

SECOS
GROUP



Annual General Meeting Presentation

25 November 2020

(ASX: SES)

SECOS Group Summary

Revenue on the rise:

- Q1FY21 start \$5.8 million + 26% over previous quarter & 35% vs same period last year
- Q2FY21 is forecasted to lift to \$7.3-\$7.8 million
- 1HFY21 expected revenue of \$13.1 - \$13.6 million (subject to shipping schedules)
- 2HFY21 expect sales growth to continue

Asset Expansion:

- China scale up for supply of additional resin and bag orders is on track to meet forecast volume output
- Malaysian compostable bio-resin business seeing increasing orders and utilization rates
 - SECOS has ordered additional compounding capacity in Malaysia, given growth in resin demand this will double Malaysia bio-resin capacity
 - Evaluation commenced concerning additional bioresin, film & bag expansion in Malaysia

Margins:

- Bio-resin margins lifting with additional volume
- Deliveries of Jewett-Cameron (JCC) compostable pet waste bags are weighted to 2HFY21 and expected to further assist margins

Customers

- Start up of JCC business during Q1FY21
- America's bioresin sales run rate increases over previous quarters
- Council volumes strong with – addition of Melville, retention of Penrith, and level of new opportunities
- MyEcoBag™ site launched with Woolworths (WOW) SKU's, sales exceeding WOW set targets

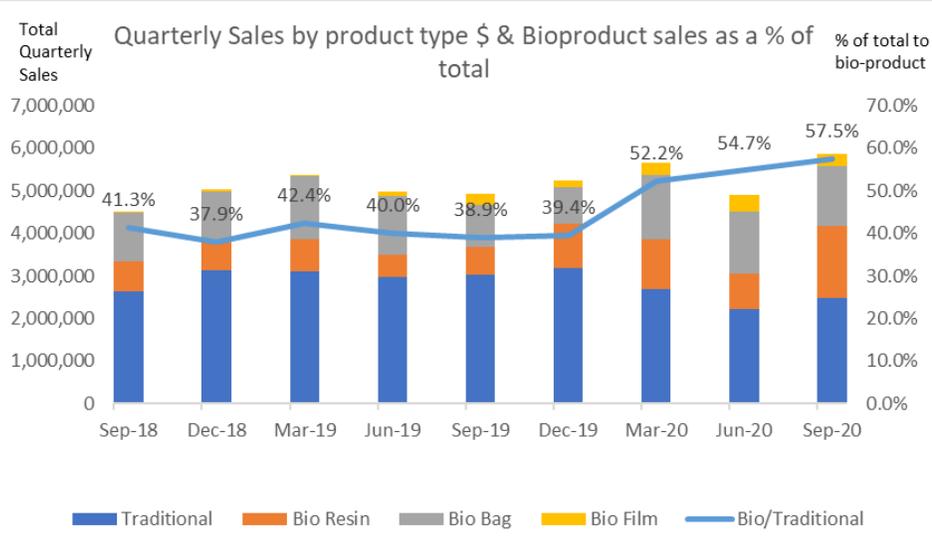
Geographic Spread, Customers & Assets

Product Sales mix

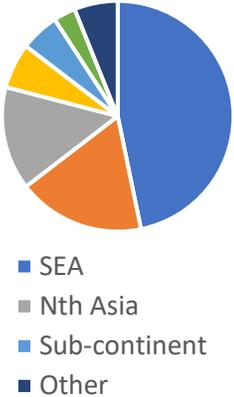
- Increase in Bio-resin sales push percent of total compostable sales to nearly 60% of total sales
- Further growth expected in Compostable bag sales
- Traditional sales improving marginally over low June and December quarters but anticipated to be stronger in 2HFY21

Geographic sales mix

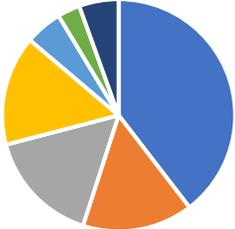
- Bioresin & compostable bags plus start up of JCC business during Q1FY21, but bulk of sales in 2HFY21
- Biopolymer resin sales increasing
 - YTD sales mix change increases the proportion of compostable product sales into the Americas, both compostable bioresin & compostable bags



