

# CHANGING THE WORLD OF PACKAGING



Half Year Results FY22

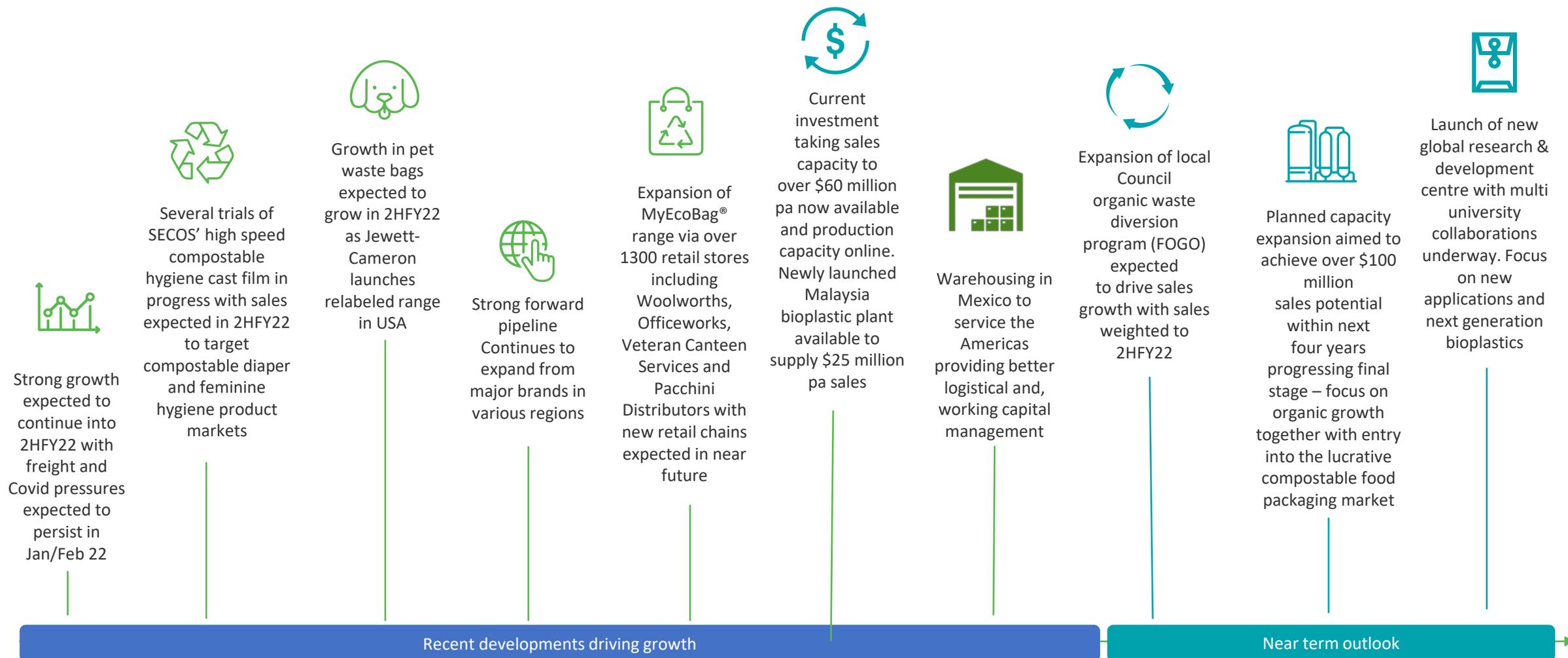
February 2022

ASX: SES



# STRONG OUTLOOK

SECOS has a strong growth trajectory in the bioplastic market



# POSITIONING FOR GROWTH

**Integrated Biopolymer producer in fast growth industry offering a material alternative to conventional plastics**

**Growth:** Bioplastic sales growing at 21.2% on PCP outstripping conventional plastic growth of leading players

**Capacity expansion:** Current capacity expansion when sold will add incremental revenue of \$25m per year

**Brand:** Significant investment in USA and Australian digital assets, ecommerce capability to build retail brands and extend value chain to retail margin

**COVID proofing:** Additional investment in inventory to mitigate freight uncertainty and SECOS supported staff during recent Malaysian floods

