

## ASX RELEASE

30 November 2018

# SECOS Chairman's AGM Address

I would like to welcome you all to the 2018 Annual General Meeting for SECOS Group Limited.

Thank you for joining us here today.

For those of you who don't know me, my name is Richard Tegoni, and I am the Chairman of the SECOS Board.

Our journey to transform a small tech company into a world leading bioplastics business began only three years ago with the merger of Cardia Bioplastics and Stellar Films to create SECOS Group Ltd. The task has been substantial, and shareholders can be assured that their investment in SECOS is supported by the timing of the world's unprecedented move to sustainable plastics and packaging, which positions SECOS in the right place at the right time.

SECOS has the technical expertise, experience and unique capabilities to produce some of the world's highest performing bioplastic resins, films and waste management products.

Packaging companies impress upon us that they need to work with a bioplastic manufacturer that understands the importance of meeting the quality, performance and cost requirements that consumers already enjoy and expect from traditional plastic products. We are pleased to report that our capabilities in these areas are gaining increasing recognition in terms of repeat business with existing customers and a very promising new business pipeline.

The demand for SECOS' products and services has never been so strong. The key challenge now is to extend our capacity to meet this demand. The recent launch of the Group's new Malaysian bioplastic plant will go a long way to achieving this, with substantial orders being fulfilled as we speak. We expect these orders to grow as the plant ramps up its production schedule, with a key milestone of 150 tonnes per month by June 2019. In the first four months of operations, our Malaysian bioplastic plant has achieved sales of \$0.5 million or an annualised run rate of \$1.5 million per annum, and is on track to achieve a \$7 million annualised run rate by June 2019.

Our Company's early growth in resin sales has been spurred by waste management products such as waste bags, with SECOS comfortably placed as the number one supplier of waste bags to Australian local city councils nationwide. In the last twelve months, SECOS supplied over \$3.1 million worth of bags to councils alone, up 63% year-on-year. As local government increasingly embraces the concept of organic waste separation as a means of preventing food waste from going into landfill, we expect to achieve significant further growth in this market in FY19 and beyond.

The end game for SECOS and the size of the prize extends far further than waste bags within Australia. We expect to see increasing market acceptance of compostable film and compostable breathable films, especially for the use in hygiene products. We believe this segment is expected to outstrip the growth in compostable bag sales over the next two to three years as more hygiene companies introduce compostable nappies, pads and other hygiene products to the market. SECOS is strategically positioned to benefit from the growth

**SECOS Group Limited (ASX: SES)**

ACN 064 755 237

Level 2, Suite 6, 205-211 Forster Road Mount Waverley VIC 3149 Australia

t: +613 8566 6800 e: [info@secosgroup.com.au](mailto:info@secosgroup.com.au) [www.secosgroup.com.au](http://www.secosgroup.com.au)

in this market because we can manufacture high quality hygiene film and already supply to a range of global packaging companies from our cast film plant in Malaysia. The development of the Group's compostable films are now being established, and supply has begun in niche segments.

FY18 saw our third year of sales growth and business improvement, with further gains expected in FY19 in terms of revenue, margins and profitability. Our core focus will be to grow bioplastic resin sales to supply converters to produce Bioplastic films and bags. Our key challenge in 2019 will be keeping up with demand, and the Company is working hard to ensure we achieve this over the coming year.

The recent decision taken by the Board to close the Company's Australian traditional film manufacturing operations will further improve the group's cost base and tightens management's focus on growing bioplastic sales worldwide. The Company stands to benefit from improved production efficiencies from its Malaysian film plant and through savings in fixed costs.

Of course, meeting our growth objectives and implementing the cost savings could not have happened without the support of our shareholders who have largely contributed to the funding required via a number of capital raisings over the last few years. I would also like to thank the Directors who have not only committed significant time to the Company but have also always invested along with other shareholders in the business so far.

