



SECOS
GROUP

Changing the world of packaging

(ASX: SES)


121 TECH
INVESTMENT

15-16 JUNE 2017 **HONG KONG**

Investor Presentation

Changing the world of packaging





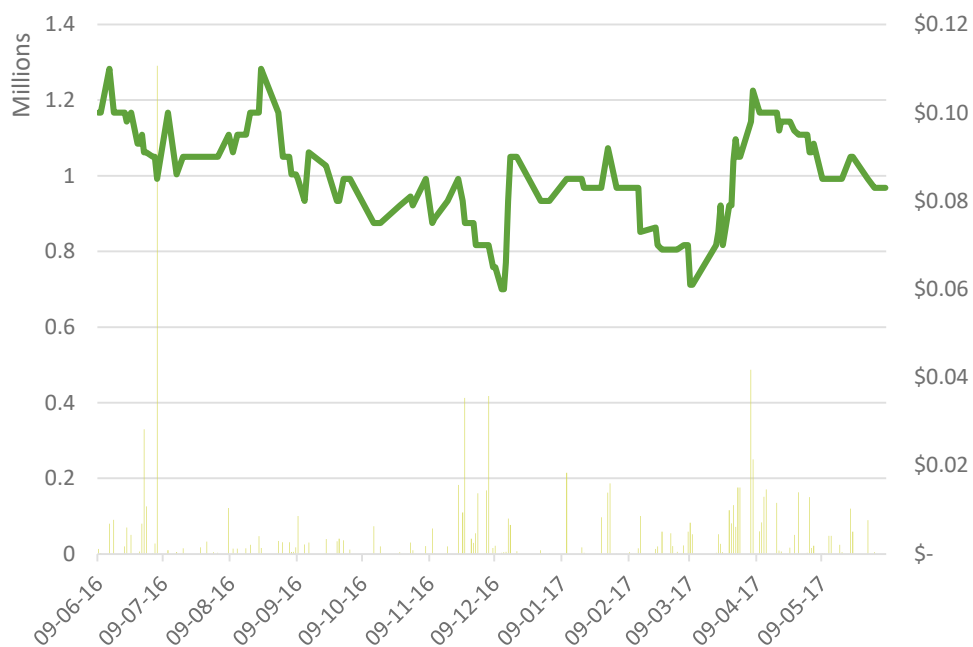
SECOS is an eco-friendly, sustainable bioplastics manufacturer and developer. With FY16 revenue of \$21 million, SECOS supplies its patented biodegradable resins, packaging products and high-quality cast films to a blue-chip global customer base.

SECOS Group Ltd (ASX: SES)

Board of Directors and Key Management Personnel

Richard Tegoni	Executive Chairman
Stephen Walters	Managing Director
Trevor Haines	Executive Director
Donald Haller Jnr	Non-Executive Director
Edmond Tern	Chief Financial Officer and Company Secretary

Share price performance and volume (last 12 months)



Trading Information

ASX stock code	SES
Share price (8 Jun 17)	\$0.083
Shares quoted on ASX	163.8m
Market Cap (free-float)	\$13.6m
Convertible notes	\$1.0m
Market cap (fully diluted)	\$14.6m

