

# 2023 AGM PRESENTATION

17 NOVEMBER 2023

ASX: SES



CHANGING THE WORLD OF PACKAGING

# PRESENTERS



**James (Jim) Walsh**  
Chairman



**Richard Tegoni**  
Chief Executive Officer &  
Executive Director



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

# CEO PRESENTATION



## CHANGING THE WORLD OF PACKAGING

# STRATEGIC DIRECTION

*SECOS is moving with the evolving regulatory and market landscape*

- Divestment of low margin traditional plastic sales business to focus purely on compostable and other sustainable products: namely development and sale of compostable resins and our MyEcoWorld™ finished products
- Enter USA and other new markets via strategic partners such as Jewett Cameron Company and build market share with our leading MyEcoWorld™ brand
- Develop strategic converter partnerships for the sale of resin and production of new MyEcoWorld™ products
- Invest in R&D to support next generation of biopolymers e.g., PHA, higher renewable content and new compostable packaging applications
- Invest in marketing to grow brand and product sales - to become a brand recognized worldwide





# FULLY INTEGRATED VALUE CHAIN



**my eco  
WORLD**  
PUT THE PLANET FIRST

Technical Experts in Biopolymers

Specialist  
Manufacturers of  
Sustainable  
Products

Leading Australian Market Brand in  
compostable bin liner and kitchen  
caddy segment





## OUR BRAND HAS BECOME THE BEACH HEAD OF OUR BUSINESS



1

MyEcoWorld™ brand only launched in 2021 and is now sold in over 2,300 Australian stores

2

In December 2022, announced the roll out of MyEcoWorld™ retail brand and other branded products in the USA via the exclusive sales agreement with US based Jewett Cameron Company

3

MyEcoBag® maintains its position as the number one brand within the 970 stores in Woolworths compostable bin liner and kitchen caddy sales, representing 43% of sales in this category <sup>(1)</sup>

4

MyEcoBag® has achieved 24% market share in compostable bin liner and kitchen caddy sales in 770 Coles stores since November 2022 launch <sup>(2)</sup>

5

Over 140% growth in MyEco™ retail brand sales in major retailers and independent distributors in FY23 versus PCP

(1) Quantum Scan Data between 11/10/22 to 10/10/23

(2) IRI Scan Data between 12/11/22 to 10/10/23

# LATEST PRODUCT - MYECO® 95% POST CONSUMER RECYCLE WASTE

- SECOS has developed a unique solution for the global problem of **recycling soft plastic waste**
- MyEco® bin liners are manufactured from **95% recycled** post-consumer soft plastic waste
- Is certified to meet Global Recycled Standards (GRS)
- Will be supported by a national marketing campaign along with SECOS' other MyEco® compostable bag products
- The new certified recycle range will come in multiple bag sizes and will be marketed by SECOS in Australia and in the USA via SECOS' exclusive distributor, Jewett Cameron Trading Company ("JCC")



# CONVERSION ASSETS & MANUFACTURING

1

Capital investment for FY23 was \$0.6 million with over 65% capacity available to support future sales growth

2

Three biopolymer plants in Asia with closure of traditional plastic plant now completed

3

Finished product manufacturing specialises in various sustainable bag types including manufacture of our MyEcoWorld™ bag products

4

Focused manufacture offers knowhow on how to develop finished products using compostable resins – understanding how to produce film will assist with the development of new resin grades

5

Compostable bags must be high quality because they perform an *end-of-life* function resulting in the production of compost whereas traditional plastic can be cheap and low quality.



