

H1 FY24 RESULTS PRESENTATION

FEBRUARY 2024

ASX: SES



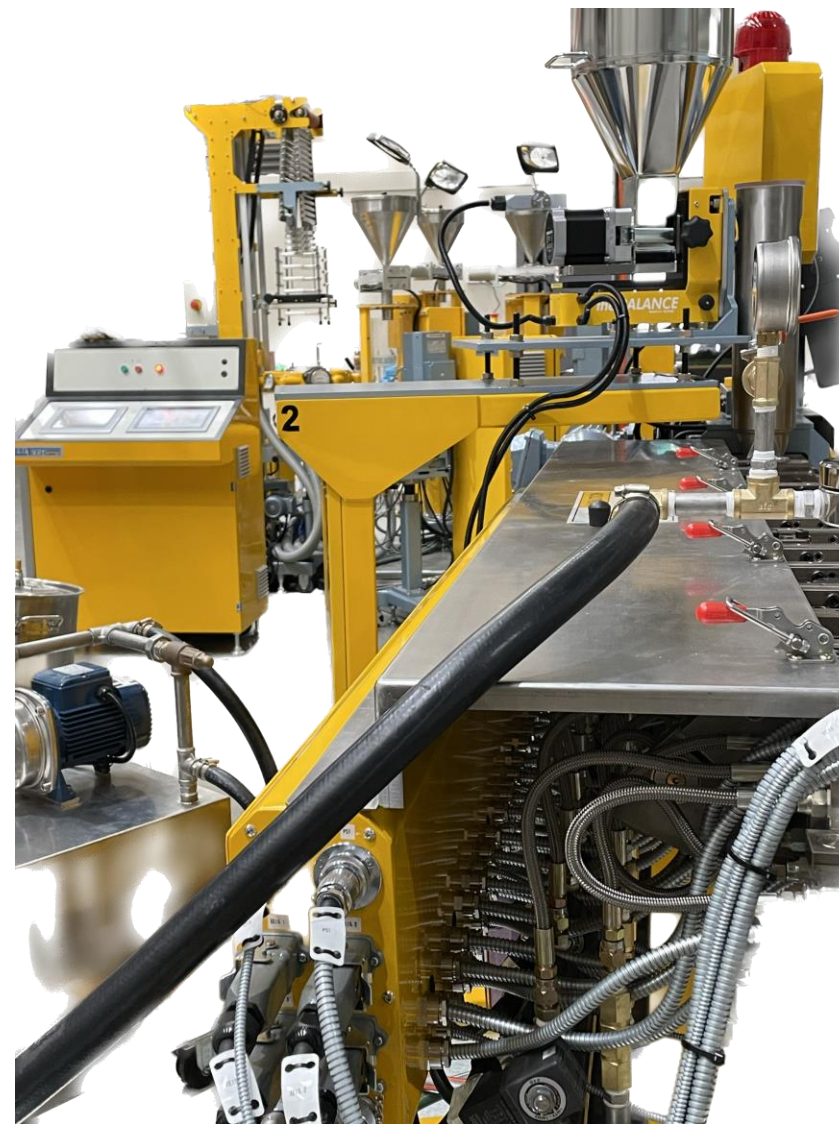
CHANGING THE WORLD OF PACKAGING

AGENDA

- H1 FY24 Summary of Activities
- H1 FY24 Financial Results
- Strategy & Outlook



H1 FY24 SUMMARY OF ACTIVITIES



H1 FY24 SUMMARY OF ACTIVITIES



- **Major milestone achieved** - the sale of SECOS' traditional plastic manufacturing assets in December 2023
- SECOS now produces and sells **100% sustainable resins and plastics**
- The focus on sustainable products delivered
 - MyEco® branded products (Australia) **sales up 20.9%** on prior corresponding period (PCP)
 - Council and Waste Management sales **increased 11.1%** on PCP
 - **New orders** in January 2024 from Jewett Cameron Company (JCC) for MyEcoWorld® branded products for **USA and Canada**
- SECOS consolidated its position as **market leader in Australia in Retail** with MyEco® products now distributed to **over 2,400 Australian stores**
- Entered into a new distribution agreement with **SM Resinas, a major distributor of resins in Latin America** and new SECOS sustainability partner
- **Sales** declined 31.6% versus PCP due to ceasing traditional plastic sales and lower resin sales due to difficult global market conditions and excess resin inventories held by customers following pandemic and supply chain disruptions
- **Gross Margin growth** of 16.8% versus PCP of 13.2%
- **EBITDA⁽¹⁾⁽²⁾** of -\$1.9m vs PCP of -\$1.6m, impacted by lower sales and greater investment on people and marketing

(1) EBITDA stands for earnings before interest, taxes, depreciation, and amortisation. EBITDA is a non-IFRS measure and is presented to provide users with additional insight into the Company's business and to facilitate incremental understanding of the Company's underlying financial performance. Non-IFRS information is not audited

(2) H1 FY24 EBITDA is before restructuring costs of \$0.297m arising from divestment of traditional plastic business