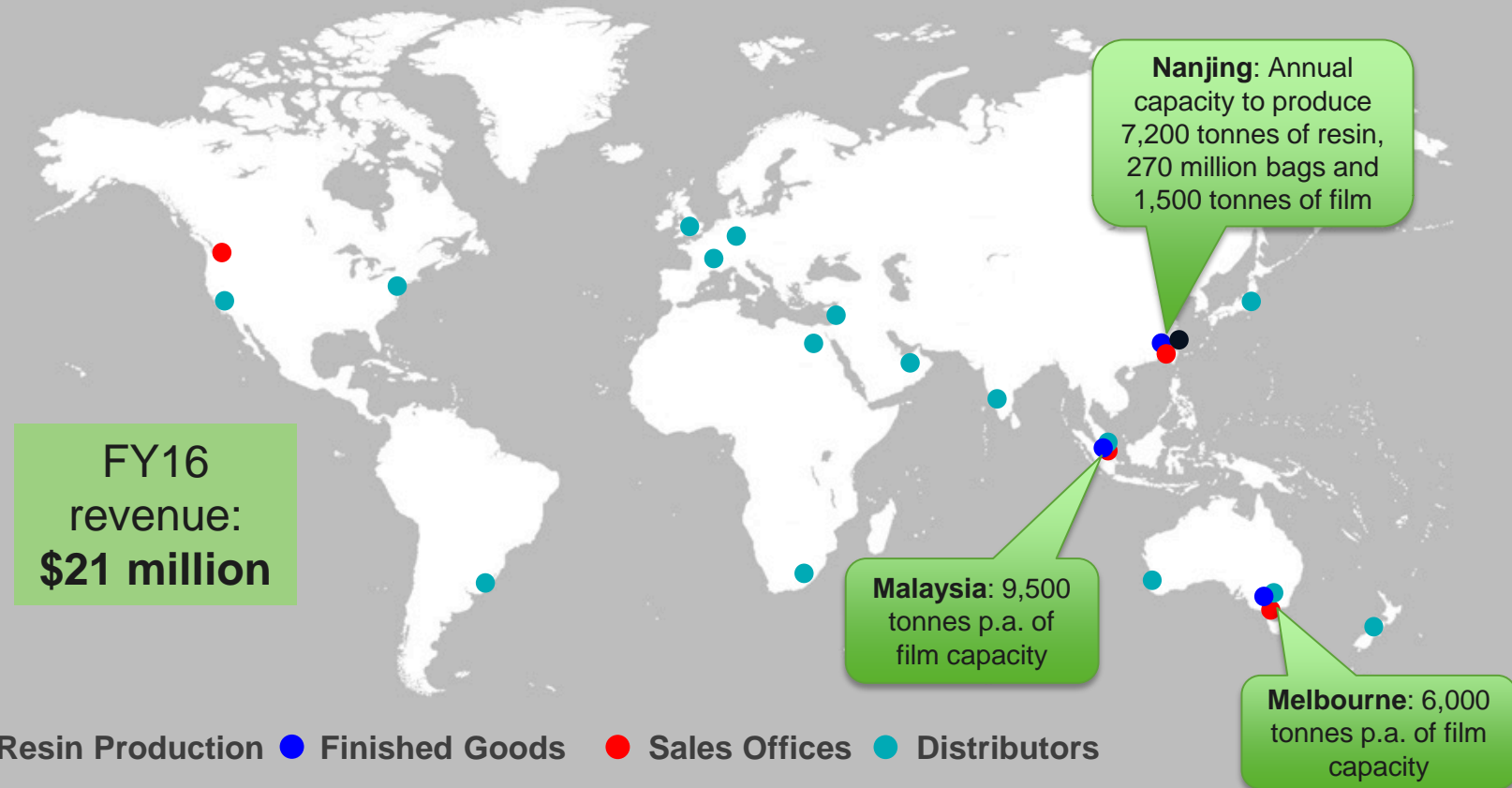
Top 10 shareholders by beneficial interest in % of issued capital

Stellar Developments Pty Ltd	12.7%
Mr Donald Haller Jnr	7.0%
Ganspruse Pty Ltd	5.2%
Gobble Pty Ltd	4.8%
Helpless Pty Ltd	4.8%
Female Pty Ltd	3.8%
G & N Lord Superannuation Pty Ltd	3.4%
Mr Richard Tegoni	3.9%
R&K Edwards Investments LLC	1.9%
Mrs Janet Colman	1.5%
Top 10 total	49.0%

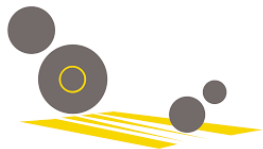
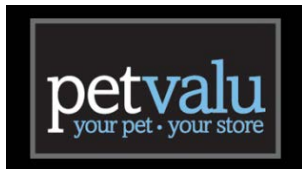
Management personnel own 43% of SECOS' share capital

