

## ASX RELEASE

30 October 2024

# Quarterly Activities and Appendix 4C September 2024

The Board of SECOS Group Limited (ASX: SES, “SECOS” or “the Company”), a developer and manufacturer of sustainable packaging and materials, presents its Quarterly Activities Report and Appendix 4C Quarterly Cash Flow Statement for the September 2024 quarter. All figures are in A\$ and are provided on an unaudited basis.

## Financial Summary

### Sales

Total sales of sustainable products were \$3.7m in Q1 FY25, up 17.2% on prior corresponding period (PCP), and down 7.4% quarter on quarter (QOQ) primarily due to reduced Council and waste management sales which are highly seasonal and lower in the first half of each financial year. Highlights include:

- Record quarter for MyEco® branded global sales which were up 62.8% on PCP to \$0.9m in Q1 FY25, and up 20.0% QOQ
- Council and waste management sales were \$0.8m in Q1 FY25, up 2.6% on PCP and down 37.7% QOQ due to the above-mentioned seasonality of council sales
- Sustainable Film sales were \$0.2m in Q1 FY25, up 77.8% on PCP and up 7.9% QOQ
- The successful launch of reuseable compostable carry-bags into 76 Ritchies stores opens an exciting new market for SECOS to replace paper and plastic check-out bags
- Gross margins continued to grow on a PCP basis as the Company exited from its low margin traditional plastics business in Q2 FY24

### Cash

- Net operating cash flows of -\$0.7m in Q1 FY25
- Closing cash of \$5.2m with no debt.

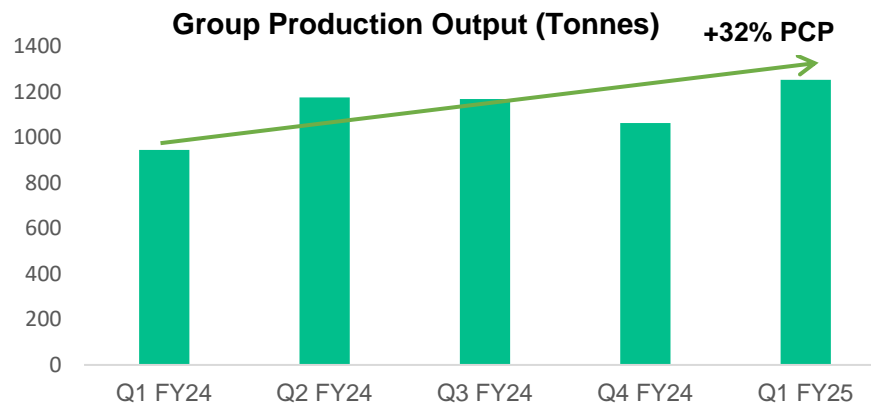
## Operational Summary

- Successful tender in Victoria for Ballarat Council with first roll out in Q4 FY25 expected to deliver \$0.9 in sales
- Launch of a new compostable 12 Litre MyEcoBag® in 970 Woolworths stores (August 2024) and the launch of compostable carry-bags into 76 Ritchies stores.
- SECOS submitted a formal response in June 2024 opposing the Draft Household Waste and Recycling Service Standard 2024 (Draft Service Standard), which proposes, among other recommendations, to ban the use of certified compostable bioplastic caddy liners in green bins as part of Victoria's new four-stream waste and recycling system. (ASX Announcement 15 August 2024). Since the submission, SECOS has had discussions with the Victorian Minister for the Environment and is waiting for the outcome post the consultation period. Further details on SECOS Group's submission are available on the SECOS website [link](#).
- The scope of the R&D projects in relation to the Solving Plastic Waste Cooperative Research Centre (CRC) program have been agreed. SECOS's cash contribution of \$0.6m plus any in-kind contribution agreed to the CRC over three years unlocks additional \$1.6m of cash and in-kind contribution in funding out of the \$140.6m allocated to the CRC.

- The SECOS MyEcoBag® range is the category leader in compostable bin liner and kitchen caddy sales in both Coles and Woolworths, with 38% market share in 850 Coles stores<sup>1</sup>, and 44% market share in 970 Woolworths stores<sup>1</sup>