**New \$2 million R & D Centre** for excellence established in Melbourne; testing to support product development commenced

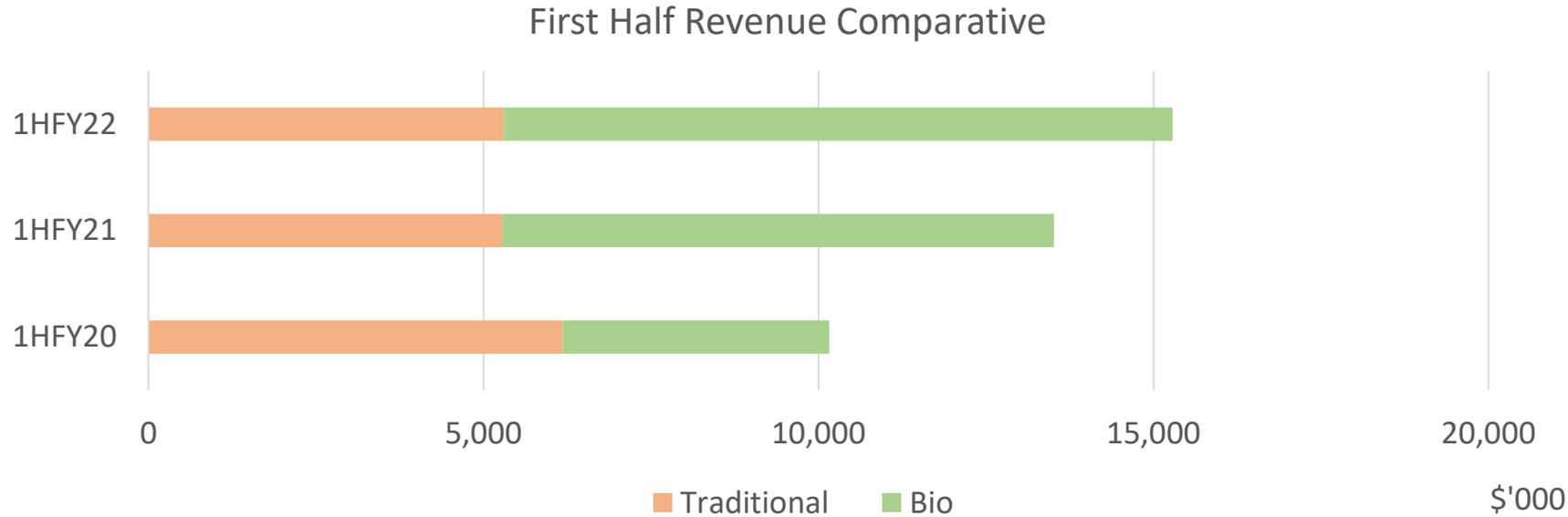
**New Retail Outlets:** Store numbers expansion in Australia and USA ~1300; more anticipated with existing and new retailers