Global sales and manufacturing capability

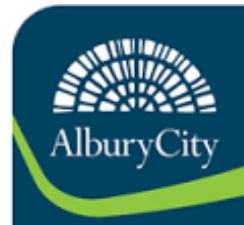
SECOS sells biodegradable resins, cast films and finished products from three manufacturing hubs to a growing customer base through its global network of sales offices and distribution partners



A diverse mix of attractive products and customers



DSG International (Thailand) PLC



A diverse mix of attractive products and customers

SECOS' core products by segment:

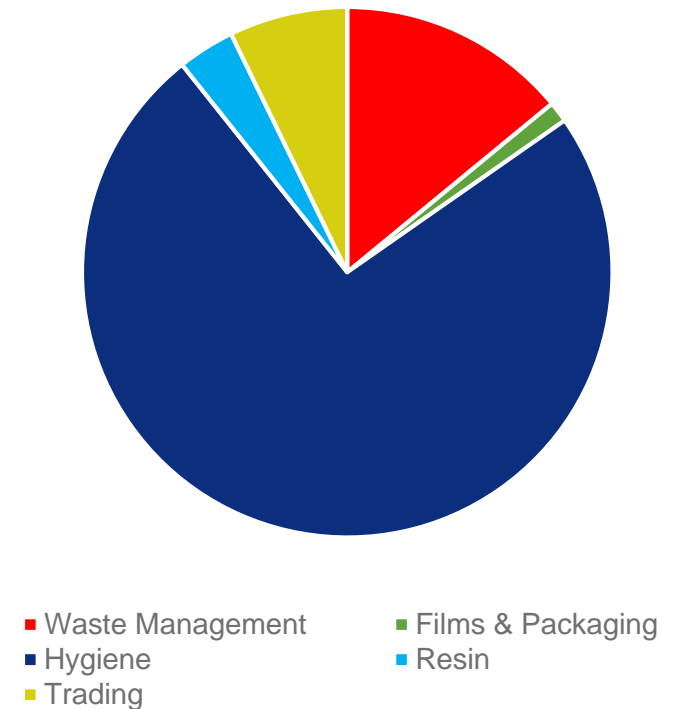
➤ **Films & Packaging:**

- High quality cast films, thermal and adhesive laminates with excellent barrier properties
- A range of products for use in food packaging, feminine hygiene, pet sheets and disposable diapers

➤ **Waste Management Solutions:**

- Compostable shopping bags
- Bin liners, garbage bags and kitchen tidy bags
- Garden waste bags
- Nappy bags
- Dog waste bags

FY16 revenue of \$21 million



The SECOS advantage

Genuine financial and social benefits for customers and consumers



SECOS packaging products offer the following environmental benefits...

- A reduced carbon footprint of up to 70% compared to conventional oil-based polyethylene
- Fully recyclable via the standard plastic waste stream
- Heavy metal and GMO free, certified compostable and food-safe compliant

...with great features at a price competitive with traditional plastics:

- Uncompromising performance, softness, quietness and strength
- Customers can print, colour and efficiently process SECOS products using traditional plastic manufacturing equipment at a range of sizes and thicknesses
- A tangible way for high profile brand owners, retailers, packaging companies and local governments to implement sustainable environmental policy

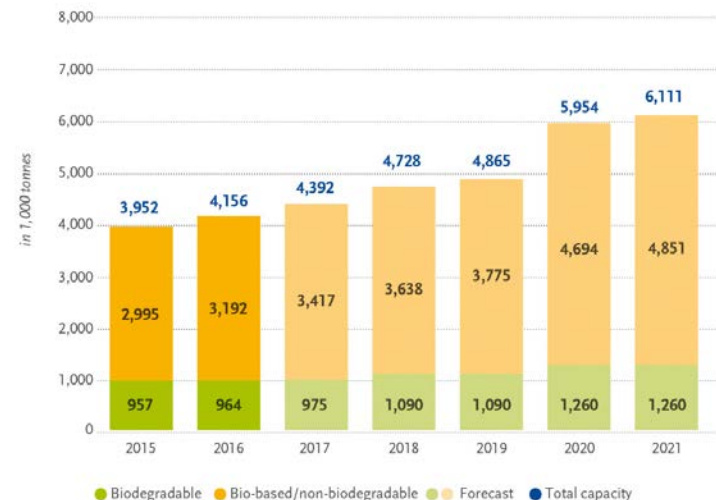


A growing market opportunity

SECOS is strategically positioned to benefit from long-term growth in demand for bioplastics