ONGOING R&D AND CERTIFICATIONS

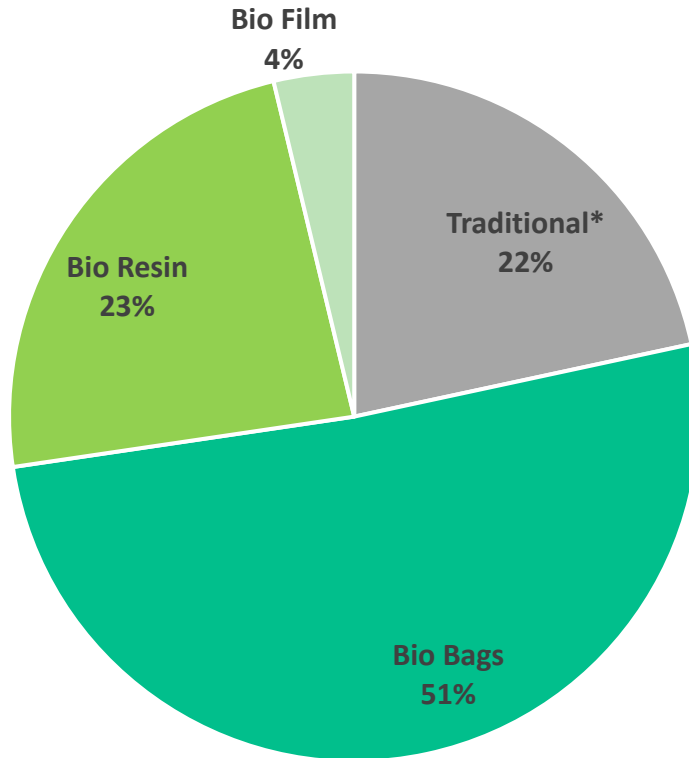


- Upgraded to silver **EcoVadis certification** - a key ESG performance rating
- SECOS's brands are the first in Australia to be certified to meet
 - **Textile Exchange's Recycled Content Standard** and
 - **Global Recycled Standard** for recycled plastic products
- **New matched R&D funding** from the Australian Federal Government from a joint Industry-University bid to support the establishment of a new Cooperative Research Centre ("CRC") program aimed at **solving the plastic waste problem** ("Solving Plastic Waste CRC"). SECOS' share of the \$140.6 million allocated to this CRC will be confirmed once the R&D projects scope is finalised and the Commonwealth CRC Agreement, Partners Agreements, and Project Agreements are executed by 1 July 2024
- SECOS' R&D Centre continues to drive **new product development** to support sales pipeline

SECOS: GLOBAL SUPPLIER OF SUSTAINABLE PLASTICS



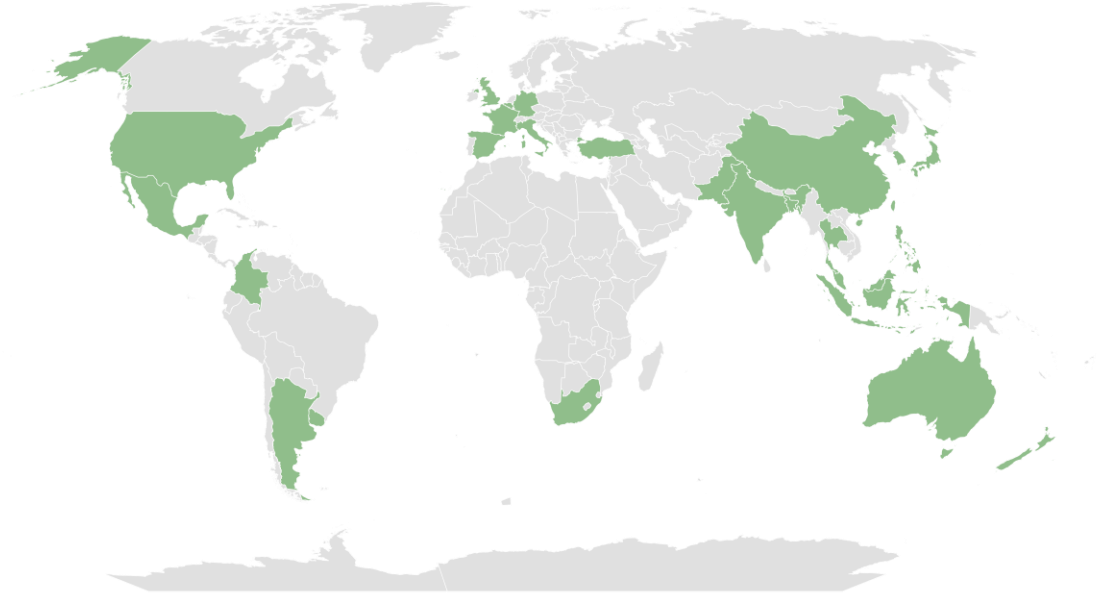
H1 FY24 SALES



* Traditional plastic production ceased in October 2023

SECOS is now 100% focussed on sustainable plastics

SECOS supplies over 25 countries globally



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- SECOS with strategy is to become a world leader in sustainable packaging
- Compostable Bags are the leading product category due to success of MyEco® range