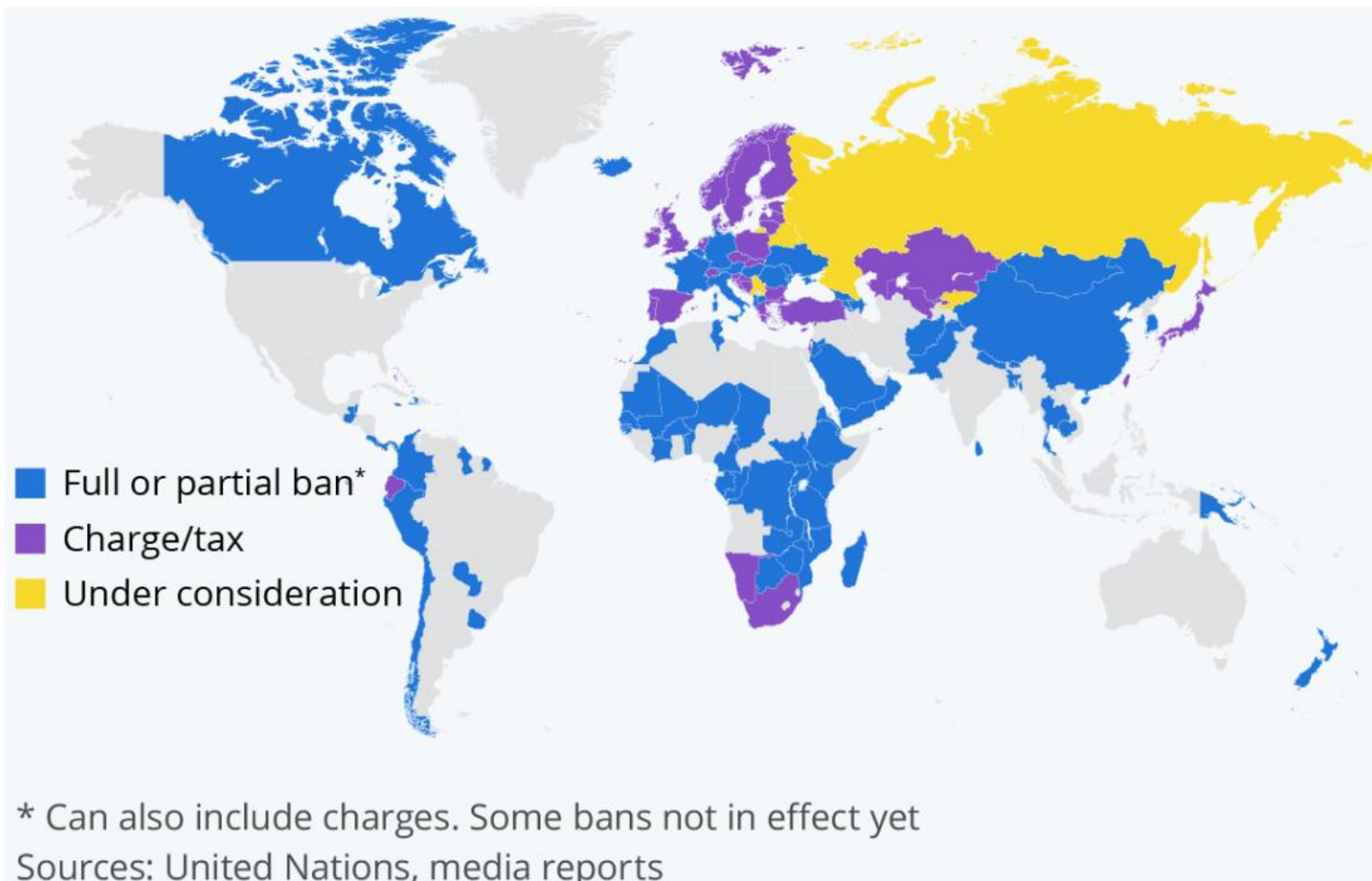
# BIOPLASTIC RESIN TECHNOLOGY

SECOS is an integrated developer of bioplastics technology



- 1 ISOI appointed exclusive agent for sale of Cardia™ resins within LATAM region
- 2 New converters in FY23 buying **Cardia™ resins** in Argentina, Uruguay, Peru & Chile, removing reliance on single customer concentration
- 3 SECOS has expertise and a strong track record in developing and **compounding** resin grades best suited to commercial and sales success
- 4 Ongoing investment in **R&D** so SECOS can continue bringing new resin grades to market for commercial use across a growing range of new applications and products
- 5 SECOS' vertical integration from compounding to retail sales allows higher margins and a unique competitive advantage