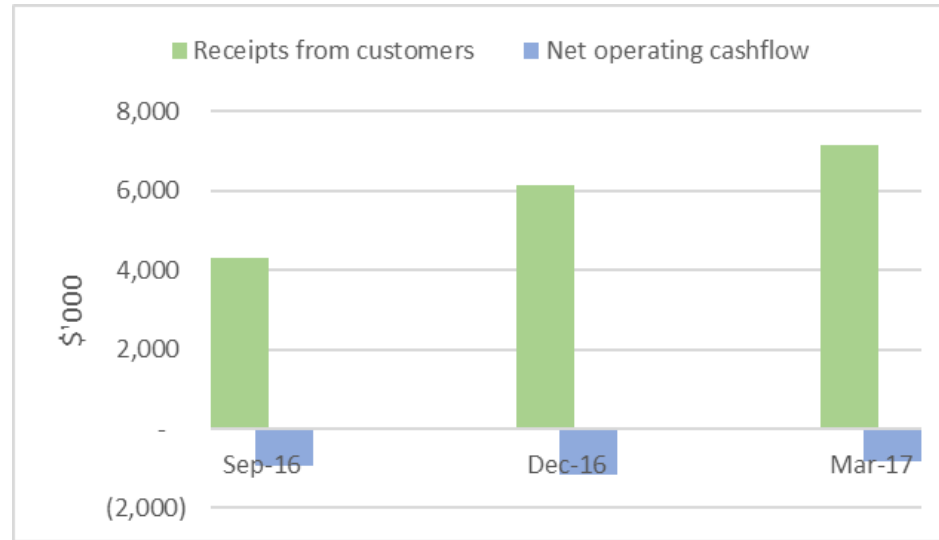
- There is **an urgent need** to replace traditional plastics with more sustainable products across multiple industries
- SECOS has invested strongly in developing biohybrid and compostable plastics and is **ready to meet growing global demand**
- Bioplastic packaging currently represents around 1% of the 300 million tonnes of plastic produced annually, with **significant industry growth** to be driven by:
 - Rising consumer demand for eco-friendly products
 - Global brands moving toward bioplastics to meet social demand
 - Increasing financial and social cost of landfills
 - More stringent government regulation of environment and waste management

Global production capacities of bioplastics



Source: European Bioplastics, nova-Institute (2016).
More information: www.bio-based.eu/markets and www.european-bioplastics.org/market

2017 operational and corporate highlights



- Financial results **continuing to improve** into the end of FY17, with cash receipts up 20% year-on-year in the March quarter to a record level of \$7.1 million
- SECOS is currently experiencing **strong levels of interest** in its products, particularly its innovative biohybrid films. Healthy business development is supporting further growth in the current quarter
- Cash outflows decreasing with a **continued focus on reducing fixed costs** and boosting productivity as part of fast-tracked business improvement plan
- Investment in **sales infrastructure and improved technology** set to spur the next phase of SECOS' growth

Business units turning profitable, outlook positive

Two of SECOS' three units have achieved trading profitability in FY17 to date: Australia and Malaysia

- An ongoing ramping up of business development at SECOS' Australian and Malaysian operations now sees both units **trading profitably in 2017 on a run-rate basis**
- Australian business now generating more than \$500,000 in monthly revenue; Malaysian sales have grown to more than \$880,000 per month
- Significant scope to continue to boost both plants' utilisation
- Recent operational review to yield fixed overhead cost savings **in excess of \$250,000 per annum**
- Continued business development progress expected to **fast track SECOS' progress toward profitability** at a Group level