H1 FY24 SALES BY PRODUCT GROUP

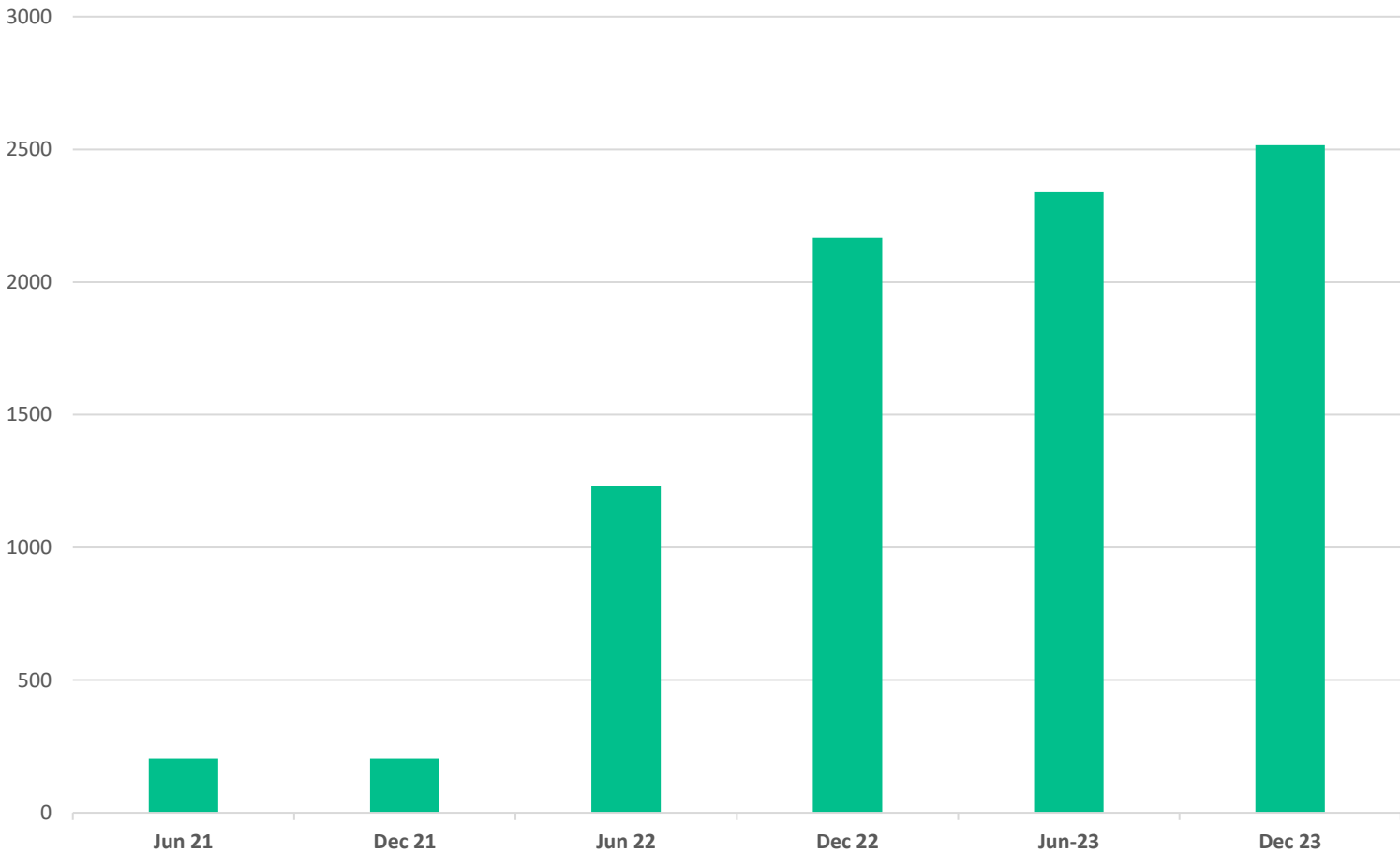
- **Compostable bags**
 - **MyEco® branded products (Australia)** sales up 20.9% on PCP
 - **MyEcoWorld® branded products (USA and Canada)** recorded no sales to exclusive distributor Jewett Cameron Company in H1 FY24 however new orders have been received in January 2024
 - **Council and Waste Management** sales up 11.1% on PCP
- **Compostable resins** sales down 24.9% on PCP, impacted by:
 - Difficult global market conditions, which is being addressed by the Company's development of new resin grades aimed at boosting sales volumes by opening new product/market opportunities
 - Logistic and pandemic factors that led to excess resin inventory being held by customers. Customers have significantly reduced excess resin inventories opening potential future purchase opportunities
- **Compostable film** sales are volatile given the low base, with sales down 47.3% on PCP due to the loss of a major US hygiene film customer by one of our main converters
- **Traditional plastic** sales down 58.0% on PCP due to the strategic decision to divest low margin traditional plastic production