## Cash Flows

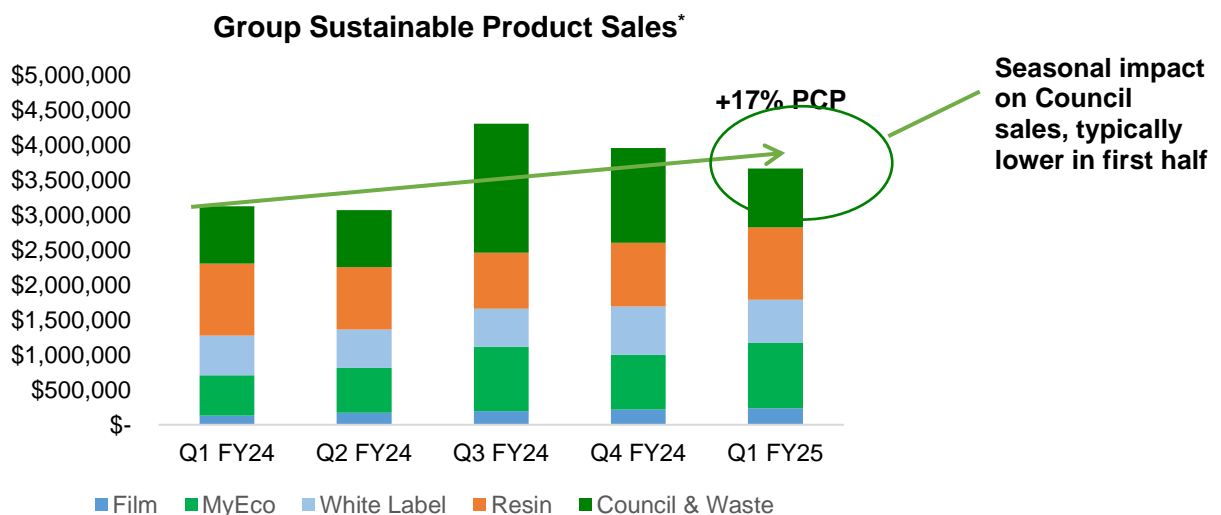
Net operating cash flows were negative \$0.7m for the quarter. Cash receipts from customers in Q1 FY25 were \$4.2m, up \$0.1m QOQ due to timing of collections. Cash payments to suppliers/employees in Q1 FY25 were \$4.9m, up \$0.6m QOQ due to the strategic increase in production costs to service the sales pipeline as it continues to grow.



Capital expenditure of \$0.03m was invested during Q1 FY25 in the Company's Malaysian biopolymer plant and for new equipment for the Company's Research and Development Centre.

Pursuant to ASX Listing Rule 4.7C, as noted in Section 6.1 of the Company's Appendix 4C Cashflow Statement, payments made to related parties and their associates totals \$190,676 for Q1 FY25 relating to Directors' remuneration and fees.

## Sales Development



\* SECOS ceased trading in traditional plastics in Q2 FY24 and recorded nil sales in Q1 FY25 in this sector compared to \$1.4m in PCP. Traditional plastics sales are not included in this chart.

<sup>1</sup> IRI Scan Data between 18/10/23 to 15/10/24 and Quantum Scan Data between 18/10/23 to 15/10/24

## Sustainable Bags

### MyEco® branded sustainable products

SECOS achieved record sales of \$0.9m of MyEco® sustainable products to retailers in Australia and USA, up 62.8% on PCP.

Q1 FY25 included the launch of a new compostable 12 Litre MyEcoBag® in 970 Woolworths stores (August 2024) and the launch of compostable carry-bags into 76 Ritchies stores.

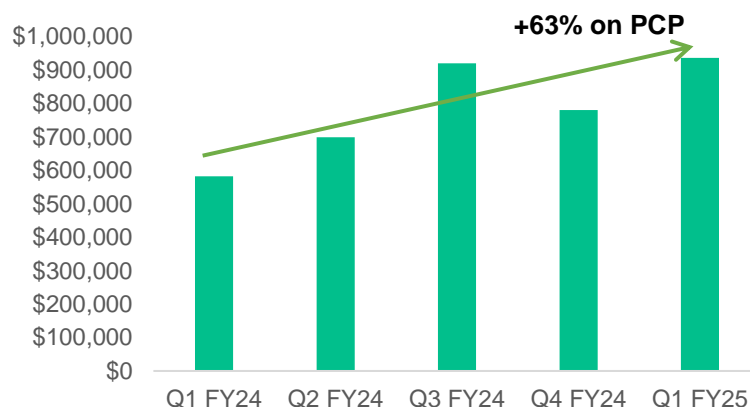
The successful launch of reusable compostable check-out bags opens a new market for SECOS. Replacing paper and plastic retail check-out bags with compostable bags is a \$2.2bn market opportunity in Australia.<sup>2</sup>



MyEcoBag® Certified Compostable Shopping Bags in Ritchies IGA

Growth initiatives continued in the USA and Canada, with Jewett Cameron Company (JCC) re-on-boarding KeHe and UNFI (United Natural Foods Inc.) to supply SECOS MyEcoWorld® sustainable bags. This is twenty months after JCC was appointed as our exclusive strategic partner in the region to replace our internal local USA operations. JCC have also appointed new distributors, Dirty Hands (focusing on national retailers) and Continental Sales and Marketing Inc (CSM).