# REGULATORY TAILWINDS



## Market driven disruption:

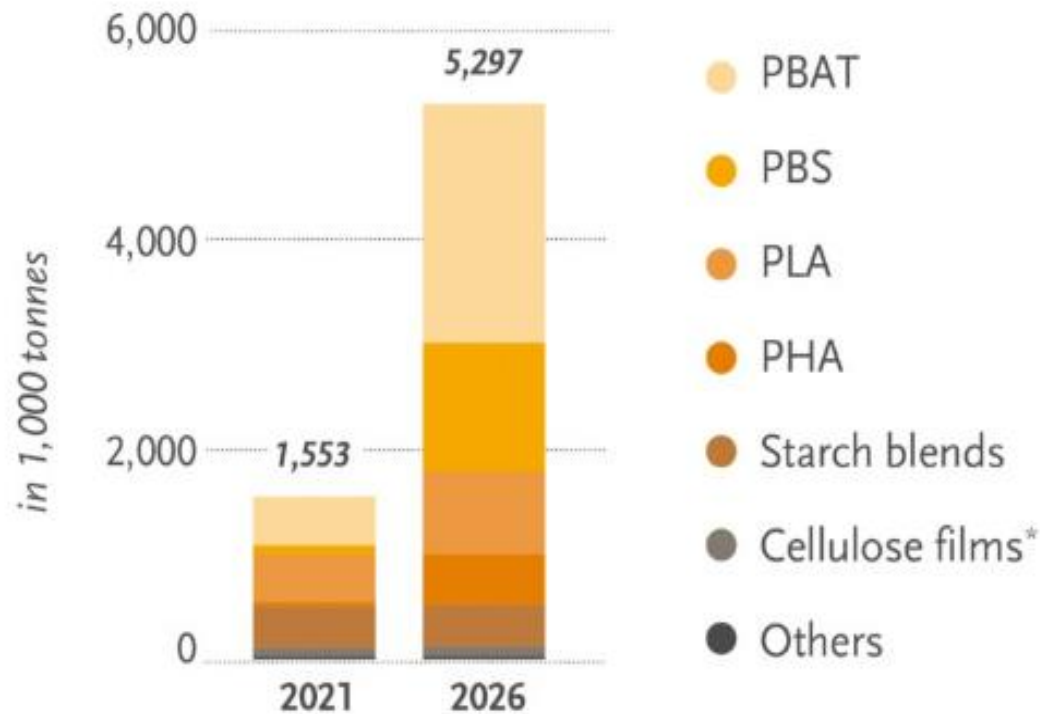
- Brands looking for a way out of conventional plastic
- Governments & NGOs adopting recycle & new material options
- Australia's National Plastics Plan states 70% of plastic packaging needs to be compostable
- Europe driving towards renewable bioplastic adoption. E.g., corn starch
- California-USA, announces from 1st Jan 2022, plans to compost all organic waste, which currently accounts for 56% of total land fill. This will encourage compostable packaging & film use
- Proposed introduction of soil EU health laws to combat poisoning from micro-plastics

## Regulatory driver to disruption of conventional plastic demand:

~130 countries have regulated the use of single use conventional plastics, which brings bio-products into the frame as a substitute to conventional plastics

# BIOPLASTICS – ADDRESSABLE MARKET GROWING

## *Biodegradable bioplastics 2021 vs. 2026*



Source: European Bioplastics e.V.

- Global Bioplastics and Biopolymers Market Size Estimated to Reach a Value USD 63.09 Billion by 2030, at a 22.8% CAGR
- There is a compostable bioplastic alternative for almost all conventional plastic material.
- Often biopolymer products will be a blend of different bio-based precursors adjust mechanical properties & renewable content
- Compostable bioplastics can be captured in Organic waste streams (FOGO) - the organic capture and recycle capacity is more developed and larger than plastic recycle infrastructure – **Composting Works**
- Governments and taxpayers are paying for the disposal costs of conventional plastic, but this is expected to change. E.g., tax on virgin resins