MyEco® - SIGNIFICANT AUSTRALIAN RETAIL GROWTH

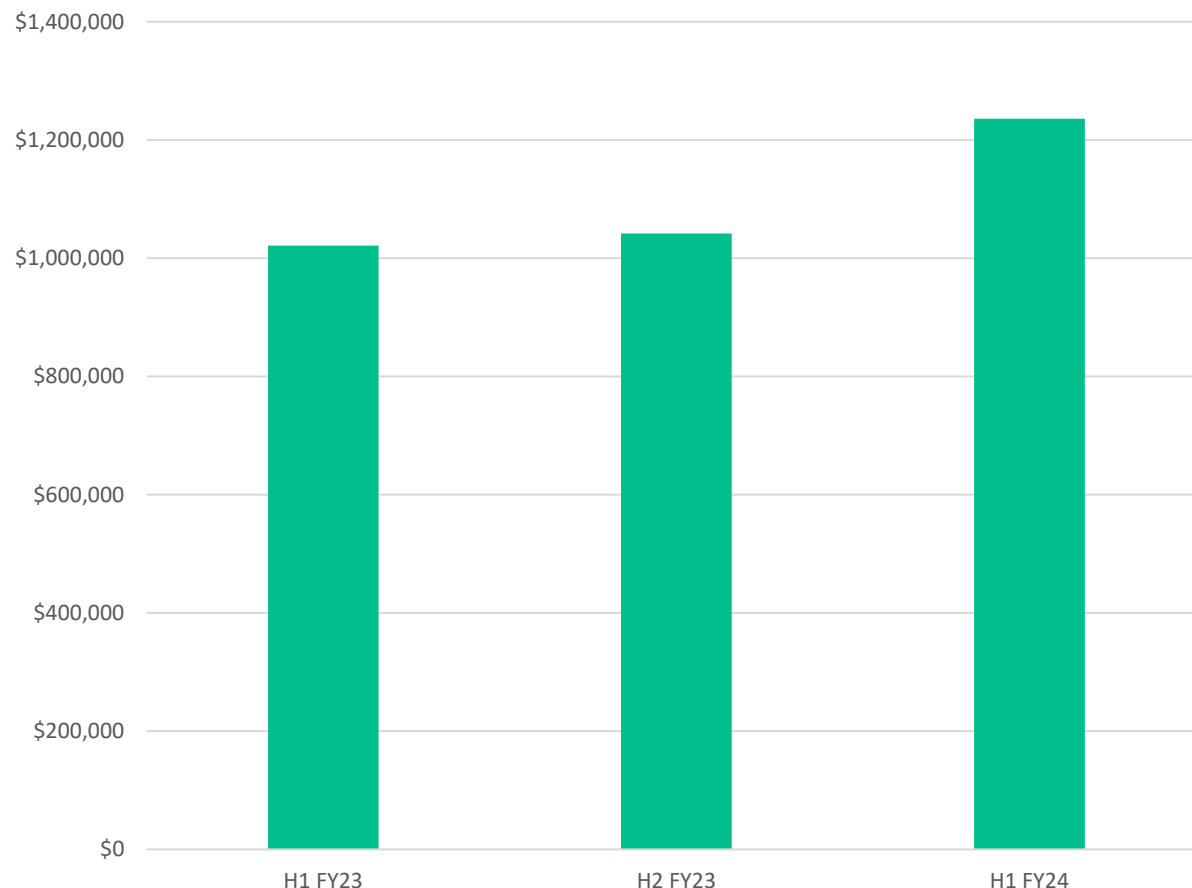


Growth in Retail Store Numbers



H1 FY24 SALES BY PRODUCT SEGMENT

COMPOSTABLE BAGS- RETAIL



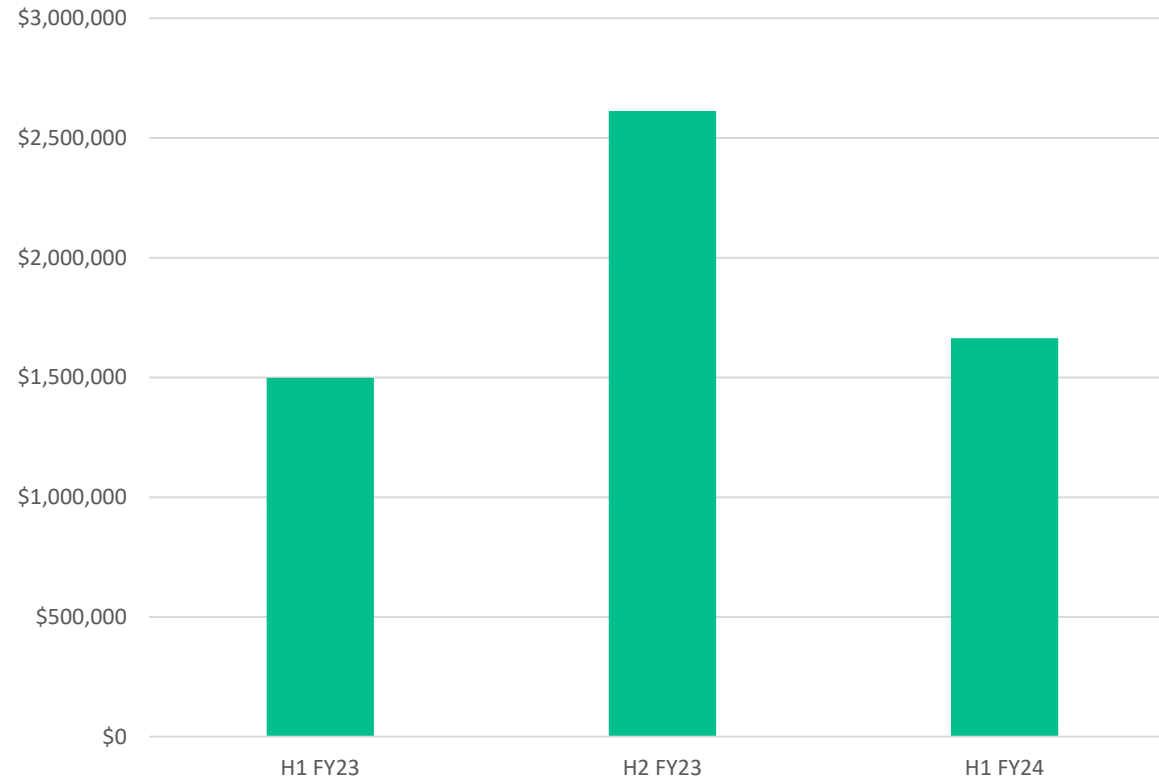
- MyEco® Retail sales grew by 20.9% in H1 FY24 on PCP
- Scale of MyEco® Branded products now exceeding **2400 Australian stores** comprising 970 Woolworths stores, 850 Coles Stores and independent distributors
- MyEcoBag® maintains its position as the **number one brand** within Woolworths¹ compostable bin liner and kitchen caddy sales, representing **43% of sales** in this category
- MyEcoBag® range achieved **26% of all Coles**² compostable bin liner and kitchen caddy sales since the launch in November 2022

