



*Changing the world of packaging*

## AGM Presentation

**Leading developer & manufacturer of sustainable packaging**

30 November 2018

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# Forward looking statements disclaimer

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

# 2018: A Year of Action

- Resin sales increased by 210% financial YoY to \$1.5M & 400% Q1 '18 versus Q1 '19 to \$0.7M
- Bag sales improved by 41% YoY & 58% Q1 versus Q1
- Upgrade of Cardia China operations now near completion with a new GM in China being appointed from within the business
- A full review of the costs associated with manufacturing has been undertaken which has resulted in better margins, increased sales & a lower cash burn (after China upgrade costs are backed out)
- Gross Margins across the business have improved from 6.7% to 12.9% in FY18
- The new SECOS Malaysia plant was established in July 2018 & became operational in August 2018
- myecoPET platform established & ready for first sales in March 2019 quarter

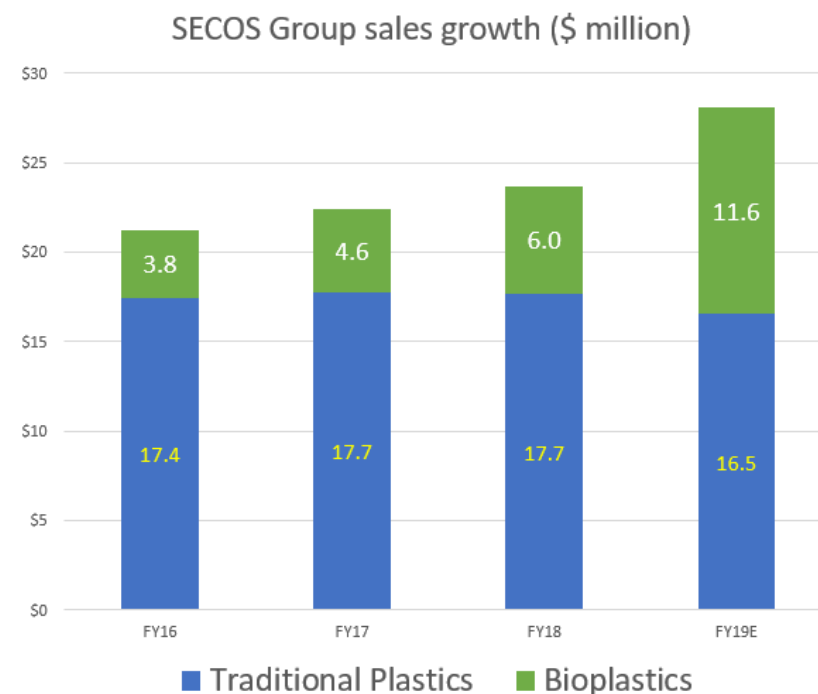
# 2018: A Year of Action

- SECOS Malaysia completed (waiting settlement) the sale & leaseback of its land & building immediately releasing \$2.9M of cash & strengthening the balance sheet
- StellarAustralia closure announced with a target date of January 14<sup>th</sup> 2019
- Targeted R&D continues with a very narrow focus on high speed compostable products & Poly Lactic Acid products
- Significant commercial activity in USA is starting to have traction with some of the leading convertors successfully trialing Cardia compostable resin
- New sales agents signed up in UK, India & Spain



## SECOS' Bioplastic Strategy is Delivering Results

- Strategically positioned as a global supplier of bioplastic products
- SECOS is benefitting from the shift from traditional plastic with bioplastics sales driving growth
- Higher-margin bioplastic sales are expected to grow >90% in FY19 to \$11.6m, representing >40% of total sales
- New resin plant in Malaysia provides substantial growth capacity
- Gross margins improved from 6.7% in FY16 to 12.9% in FY18
- Total sales expected to grow to \$28m in FY19