All manufacturing assets are now close to being fully depreciated (replacement value >\$25 million)

Strong near-term sales growth pipeline across multiple segments and geographies

Line of sight on more than \$29 million of potential incremental annual revenue in the short to medium term

Short term revenue potential — additional \$7.5 million p.a.	Australia, US, Japan and Europe	Pet sheet pads and related products, biohybrid dog waste bags and plain hygiene film, biohybrid resin and static mat film, compostable void fill pouch film
Medium term revenue potential — additional \$22 million p.a.	Australia, US, Canada, Hong Kong and Malaysia	Pet products, compostable air pockets, resin and film for garments, graphics and board lamination, biohybrid bin liners, pet sheet pads, dog bags, food packaging resin and breathable film

Raising capital to accelerate growth

SECOS is seeking up to \$2.0 million in new capital to fund anticipated growth

- On 6 June 2017, SECOS launched a **Share Purchase Plan** targeting proceeds of A\$1.5 million, and a **Share Placement** via bookbuild to sophisticated and institutional investors to raise an additional A\$0.5 million at \$0.08 per share
- With SECOS having successfully fulfilled initial orders from Walmart and Pet Valu, funds raised will support positive recent sales momentum and the continued **execution of a strategic shift** toward the attractive segments of resin and film
- Proceeds of the offer will **fund SECOS' ongoing growth**:
 - Accelerate development of world-leading proprietary bioplastic technology to **expand and enhance SECOS' product range**
 - Expand and diversify SECOS' **resin manufacturing** capability
 - Boost SECOS' US **sales and marketing** capabilities
- *\$0.08 per share represents a **14.8% discount** to the volume-weighted average price of SECOS shares traded over the 20 trading days prior to the announcement of the offer*
- *Offer to participate closes at 5pm AEST on **Wednesday 28 June 2017***
- *SECOS reserves the right to respond to **investor demand** by raising additional funds and/or by closing the offer early*

Sustainable growth strategy and action plans

1. Continue to meet demand among existing users of traditional plastics to **substitute SECOS' patented eco-friendly products**, underpinning long-term revenue growth through higher resin sales
2. Improve sales strike rate by **focusing on commercially ready products**, while continuing to develop breathable and biohybrid films for the strongly growing Asian sanitary product market
3. Continue to review cost base and boost contribution from higher-margin products to **accelerate SECOS' path to profit**
4. Continue to meet the **growing demand for dog waste bags** in the Australian, US and European markets
5. Leverage the rollout of waste diversion programs in the US, Australia and Malaysia by pursuing and **expanding compostable bag sales** to governments, councils and the retail sector

Investment highlights

(ASX: SES)

- ✓ An established clean tech business, growing rapidly in the attractive sustainable packaging market
- ✓ Expanding sales driven by multi-year industry trend favouring SECOS' unique eco-friendly products
- ✓ Strong intellectual property and patent protection
- ✓ Increasingly cost-effective manufacturing facilities, with low-cost expansion options and global distribution
- ✓ Talented management team led by internationally recognised industry experts
- ✓ Compelling valuation with fully diluted market cap of \$14.6 million at 8.3 cents per share

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Disclaimer

Forward looking statements disclaimer

This presentation contains “forward-looking statements.” Such forward-looking statements may include, without limitation:

- (i) estimates of future earnings;
- (ii) estimates of future production and sales;
- (ii) estimates of future cash costs;
- (iv) estimates of future cash flows;
- (v) statements regarding future debt repayments; and
- (vi) estimates of future capital expenditures.

Where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, forward looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to increased production costs, as well as political and operational risks in the countries and states in which we operate or sell product to, and governmental regulation and judicial outcomes.

The Company does not undertake any obligation to release publicly any revisions to any “forward-looking statement” to reflect events or circumstances after the date of this presentation, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

All financial amounts are expressed in Australian dollars unless otherwise indicated.