¹ Quantum Scan Data between 18/1/23 to 16/1/24

² IRI Scan Data between 12/11/22 to 9/1/24

H1 FY24 SALES BY PRODUCT SEGMENT (CONTINUED)

COMPOSTABLE BAGS- COUNCIL & WASTE

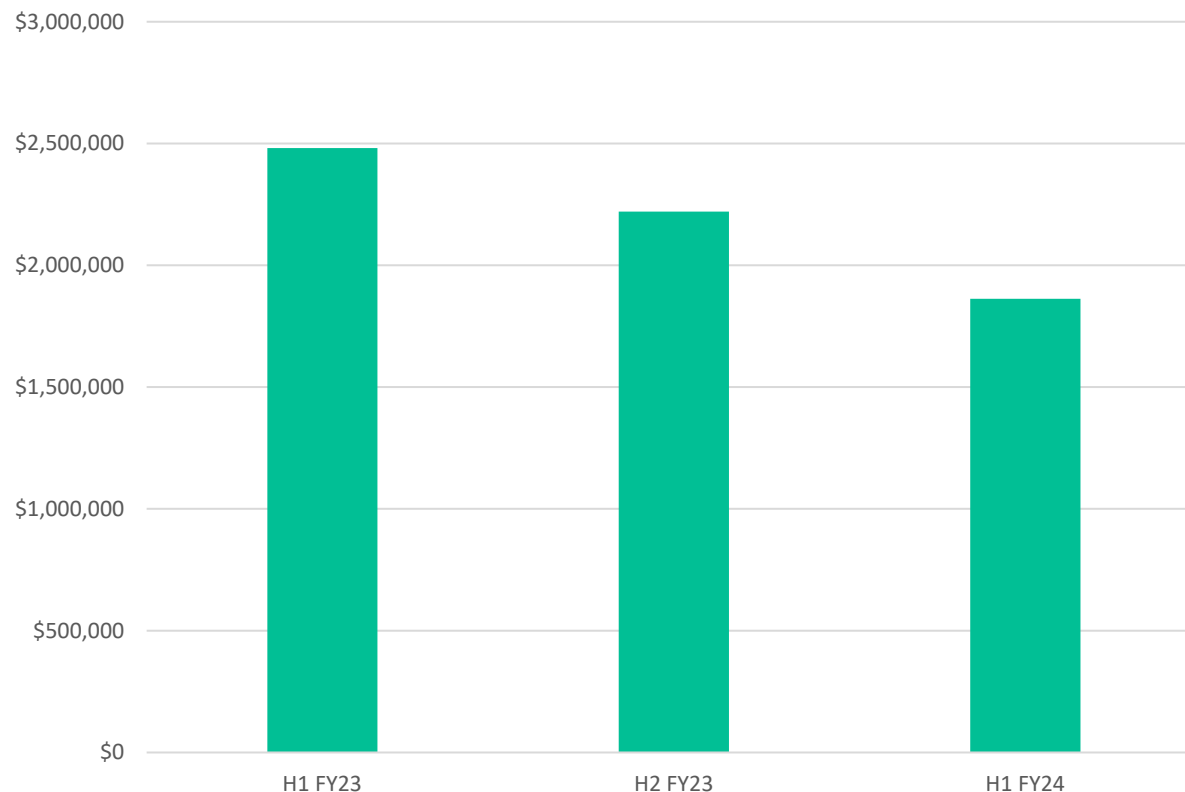


- H1 FY24 sales increased by 11.1% on PCP
- Sales in H2 are typically stronger due to timing of orders
- FOGO rollout programs expected to continue as more local governments strive to achieve their 2025 sustainability targets
- Further growth in H2 FY24 is expected based on current FOGO orders and contracts in place

H1 FY24 SALES BY PRODUCT SEGMENT (CONTINUED)

