



SECOS
GROUP

Changing the world of packaging

AGM Presentation

Leading developer & manufacturer of sustainable packaging

30 November 2018

Changing the world of packaging



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.

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

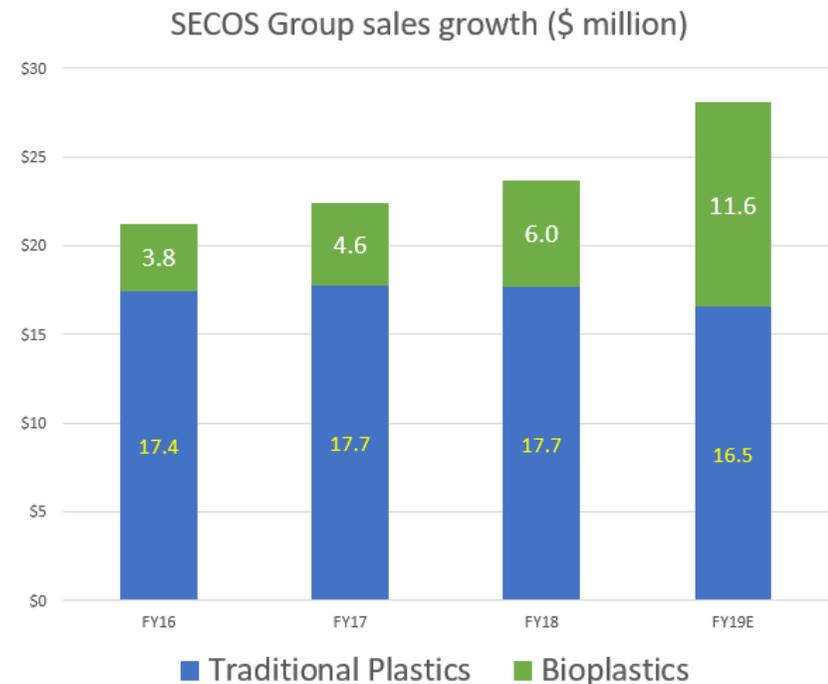
2018: A Year of Action

- 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 14th 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

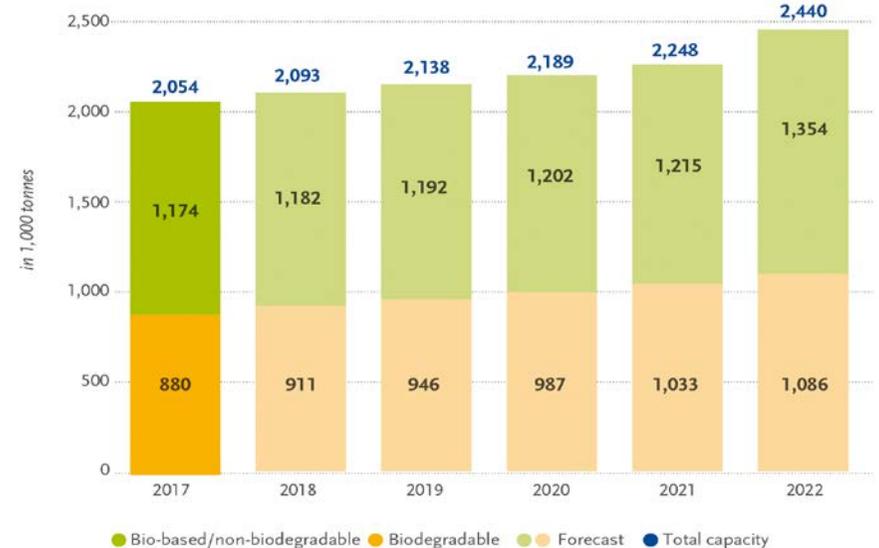


Global Market Opportunity

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 and 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 14th 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