**No. 1 performing SKU in Woolworths Garbage Range,** Secured new accounts: Officeworks, Pacchini, Veterans Canteen

**Strong balance sheet** with > \$7m cash and no debt at 31-Dec-21

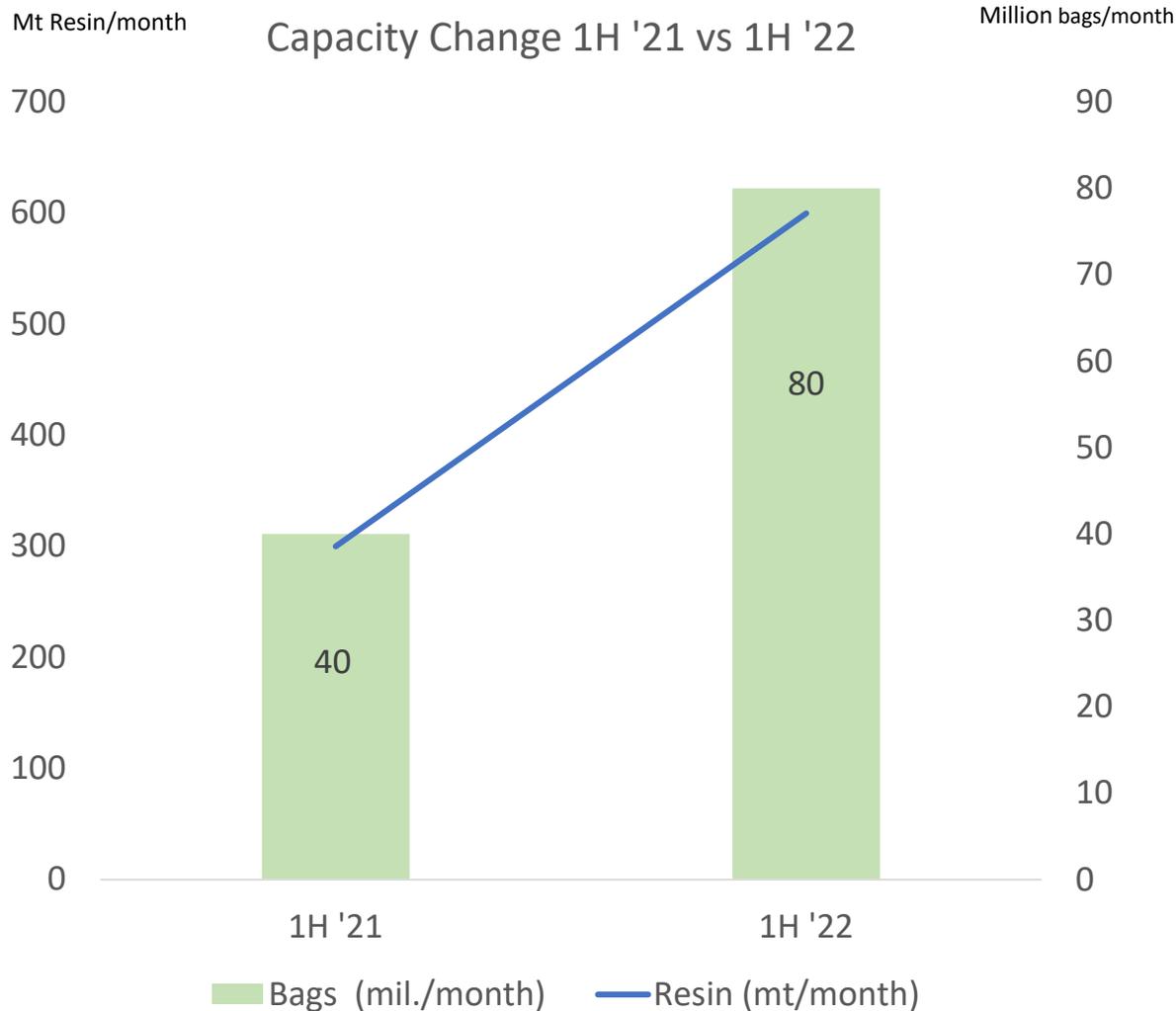


# SALES GROWTH and ASSET EXPANSION (1HFY '20 -'22)



- Sales growth of 10.3% for 1HFY22 vs PCP
- The growth in compostable products saw compostable products account for 65.3% of total sales
- Growth in compostable resin, bag and film up 21.2% vs PCP
- Increased interest from general retailers to expand their presence in the Pet Sector and Compostable Bin Liners for organic waste diversion continue to support sales
- Some further growth in compostable bag sales for food waste diversion and organic waste collection is anticipated in Council business in Australia

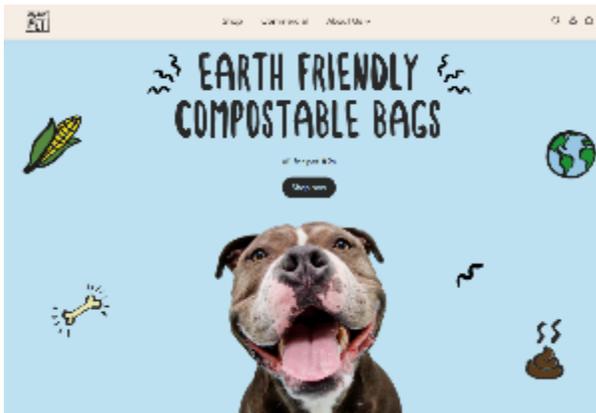
# 1H CAPACITY EXPANSION (1HFY '20 -'22)



- Commitments made to order and install new capacity, will double the ability of the business to supply certified compostable products such as compostable bin liners, dog bags, film and resin.
- The expansion in resin capacity is for internal use and to supply growing compostable resin demand to 3<sup>rd</sup> party converters who convert the compostable resin to compostable bags and other end products.
- With the installation of new capacity SECOS Group will be one of the largest Australian-head quartered producers of compostable products.