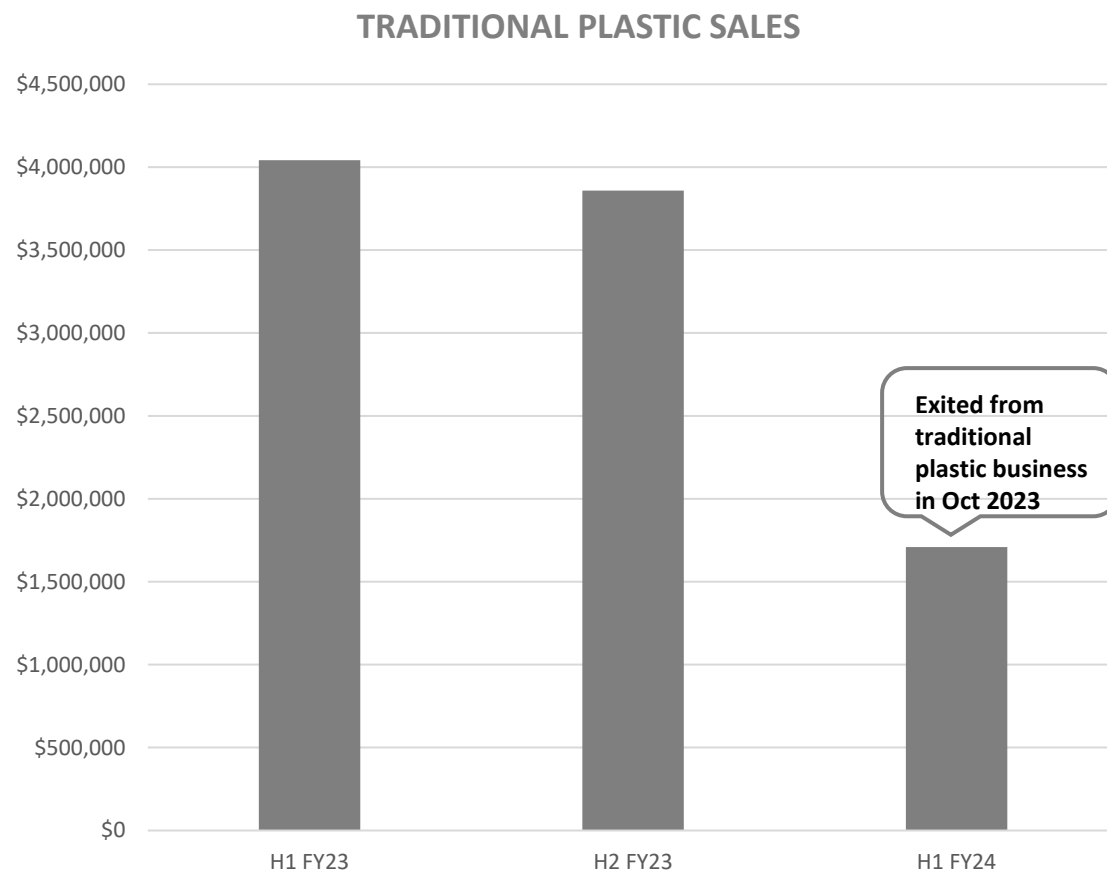


COMPOSTABLE RESIN SALES



- Difficult global market conditions and excess inventory of compostable resin held at some Latin American customers impacted sales orders
- Entered into a new distribution agreement with SM Resinas, a major distributor of resins in Latin America and new SECOS sustainability partner
- Working to add additional distributors in the Middle East, UK and Europe
- Expected to launch new resin grades in FY25 aimed at boosting sales volumes by opening new product/market opportunities

H1 FY24 SALES BY PRODUCT SEGMENT (CONTINUED)



- Divested lower margin traditional plastic manufacturing assets in H1 FY24
- Enables SECOS to focus purely on the sale and development of sustainable resins and MyEco® finished products
- Positions SECOS for US and Global relevance as a 100% sustainable producer
- Divestment has improved working capital
- All SECOS products are now sustainable with silver Ecovadis awarded in January 2024
- Opportunity to expand MyEcoWorld® product range via strategic toll partnerships with no capital investment required
- New MyEco® products will create resin sales opportunities to toll partners

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	Direct Major Retailers (Coles/Woolworths/Ritchie's IGA) Direct to council White Label (EzyDog) Ecommerce Direct Direct to Customer	MyEcoBag® Cardia® Login® MyEco® MyEco® Cardia®	In Market/Growing In Market/Growing In Market/Growing In Market/Developing Soon to Launch 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 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 via Distributor (ISOI) 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® MyEcoWorld® Cardia®	In Market/Developing Soon to Launch In Development

FULLY INTEGRATED VALUE CHAIN



Technical Experts in Biopolymers

Specialist
Manufacturers of
Sustainable
Products

Leading Australian Market Brand in
Sustainable Packaging



H1 FY24 FINANCIAL RESULTS



H1 FY24 PROFIT AND LOSS

(CONTINUED & DISCONTINUED OPERATIONS)