# MARKETS DRIVING SALES GROWTH

Market	Product	Sales Channel	Branding	Status
Australia	Compostable Bags – Retail Council FOGO Bags Compostable Pet Waste Bags Compostable Range Compostable Courier Compostable Pallet Wrap Compostable Mailer Bags	Direct Major Retailers (Coles/Woolworths/Ritchie's IGA) Direct to council White Label (EzyDog) Ecommerce Direct Direct to Customer Direct to Customer	MyEcoBag® Cardia® Login® MyEco® MyEco® Cardia® Cardia®	In Market/Growing In Market/Growing In Market/Growing In Market/Developing Soon to Launch In Development In Development
USA	Compostable Pet Waste Bags Compostable Bin Liners PCR Bin Liners Sustainable Pet Pee Pads Compostable Resin Compostable Pallet Wrap	White Label (JCC) Direct via Distributor (JCC) Direct via Distributor (JCC) Direct via Distributor (JCC) Direct to Converter Direct via Distributor (JCC)	Lucky Dog® MyEcoWorld MyEcoWorld MyEcoWorld Cardia® Cardia®	In Market/Growing Launched Soon to Launch Soon to Launch In Market/Developing In Development
LATAM	Compostable Resin Compostable Films Compostable Pallet Wrap	Exclusive Distributor (ISOI) & Appointed Sub-Agent across several countries Direct to Customer Direct to Customer	Cardia Resin® White Label Cardia®	In Market/Growing In Market/Developing In Development
Malaysia	Compostable Bags Compostable Resin/Films Compostable Pallet Wrap	White Label Direct to Converter Direct to Customer	White Label Cardia Resin® Cardia®	Initial sales received In Market/Growing In Development
China	Compostable Bags Compostable Resin/Films Compostable Pallet Wrap	White Label Direct to Converter Direct to Customer	White Label Cardia Film® Cardia®	In Market/Developing In Market/Developing In Development

# MARKETS DRIVING SALES GROWTH (CONTINUED)



Market	Product	Sales Channel	Branding	Status
Middle East	Compostable Resin/Films Compostable Pet Waste Bags Compostable Pallet Wrap	Direct to Converter Direct to Retailers Direct to Customer	Cardia Resin® White Label Cardia®	In Market/Developing Soon to Launch In Development
Europe	Compostable Resin/Films Compostable Bags Compostable Pallet Wrap	Direct to Converter Direct to Retailers Direct to Customer	Cardia Resin® MyEco® Cardia®	In Market/Developing Soon to Launch In Development