# SECOS – BRAND and DIGITAL ASSET INVESTMENT

## Digital Assets



MyEcoPet.com.au - Aust.  
MyEcoPet.com - USA



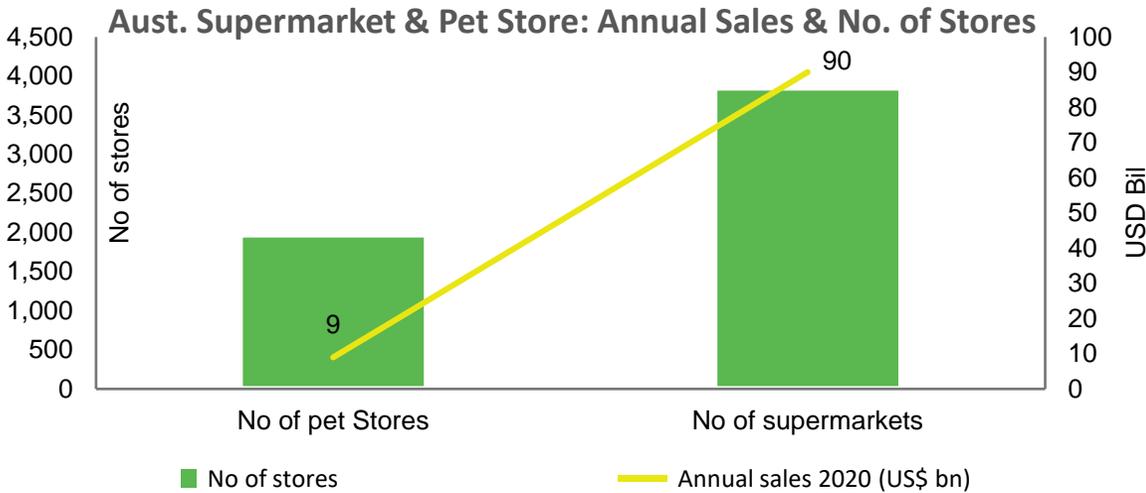
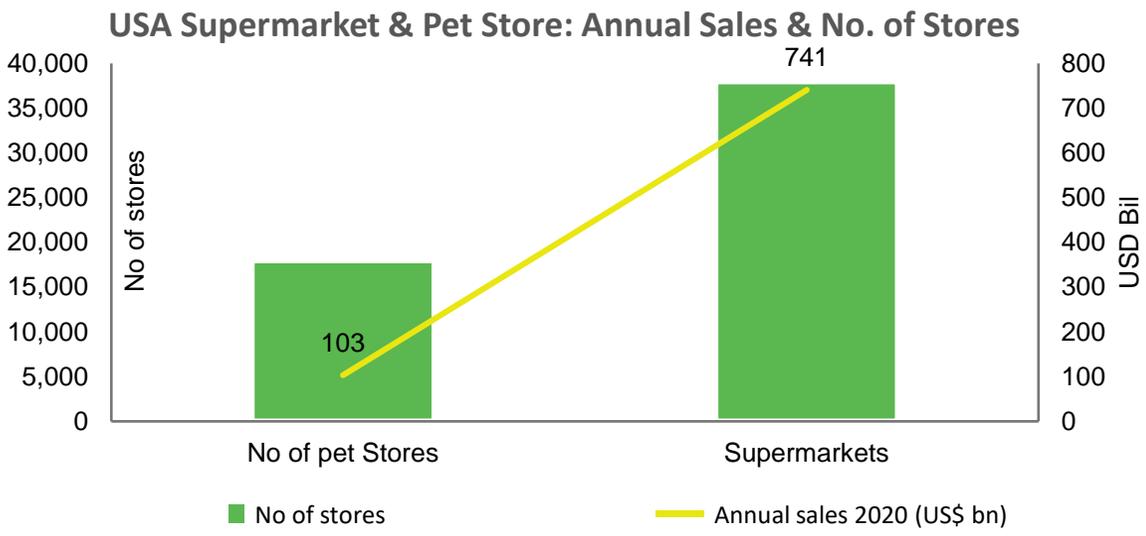
MyEcoBag.com.au – Australia | MyEcoWorld.com - USA