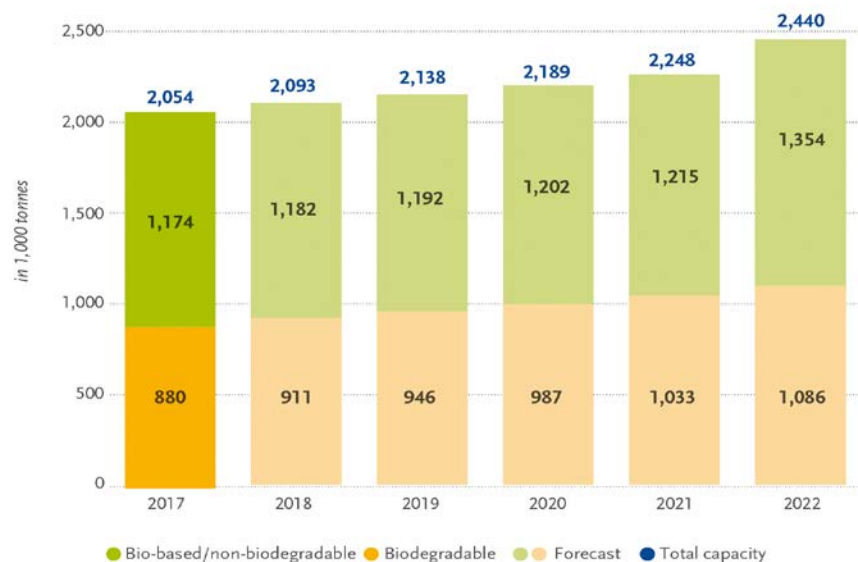


# Global Market Opportunity

SECOS is strategically positioned to benefit from growing demand for sustainable packaging

- Global bioplastics market is forecast to grow by >20% (YoY) over the next 5 years
- Bioplastics packaging is less than 1% of the global plastics packaging market with exponential growth potential, driven by:
  - ✓ Australian government move to enforce better waste management
    - Re-use
    - Recycle
    - Compost
  - ✓ Increasing organic waste recycling
  - ✓ Increased cost of landfills
  - ✓ Increased consumer demand for sustainable products
  - ✓ Global brands transitioning to bioplastics to meet social demand

*Global production capacities of bioplastics*



Source: European Bioplastics, nova-Institute (2017).  
More information: [www.bio-based.eu/markets](http://www.bio-based.eu/markets) and [www.european-bioplastics.org/market](http://www.european-bioplastics.org/market)



# Strategic Initiatives - China

- A new senior management team has been appointed
- Production processes & efficiencies improved
- Plant now compliant with EPA & Safety Bureau
- Greater financial controls in place with new CFO being appointed
- Production output increased
- Product quality improved



# Strategic Initiatives - Malaysia

- New resin plant constructed & commissioned on budget
- Commenced operations in August 2018
- Local Malaysia sales building rapidly & in line with sales projections
- Local bag makers supplying major brand owners (Sogo, 7-Eleven, KFC, Pizza Hut, LuLu Hypermart, Papa Rich) using Cardia resin with strong forward orders
- Provides backup to the Nanjing plant & alternative sourcing opportunities to customers
- Leveraging strong infrastructure at Stellar Malaysia
- Working with Malaysian bag makers to supply USA & avoid Trump tax



# Strategic Initiatives – Hygiene Films

- Stellar Australia closure planned for January 14<sup>th</sup> 2019
- Transfer of Stellar Australia customers to Stellar Malaysia has been completed
- Transfer of business will see Stellar Malaysia lift sales & profit
- The land & building sale will free up A\$2M to assist in SECOS Group growth strategy & strengthen the balance sheet
- Two key Stellar Australia personnel re-deployed in to the Cardia business to assist with business development & sales growth

# Strategic Initiatives – Breathable Film

- Agreement in place with MiniFab who has a world wide patent
- World first technology
- Much lower capital set up costs
- Lower process costs
- Higher margins
- Capable to produce a breathable strip instead of all over breathable diaper
- Revolutionary compostable & breathable film products possible

# Strategic Initiatives – Organic Waste management

- Greater awareness of the benefits of FOGO (Food Organics & Garden Organics) diversion from landfill
- Improved success rate with winning tenders since the improved cost base
- Australian sales grew (as predicted) by 27% YoY to \$2M
- Growth in City Council sales will improve profit
- New “fast composting” product developed & being certified
- On site digester market is growing world wide & an exclusive alliance is being negotiated with one of the USA’s largest digester manufacturers to exclusively supply compostable bags

# Strategic Initiatives - myecoPET

- Cardia Americas will manage the social media platform for the group including Facebook, Instagram, Twitter & Internet
- All pet products will fall under myecoPET
- Sales will be high margin business
- Still do OEM sales from Nanjing
- All packaging will be with FSC (Forest Stewardship Council) approved packaging
- Program will be rolled out into the USA first in March quarter 2019
- myecoWORLD remaining product will be rolled out during 2019



# Strategic Initiatives – USA Market

Focused approach to sales in the USA is gaining traction

- USA market is the single biggest commercial opportunity
- New Sales structure led by Sales Manager with several years of packaging industry experience
- Sales will initially focus on Films & Packaging with several trials already successfully conducted at leading convertors.
- Focus on Organic Waste at major events/venues
- Repeat orders gained at Storopack for compostable air pockets

# Summary

Growth & path to profit strategy will focus on:

- Resin sales from Malaysia & China plants
- The growth of the Organic Waste markets both locally & overseas
- myecoPET launch
- Targeted product development
- Low cost manufacturing
- Internal cost management

Thank You  
谢谢  
*Terima Kasih*