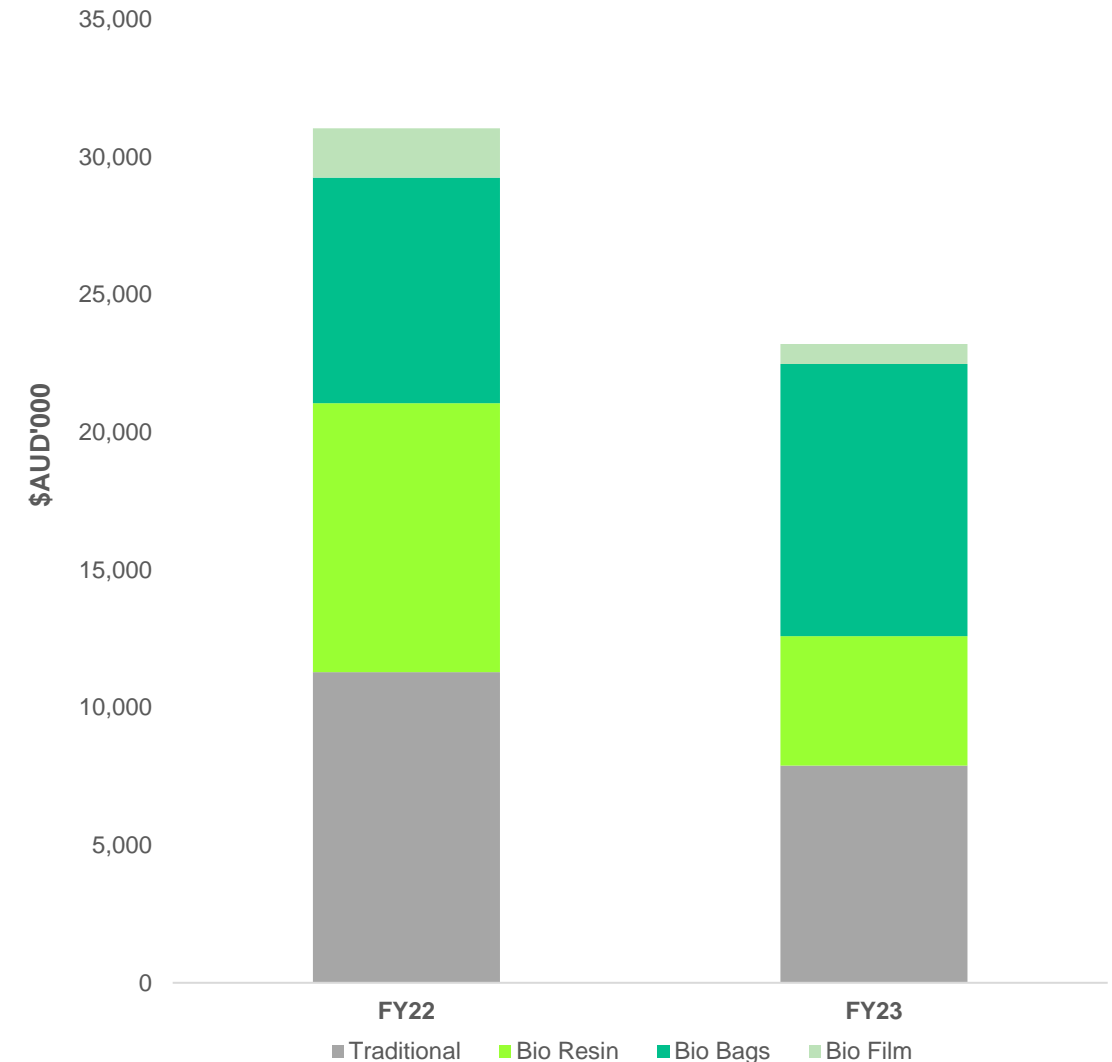
# CFO PRESENTATION



CHANGING THE WORLD OF PACKAGING

# FY23 SALES BY PRODUCT GROUP

- **Compostable bag** sales were up 16.0% on prior comparative period (PCP). A large portion of the growth in bag sales reflects the success of the Company's MyEco® branded products and the shift to focus on developing a leading global brand for sustainable products that customers can trust
- **Compostable resins** sales down 51.9% on PCP due to logistic and pandemic factors that led to excess resin inventory being held by customers. Now seeing progressive reduction in these levels.
- **Compostable film** sales down 59.4% on PCP due to one of our main converters losing a major hygiene film customer in the USA
- **Traditional plastic** sales down 30.0% on PCP due to strategic decision to reduce low margin traditional plastic sales in line with Company's strategy to become a leader in sustainable packaging