E-commerce sales	Retail Stores
<ul style="list-style-type: none"> <li>• MyEcoPet® sites in USA &amp; Aust.</li> <li>• Amazon USA</li> <li>• Chewy USA</li> <li>• Kroger USA</li> </ul>	<ul style="list-style-type: none"> <li>• Veterans Canteen</li> <li>• (Costco – OEM brand)</li> <li>• Pacchini</li> </ul> <p>More to be announced shortly</p>
<ul style="list-style-type: none"> <li>• MyEcoBag® site in Aust.</li> <li>• MyEcoWorld® in the USA, the site is established; launch planning underway</li> </ul>	<ul style="list-style-type: none"> <li>• Woolworths</li> <li>• Pacchini</li> <li>• Officeworks</li> </ul> <p>More to be announced shortly</p>

- The planned increase in MyEco® brand and digital asset investment of \$0.218m, supported the launch of new products in Australia and the USA.
- Investment in marketing is paying back. SECOS compostable products saw the largest y on y sales growth within the entire Woolworths bin liner range. SECOS compostable products also contributed a significant amount (over 40%) to the total sales growth of the compostable bin liner segment being contributed by MyEco® Brands.
- MyEcoPet® launch in the USA, with further retail store sales anticipated. Investment in headcount and capability to support USA based marketing and sales capability also increased vs PCP of \$0.1m.
- Launch of Compostable Courier Bags with Officeworks.

# SIGNIFICANT RETAIL OPPORTUNITY

Rapid penetration of US and Australian supermarket and pet retail markets with significant scope to grow



- Scale of USA supermarkets and pet chains are ~8-10 times Australia in terms of store numbers and total revenue
- Increasing interest from general retailers to expand their presence in the Pet Sector and Compostable Bin Liners for organic waste diversion
- MyEcoPet® brand well-received, early orders have started with VCS and we are in discussion with other retailers
- MyEcoBag® brand well-received with expanding sales in Woolworths and Pacchini, Officeworks and a range of digital assets - MyEco® and others



# ACTIONS TAKEN TO MITIGATE COVID-19

The rebound in demand following the initial impact of COVID-19 has seen freight capacity to be tight as indicated by the Ocean Demand and Capacity Index. As such freight costs rose from 5.2% of sales to 9.4% of sales during the period. To mitigate the impact of freight on the business:

- SECOS instituted a range of price increases with its main customers during the period with additional price increases. Delays in the phasing of these increases saw a minor reduction in the margin of 1.5 points for the half-year on PCP. Margin is expected to improve as freight costs normalise and as price increases are felt through the value chain.
- To address freight and logistical delays, SECOS built a strong inventory position increased stock holding from \$3.7 million in December 2020 to \$8.7 million in December 2021.
- SECOS work-safe protocols managed surges and temporary shutdowns during two years of pandemic without adverse impact on the business.

# INTEGRATION CONTINUES TO SERVE SECOS GROUP WELL

Fully vertically integrated production capacity from raw materials to finished product

Cardia Biopolymer Resin

Cardia Biopolymer Resin

Cardia Biopolymer Resin

Cardia Biopolymer Resin



**B2B**

Sold to converters

**B2B**

Sold to converters such as Hygiene and Femcare manufacturers

**B2B**

Sold to directly to retailers under Cardia or retail brands

**B2B**

Sold directly to retailers and direct under MyEcoBag® or MyEcoWorld®

*At each stage SECOS can sell globally to converters or use internally to create and sell end product, either resin film or bags*