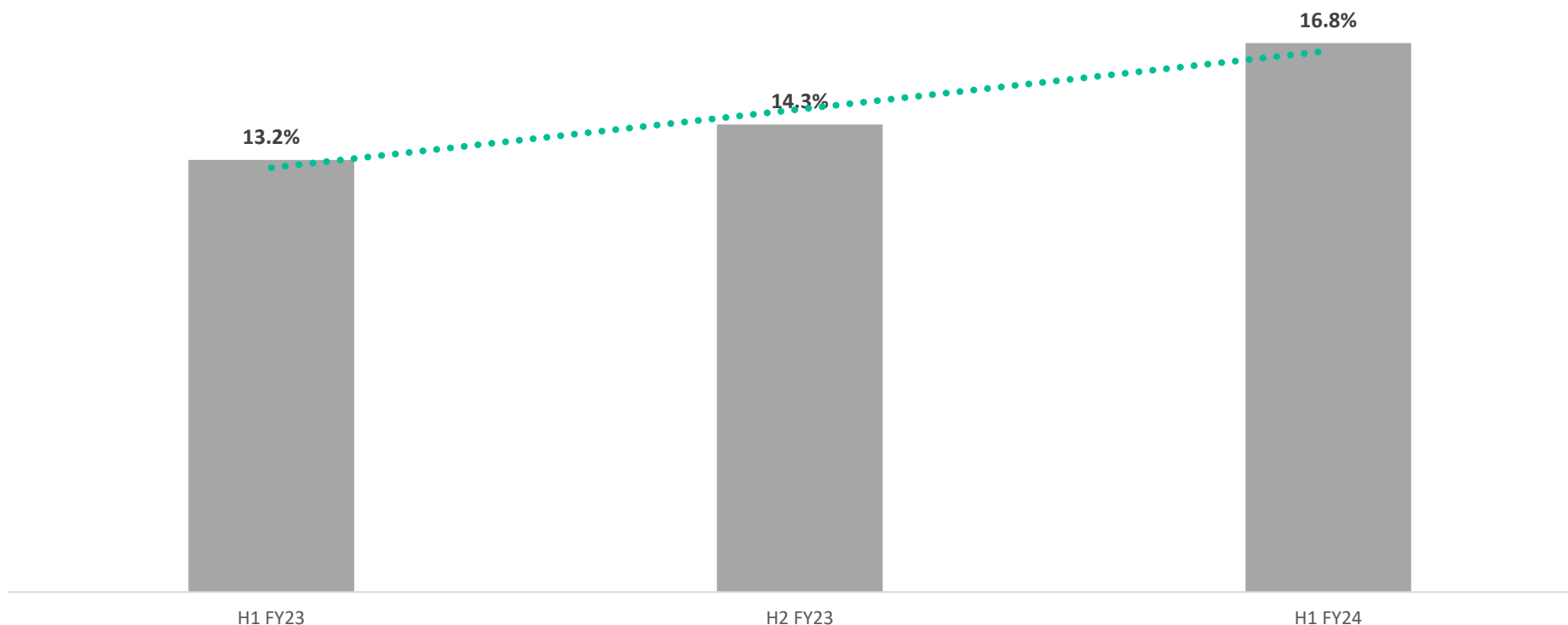
- H1 FY24 **Group** sales of \$7.9m down by 31.6% impacted by:
 - Strategic decision to exit low margin traditional plastic sales in line with Company's strategy to become a leader in sustainable packaging (down 58.0% on PCP)
 - Resin sales, down 24.9% on PCP, due to difficult global market conditions and logistic/pandemic factors that led to excess resin inventory being held by customers
 - MyEco® branded products (Australia) sales up 20.9% on PCP
 - Council and Waste Management sales up 11.1% on PCP
- Gross margin continues upward trend up 358 bps on PCP
- 'Administration' expense is lower by 75.4% due to write-back of inventory obsolescence provision (\$0.2m) and no expected credit loss expense in H1 FY24 compared to PCP (\$0.2m)
- Restructuring expense relates to costs associated with divestment of traditional plastic business
- Sales mix has made a significant shift from non-core and low-margin traditional plastics to sustainable products and SECOS is well placed to grow its sustainable product sales post the divestment of its traditional plastic business.

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\$'000	H1 FY24	H1 FY23	Var (%)
Sales	7,902	11,559	(31.6%)
Cost of Sales	(6,573)	(10,029)	(34.5%)
Gross Profit	1,329	1,530	(13.1%)
Gross Margin %	16.8%	13.2%	358 bps
Employment related expense	(1,803)	(1,657)	(8.8%)
Marketing & distribution expenses	(1,024)	(866)	(18.2%)
Administration expense	(138)	(561)	75.4%
Legal & Compliance expenses	(342)	(227)	(50.7%)
Other Income	106	199	(46.7%)
EBITDA ⁽¹⁾	(1,872)	(1,582)	(18.3%)
Restructuring expense	(297)	-	(100.0%)
Depreciation and Amortisation	(815)	(771)	(5.7%)
Finance Costs	(30)	(102)	70.6%
PBT	(3,014)	(2,455)	(22.8%)
Tax Expense	(19)	(26)	26.9%
NPAT	(3,033)	(2,481)	(22.2%)

H1 FY24 GROSS MARGIN RECOVERY (CONTINUED & DISCONTINUED OPERATIONS)