### MyEco Branded Product (Global) Sales



MyEco® sustainable products are a key pillar of the Company's growth strategy.

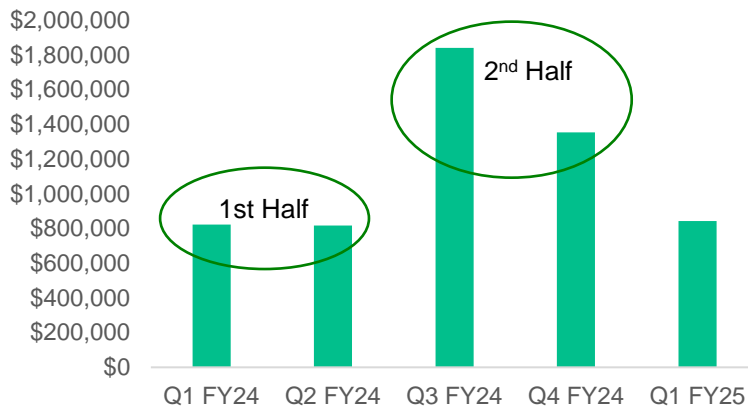
SECOS expects strong sales growth in FY25, driven by organic growth of existing products including sales to new customers.

<sup>2</sup> Morder Intelligence (Australia Retail Bags Market 2023-2028)

## **Council and Waste Management, Australia**

Q1 FY25 was a sound start to the financial year for Council and waste management sales which were up 2.6% on PCP. The recent successful tender in Victoria for Ballarat Council, servicing 51,000 residential households, demonstrates the demand for the Company's products and is projected to add \$0.9m in revenue in Q4 FY25.

### **Councils/Waste Sales**



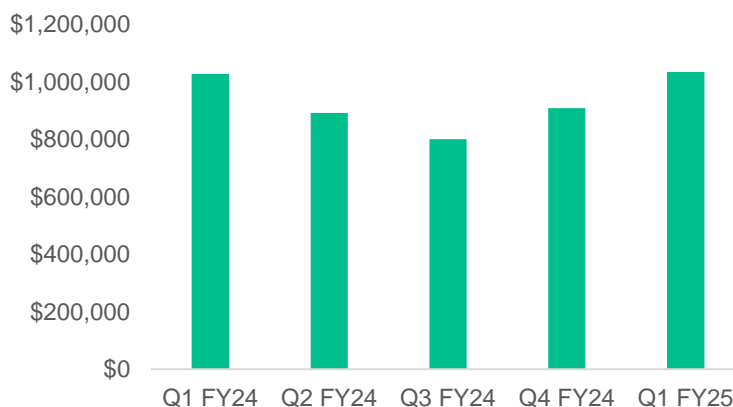
The sales cycle for Council FOGO roll-out programs is highly seasonal, due to the preference for months transitioning from summer to autumn, demonstrated by the 37.7% decline in sales QOQ.

Sales in the second half of each financial year are typically stronger and SECOS expects this to be the case for FY25.

## **Sustainable Resin**

Compostable resin sales increased 13.8% QOQ in Q1 FY25 and were up 0.7% on PCP. LATAM resin sales remain steady with an increased proportion of sales to domestic customers within Mexico due to growth in that area.

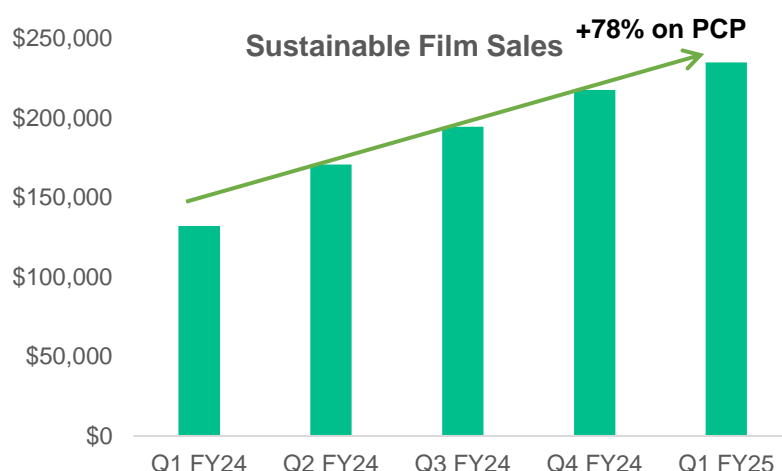
### **Compostable Resin Sales**



SECOS continues to develop new resin grades aimed at meeting the differing global sustainability needs and to address increasing competition from suppliers of lower cost/lower quality resins. This includes the development of resins specifically designed for food packaging and magazine wrapping to address the former opportunity and a lower cost resin to address the latter.