# SECOS: UNIQUE COMPETITIVE ADVANTAGES

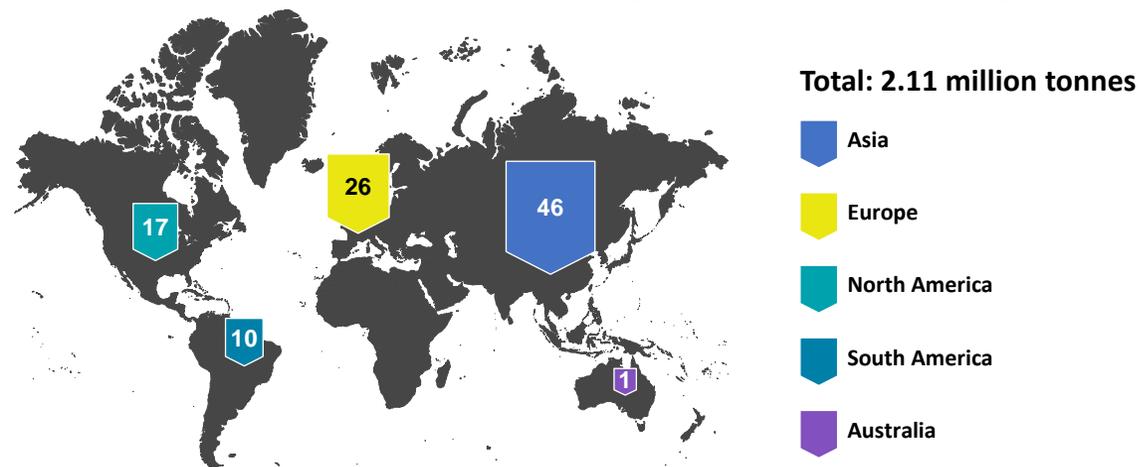


- 1 Asset location relative to large scale raw material supplies**
- 2 IP – both patents and increasing knowhow around thermoplastic starch based formulations, bio-product film and bag production skill sets**
- 3 R & D competencies focusing on new bio-resin formulations and high-end multi-layer bio-based co-ex structures and film barrier properties**
- 4 Integration across the bio-product value chain**
- 5 Development of own-brand sales in fast growing consumer markets around the world**
- 6 Market reach to over 20 countries**

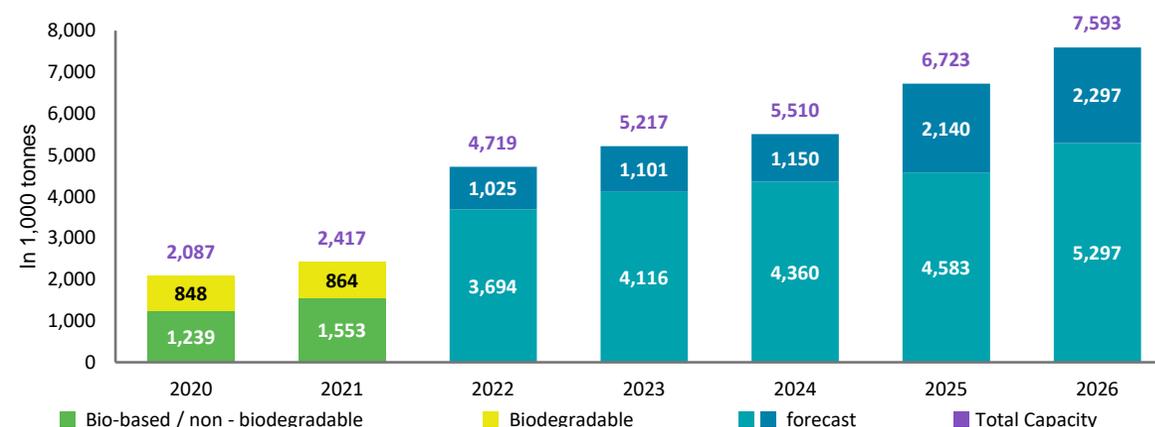
# COMPETITIVE ADVANTAGE – STRATEGIC ASSET LOCATIONS