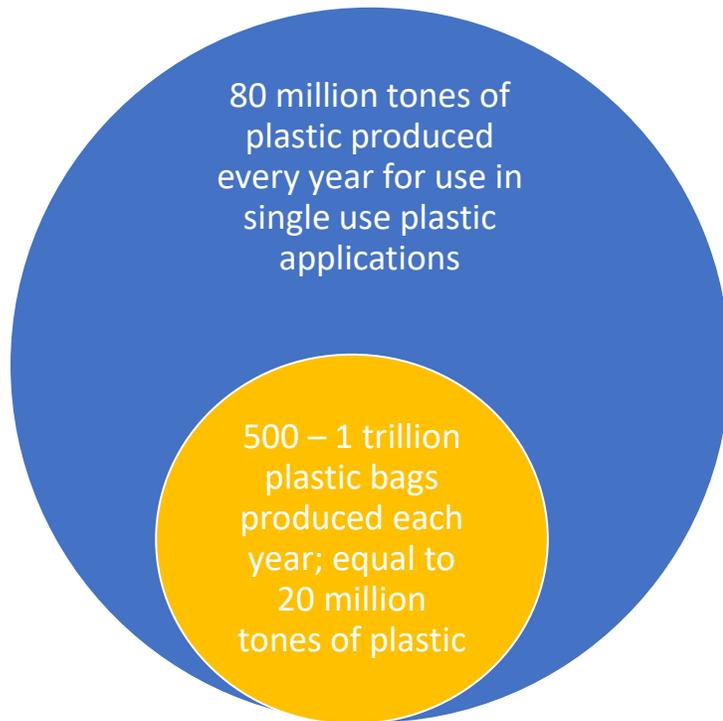
Geographic Sales Mix FY 20



Geographic Sales Mix: YTD Oct. 20



Replacing Single Use Plastic



Of the 80 million¹ tones of plastic produced each year for single use flexible packaging, 25 % or 500 billion -> 1 trillion² single use plastic bags are produced each year. On average each bag is utilized for 12 minutes². Assuming an average of 20 grams of plastic is utilized this suggests approximately 20 million tons of oil-based plastic is used to produce these bags.

Consumers choice is to:

- Reduce
 - Reuse
 - Recycle – only 1 in 200² plastic bags are recycled!
 - Oxy-biodegradable being phased out and banned in Europe
 - Compostable
 - Paper: to replace these plastic bags with paper (assuming 20 grams a bag) would require 240 – 480 million trees³.
- => Compostable Biopolymers are a natural, reliable substitute

1. Ellen Macarther Foundation
2. <https://conservingnow.com/plastic-bag-consumption-facts>
3. [www.worldatlas.com > articles-how many trees to make 1 mt of paper](http://www.worldatlas.com/articles-how-many-trees-to-make-1-mt-of-paper)

Retail Bag Market Evolution



PE Bag Market:

- Pet Waste Bags
- Bin Liners
- Courier Bags

Others we may cater to with resin

- Pet Waste Bag market is at an early stage of adoption in terms of Compostable dog bags
- Many US & UK brands are not integrated into compostables production
- SECOS supplies to other brands under their names or our own brand under the name MyEcoBag™, MyEcoWorld™, or Cardia™ for converters

Compostable Film Market

Blown Lines

Generally narrower films & used for bags/pouches.



Cast Lines: wider films with greater running speeds vs blown lines => scale.

- Trials on cast film lines continue & evaluating further resin formulation options
- SECOS intends to use new resin formulations and its cast film assets to enter new markets, increase its margins, and provide significant scale advantages

Outlook

- Continue to target growing consumer interest in alternatives to conventional plastic products in consumer markets which are quickly evolving but starting from a very low base
- Increasing Council tender business predicted via Food Organics and Garden Organic initiatives
- MyEcoBag™—expand to other Australian retailers and other geographic areas
- Near term focus on first sales of Courier Bags for brand owners and MyEcoBag™ Brand
- Capture future resin grade and film opportunities for new application development
- Continue investment in developing compost cast film grade for production utilizing cast lines
- Align manufacturing capacity with anticipated demand, i.e. we can scale up to meet what we see as a market opportunity.

SECOS is **Committed to replacing Single Use plastics**; and in so doing reducing environment contamination as well as marine plastic waste.

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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;
- (iii) estimates of future cash costs;
- (iv) estimates of future cash flows;
- (v) statements regarding future debt repayments; and
- (vi) estimates of future capital expenditures.

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