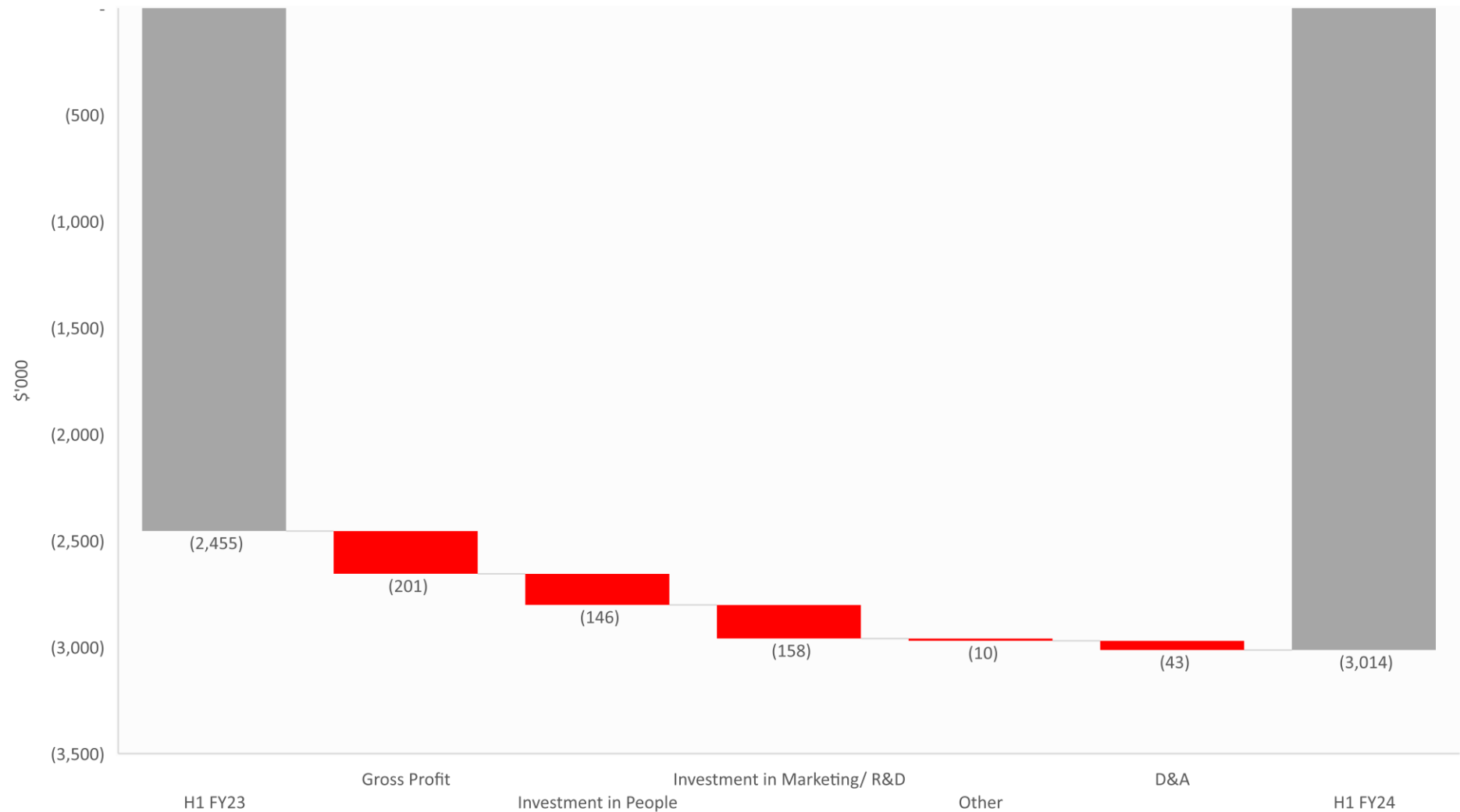
GROSS MARGIN %



Gross margin improvement driven by:

- Strategic decision to exit from low margin traditional plastic business in Q2 FY24
- Freight rates and material costs returning to pre-pandemic levels

LOSS BEFORE TAX MOVEMENT (CONTINUED & DISCONTINUED OPERATIONS)



BALANCE SHEET

31 DECEMBER 2023

- Cash balance at 31 December 2023 was \$7.4m with no debt
- Current ratio of 4.4x compared to 4.6x in June 2023
- Trade and other receivables decreased by \$1.6m mainly due to the final collections of debtors which were owed to the traditional plastic business which was divested in Q2 FY24
- Inventory decreased by \$0.7m due to the divestment of traditional plastic business in December 2023
- Plant and equipment reduced mainly due to sale of assets from the traditional plastic business divested in Q2 FY24

\$'000	Dec 2023	Jun 2023	Var %
Cash at Bank	7,445	8,424	(11.6%)
Trade and Other Receivables	2,483	4,033	(38.4%)
Inventories	3,444	4,095	(15.9%)
Prepayments and Other Assets	858	664	29.2%
Deferred Tax Assets	960	960	-
Plant and Equipment	4,215	4,535	(7.1%)
Right-of-Use Asset	1,205	1,645	(26.7%)
Intangible Assets and Other	3,591	3,606	(0.4%)
Trade and Other Payables	1,482	1,807	(18.0%)
Employee Benefits	339	320	5.9%
Accrued Expenses	827	861	(3.9%)
Lease Liability	1,400	1,841	(24.0%)
Net Assets	20,153	23,133	(12.9%)

CASH FLOW

(CONTINUED & DISCONTINUED OPERATIONS)

\$'000	H1 FY24	H1 FY23
Opening Cash	8,424	4,122
Cash Flows from Operating Activities	(386)	1,137
Cash Flows from Investing Activities	(230)	(372)
Cash Flows from Financing Activities	(352)	(396)
Net Cash Movement	(968)	369
Foreign Exchange	(11)	9
Closing Cash	7,445	4,500

SECOS remains **debt free** with **\$7.4m cash** as of 31 December 2023

STRATEGY & OUTLOOK



STRATEGIC DIRECTION

SECOS is leading the evolving regulatory and market landscape

- SECOS now has 100% sustainable or compostable products driving strategy to become a world leader in sustainable solutions
- Entering new markets to build market share with our leading Australian MyEco® brand, with progress in the USA via JCC and new partner SM Resinas in Latin America
- Launching new sustainable products via established global retail and distribution sales channels
- Developing strategic manufacturing partnerships for compostable resin and production of new MyEco® products
- Continuing investment in R&D to support next generation biopolymers, expanding our portfolio of retail and commercial end products



SALES OUTLOOK IS STRENGTHENING

- Continuing **retail momentum** with adoption of MyEco® branded business in over **2,400 stores** in Australia
- Continued growth in **Council and waste business** as more councils introduce FOGO waste programs to achieve their 2025 sustainability targets
- Continued pursuit in growth via **domestic and international distribution partnerships** such as JCC, SM Resinas
- **Launching new sustainable products** via the SECOS' global established retail and distribution network

MARGINS TO CONTINUE TO GROW

- Gross margin expected to continue its upward trend following exit from low margin traditional plastic business

INVESTMENT IN MARKETING CAPABILITIES TO UNDERPIN GROWTH

- Investment in people and distribution channels to drive sales
- National marketing campaign to continue driving growth in MyEco® Retail sales and establish brand as global leader in sustainability

R & D ACTIVITIES

- Expected to launch new resin grades in FY25 aimed at boosting sales volumes by opening new product/market opportunities
- Develop future compostable resin technology with funding support via the recently established Solving Plastic Waste CRC program

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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