We expect 2019 to be a busy, productive and successful year. While we expect our bioplastic resin unit to continue to lead group sales growth, we will incur much of the new Malaysian plant establishment costs in the first half of FY19, together with the Australian plant closure and restructuring costs. This will position SECOS to gain an outsized benefit in the second half of FY19 from the improvements in resin capacity and lower fixed operating overheads. The SECOS Board thanks investors for their support and looks forward to keeping the market informed of the Company's progress throughout the year ahead.

Thank you for your time today.

**Regards,**

**Richard Tegoni**  
Chairman  
SECOS Group Ltd

## SECOS Chief Operating Officer Ian Stacey's Address

Good morning ladies and gentlemen.

I recently started with SECOS as the Company's COO. I welcome the opportunity to be working for the Group in what is in my view a pivotal time as consumers look more actively for alternatives to traditional plastics or polymers.

Since it was invented, approximately 8 billion tons of plastic have been produced worldwide. The vast bulk of this plastic is employed in the packaging market where it is often used once, before being discarded.

Once discarded, apart from the small percentage of packaging waste that is burnt off or recycled, the plastic waste created remains intact for many years in landfills. We also see increasingly discarded packaging waste around us on land and in the sea.

Whilst I accept we do not want to see any waste no matter what, in our environment, the advantage of SECOS' technology is that it is compostable.

This company, SECOS, was founded on intellectual property that created an opportunity to cost-effectively produce starch-based mixtures which provide the packaging and bag-making industries with a fully compostable alternative to traditional plastic bags, being biodegradable bags or bags made of recycled material. Tests show that over 90% of our compostable resin composts in the environment over a relatively short period of 6 months. SECOS meets globally set standards around compostable biopolymers.

Having worked with a significant blue chip company in the traditional polymer market and run polymer businesses here and in Asia, I recognise other important advantages that SECOS benefits from:

- A good level of integration across the value chain. SECOS produces compostable resin for its own film manufacture and separately for sale to other compostable film producers and converters.
- SECOS also has assets in the right markets – China, and Malaysia – where there is already significant available and expanding plastics infrastructure and polymer converters, which are the end user of compostable resin.
- On the production side, I also note that SECOS has developed a good scale advantage within the Asian compounding markets, in that the volumes we can produce should enable us to leverage better arrangements on raw materials.

As to these scale advantages, I expect the company will start to benefit from these as we ramp up our asset utilisation rates and drive down costs.

There are certainly other area of focus to drive down costs and enhance profitability. Asset use and efficiencies will be a key area of focus going forward, and I will be working very hard with the MD and the Board to deliver in those areas.

Thank you for your support and I look forward to you continuing to share SECOS' journey with us.

**Regards,**

**Ian Stacey**

Chief Operating Officer  
SECOS Group Ltd

**For more information, please contact:**

**Richard Tegoni**

Executive Chairman  
+61 411 110 901

[r.tegoni@secosgroup.com.au](mailto:r.tegoni@secosgroup.com.au)

**Tim Dohrmann**

Investor and Media Enquiries  
+61 468 420 846

[tim@nwrcommunications.com.au](mailto:tim@nwrcommunications.com.au)

### **About SECOS Group Limited**

SECOS Group Limited (ASX: SES) is a leading developer and manufacturer of sustainable packaging materials. Based in Melbourne, Australia, SECOS supplies its proprietary biodegradable resins, packaging products and high-quality cast films to a blue-chip global customer base.

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 Nanjing, China, with manufacturing plants for high quality cast films in Melbourne and Kuala Lumpur, Malaysia.

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

**SECOS Group Limited (ASX: SES)**

ACN 064 755 237

Level 2, Suite 6, 205-211 Forster Road Mount Waverley VIC 3149 Australia  
t: +613 8566 6800 e: [info@secosgroup.com.au](mailto:info@secosgroup.com.au) [www.secosgroup.com.au](http://www.secosgroup.com.au)