## Sustainable Film

Compostable and sustainable film sales representing a relatively small component of the business (\$0.2m for Q1 FY25), were up 77.8% on PCP, with potential for strong growth in the medium term.



SECOS is developing high-speed compostable wrapping film products, targeting the growing, high-volume sustainable pallet and magazine wrap markets. These are being trialled with several prospective customers.

In parallel, the Company is developing a distribution channel to support the sale of our compostable and sustainable film products in major geographical markets.

## Draft Service Standard Update

The Company has played a major leadership and advocacy role within Australia to ensure scientific and fact-based data was provided to the Victorian Government during the consultation period relating to the Draft Service Standard to the extent that they apply to the use of certified compostable caddy liners. Evidence provided to the Victorian Government by SECOS, and other leading industry bodies support the continued use of the Company's Certified Compostable caddy liners in FOGO as they significantly enhance environmental outcomes by diverting over 30% more organic household waste from landfill.

During the consultation period, SECOS was also able to demonstrate the damage to the environment from the use of paper alternatives which are unregulated and uncertified, with many paper bags produced using unknown linings to prevent leakage and which do not achieve the high quality and performance standards that MyEcoBag® products offer to ensure that organic waste can be transported effectively from households to composters.

## Outlook

In relation to global MyEco® branded sales in major retailers and independent distributors, SECOS achieved growth of 62.8% in Q1 FY25 sales versus PCP. This category is a key pillar of the Company's growth strategy and strong sales growth is expected in FY25, driven by organic growth of existing products including sales to new customers. The strength of the MyEco® and MyEcoWorld® retail brands position the Company well to work with large-scale converters to manufacture an expanding range of compostable and sustainable products, reducing the requirement for SECOS to invest in manufacturing and conversion plant to fulfil demand. Growth in sales to local Councils is expected in the second half of FY25 based on the current FOGO orders and contracts in place and as Councils continue to introduce FOGO programs and householders adopt food scrap diversion to organic composting programs.

The Company and industry at large continue to wait for the Victorian Government to communicate their position regarding the use of Certified Compostable bin liners in FOGO programs. We remain hopeful that with the support of the compelling data and evidence

provided that the Victorian Government will reach a positive conclusion so that MyEcoBag® can continue to enhance organic waste diversion programs within the state.

The Solving Plastic Waste CRC program is expected to officially launch in Q2 FY25 and is supported by matched R&D funding from the Australian Federal Government from a joint Industry University bid. SECOS' R&D projects are expected to kick off in Q2 FY25 with a cash contribution of \$0.6m plus any in-kind contribution agreed over three years unlocking an additional \$1.6m of cash and in-kind contribution of the \$140.6m allocated to the CRC.

This announcement was authorised for release by the Board of SECOS Group Limited.

**For more information, please contact:**

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### About SECOS Group Limited

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 films to a blue-chip global customer base. SECOS Group is integrated from resin production, into film 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 fuelling 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.

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

### 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 changed.



## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

SECOS GROUP LIMITED

ABN

89 064 755 237

Quarter ended ("current quarter")

30 September 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	4,246	4,246
1.2 Payments for		
(a) research and development	(157)	(157)
(b) product manufacturing and operating costs	(2,898)	(2,898)
(c) advertising and marketing	(467)	(467)
(d) leased assets		
(e) staff costs	(1,063)	(1,063)
(f) administration and corporate costs	(369)	(369)
1.3 Dividends received (see note 3)		
1.4 Interest received	10	10
1.5 Interest and other costs of finance paid	(16)	(16)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(714)</b>	<b>(714)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(26)	(26)
(d) investments		
(e) intellectual property		



	(f) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment	35	35
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	<b>Net cash from / (used in) investing activities</b>	<b>9</b>	<b>9</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (principal component of lease payments)	(203)	(203)
3.10	<b>Net cash from / (used in) financing activities</b>	<b>(203)</b>	<b>(203)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	<b>6,108</b>	<b>6,108</b>
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(714)	(714)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	9	9
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(203)	(203)
4.5	Effect of movement in exchange rates on cash held	1	1
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>5,201</b>	<b>5,201</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	<b>5,201</b>	<b>6,108</b>
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>5,201</b>	<b>6,108</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	191
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	<b>Total financing facilities</b>		
7.5	<b>Unused financing facilities available at quarter end</b>		
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p>		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(714)
8.2	Cash and cash equivalents at quarter end (item 4.6)	5,201
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	5,201
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	7.3
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

**Date:** 30 October 2024

Authorised by: **By the board**

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(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.