On behalf of the board, I would like to thank everyone on the SECOS team. I would like to thank and welcome the new customers that have made the choice to support a better future for our world. I would also like to thank each of the almost 4,000 shareholders who have supported the company and shared in our vision to become a world leader in sustainable packaging.

We look forward to future successes and bringing each of our key stakeholders along with us on this remarkable journey to make the world we live in more sustainable.

**Regards,**

**James (Jim) Walsh**  
Chairman  
SECOS Group Ltd

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## About SECOS Group Limited

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SECOS Group Limited (ASX: SES) is a leading developer and manufacturer of sustainable packaging materials. SECOS supplies its proprietary biodegradable and compostable resins, packaging products and high-quality cast films to a blue-chip global customer base. SECOS Group is integrated from resin production into film (cast and blown) production and can develop bespoke compostable solutions for a range of applications.

SECOS holds a strong patent portfolio and the global trend toward sustainable packaging is fueling the Company's growth.

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 China and a resins plant in Malaysia. The Company also produces high quality cast films in Malaysia.

SECOS has sales offices in Australia, Malaysia, China, and USA, with a network of leading distributors across North Americas, Mexico and Latin Americas, Europe, Asia, the Middle East, Africa, and India.

## Disclaimer and Explanatory Notes Forward Looking Statements

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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 change

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