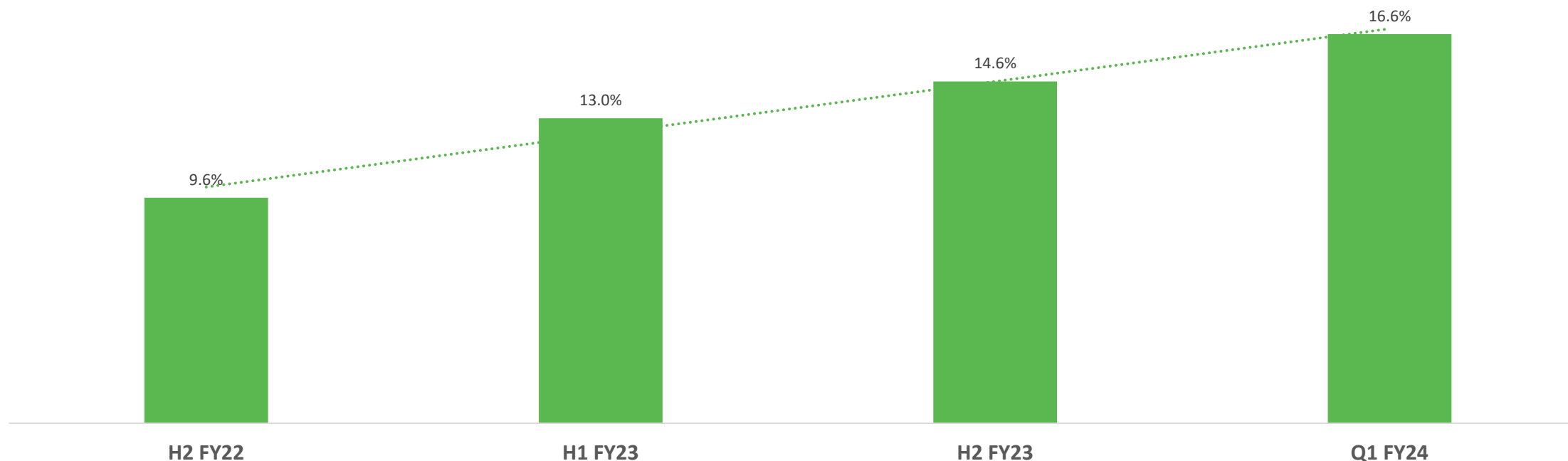
# FY23 PROFIT AND LOSS

- FY23 **Group** sales of \$22.8m decreased by 26.4% impacted by:
  - significant loss of resin business, down 51.9% on PCP, from logistic and pandemic factors that led to excess resin inventory being held by customers. Seeing progressive reduction in these levels.
  - strategic decision to reduce low margin traditional plastic sales in line with Company's strategy to become a leader in sustainable packaging (down 30.0% on PCP).
- 'Administration and other' expenses predominantly impacted by **expected credit loss** (\$0.5m) and **inventory obsolescence** (\$0.7m).
- Tax expense reflects reduction in recognition of tax losses in Australia.

\$'000	FY23	FY22	Var (%)
Sales	22,836	31,043	(26.4%)
Cost of Sales	(19,691)	(26,977)	27.0%
Gross Profit	3,145	4,066	(22.7%)
Gross Profit %	13.8%	13.1%	67 bps
Employment related expense	(3,287)	(3,133)	(4.9%)
Marketing, distribution and selling expenses	(1,869)	(1,541)	(21.3%)
Administration and other expenses	(1,853)	(347)	(434.0%)
Legal/Compliance/Occupancy expenses	(571)	(588)	2.9%
Other Income	464	128	262.5%
<b>EBITDA</b>	<b>(3,971)</b>	<b>(1,415)</b>	<b>(180.6%)</b>
Depreciation and Amortisation	(1,595)	(1,304)	(22.3%)
Finance Costs	(185)	(194)	4.6%
<b>PBT</b>	<b>(5,751)</b>	<b>(2,913)</b>	<b>(97.4%)</b>
Tax Expense	(999)	(172)	(480.8%)
<b>NPAT</b>	<b>(6,750)</b>	<b>(3,085)</b>	<b>(118.8%)</b>

# GROSS MARGIN RECOVERY

Gross Margin (%)

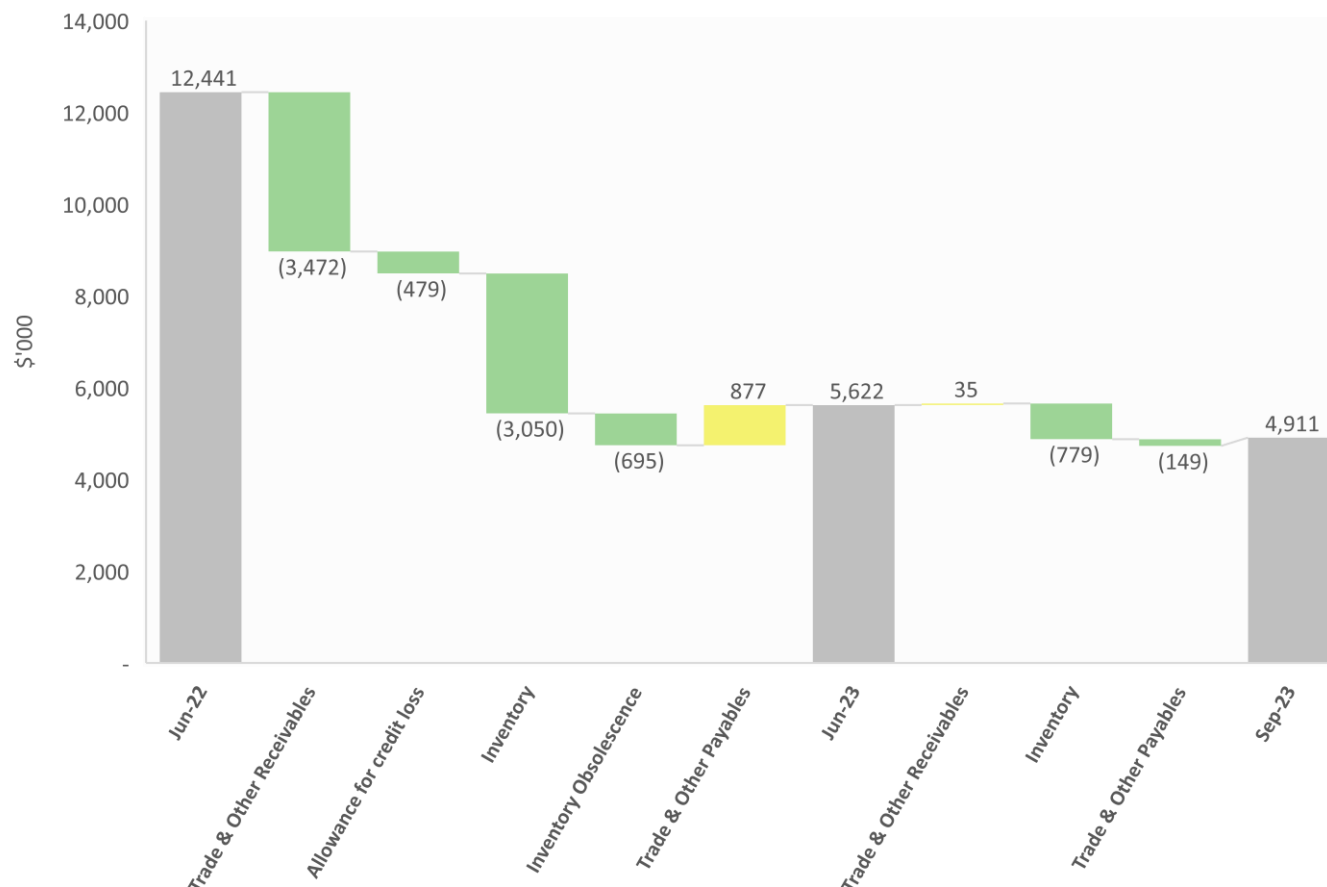


- Strategic decision to reduce low margin traditional plastic business and divestment of low margin traditional plastic sales business in Q1 FY24<sup>(1)</sup> to focus purely on sustainable and compostable products
- Freight rates and material costs returning to pre-pandemic levels, enabling more predictable working capital management

<sup>(1)</sup> Based on unaudited Q1 FY24 results

# WORKING CAPITAL AND CASH FLOW

## Working Capital



Working capital in FY23 improved due to better fulfilment timelines and heightened focus on customer collections.

## Cash Flow Movement

\$'000	Q1 FY24 <sup>(1)</sup>	FY23	FY22
Opening Cash	8,422	4,122	11,287
Cash Flows from Operating Activities	31	2,018	(4,060)
Cash Flows from Investing Activities	(198)	(639)	(2,442)
Cash Flows from Financing Activities	(227)	2,938	(747)
Net Cash Movement	535	4,317	(7,249)
Foreign Exchange	11	(15)	84
Closing Cash	8,122	8,424	4,122

SECOS has achieved **six consecutive quarters** of positive operating cash flows .

The Group remains **debt free** with \$7.1m cash as of 31 October 2023.

<sup>(1)</sup> Based on unaudited Q1 FY24 results



# KEY INVESTMENTS TO PROMOTE GROWTH AND EFFICIENCIES

- Increased **people capability** through new hires of key personnel to drive development and enhancement of global R&D competencies and growth of MyEco branded products at a global scale
- Focus on **brand health** with launch of expanded national social media marketing campaign in October, which aims to build awareness of the benefits of MyEcoBag™ products.
- Launch of new **ERP** system in Australia which is expected to deliver improvements in financial controls, efficiency, data quality and reporting, with plans to commence implementation of the ERP system globally
- Continued **capital investment** in the manufacturing capability in the new Malaysian Biopolymer plant and equipment at the Australian R&D Centre

# CORPORATE OVERVIEW

## ASX Code: SES

Share Price (14 Nov 2023)	4.4 cents
Market capitalisation @ 4.4 cents	\$26.1 million
Shares on issue (listed)	593.5 million

## Substantial Shareholders

Belgravia Strategic Equities	10.8%
R&K Edwards Investments LLC	9.7%
Donald Haller Jr	7.7%
Top 20	58.2%
Total Board and management shareholdings*	15.9%

*\*Includes indirect holdings*

## Board & Executive Members

Jim Walsh	Non-Executive Chairman
Richard Tegoni	Chief Executive Officer & Executive Director
Stephen Walters	Executive Director
Donald Haller Jr	Non-Executive Director
Natalya Jurcheshin	Non-Executive Director
Colin Lai	Chief Financial Officer & Company Secretary

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# Q & A



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# 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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