- SECOS has access to multiple, fast growing suppliers of raw materials, which enables competitive pricing and consequent margin enhancement over time
- SECOS assets and production plants are located primarily in Asia – the source of 46% of global bio-based production in 2020
- Asia’s share of bio-based production is expected to increase to 56% with significant precursor expansion planned in the region to 2026

Global production capacities of bioplastic in 2020 (by region)



Global production capacities of bioplastic



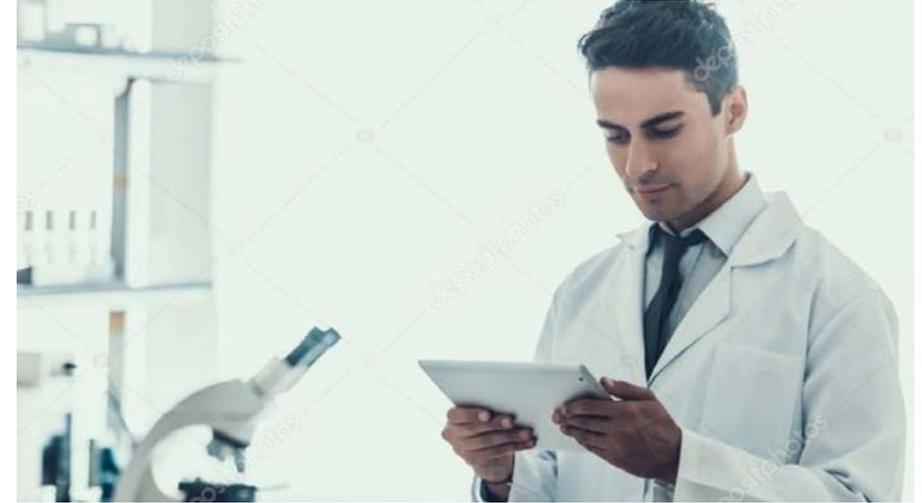
# COMPETITIVE ADVANTAGE - IP

- IP and knowhow - SECOS has 11 patent families
  - Patents cover multi-layer film structure and thermoplastic starch-based resin formulations
- SECOS Group has significant formulation expertise around biopolymer resin products, film and bags
- Significant and accumulated experience around film and bag production, which can be fed directly into SECOS product development plans
- Anecdotal evidence from customers suggest SECOS resin is 'easier to run' vs competitive products



# COMPETITIVE ADVANTAGE - R&D

- In-house R&D competencies focusing on new bio-resin formulations and biofilm, biobag plus high-end multi-layer bio-based co-ex structures:
  - Qualified Material Engineers and Scientists employed in China, Malaysia and Australia to work on new resin formulation, new film applications
  - Project work underway with local universities to fast-track development of new barrier properties for bioresins and biofilms



# COMPETITIVE ADVANTAGE - INTEGRATION

Integration across the bio-product value chain: Resin -> Brands -> Consumers

## Integrated Value Chain - Cardia®



## Developing Own - Brands MyEco®



### Biobased resin production

- ▶ **Compostable resins**
  - BF 02 home compostable grade
  - BF 03 home compostable food grade
  - BF12/13 home compostable grade for greater processing stiffness and mechanical strength enhancement
- ▶ **Biohybrid resins**
  - BLF 02 non-food grade
  - BLF 03 food grade
  - 30-50 % starch inclusion with PE

### Biobased & Conventional Cast Film Production

- ▶ **Cast Film Line**
  - Biobased & traditional cast line film for medical, femcare, hygiene markets
- ▶ **Cast Film Resin formulations**
  - Traditional PE
  - Compostable film:
    - Collation film
    - Form, Fill and Seal
  - Biohybrid film

### Biobased Blown Film

- ▶ **Blown Film Line**
  - Consumer Packaging
  - Industrial Packaging
- ▶ **Flexible Packaging Products:**
  - Bin liners,
  - Courier bags
  - Dog Waste bags
  - Flow wrap
  - Outer Wraps for diaper market
  - Kitchen caddy liner for food waste diversion programs
  - Compostable netting

### MyEcoBag®

- ▶ **Own-Brand Compostable Offerings:**
  - MyEcoPet®
  - MyEcoBag®
  - MyEcoWorld®

### MyEcoPet®

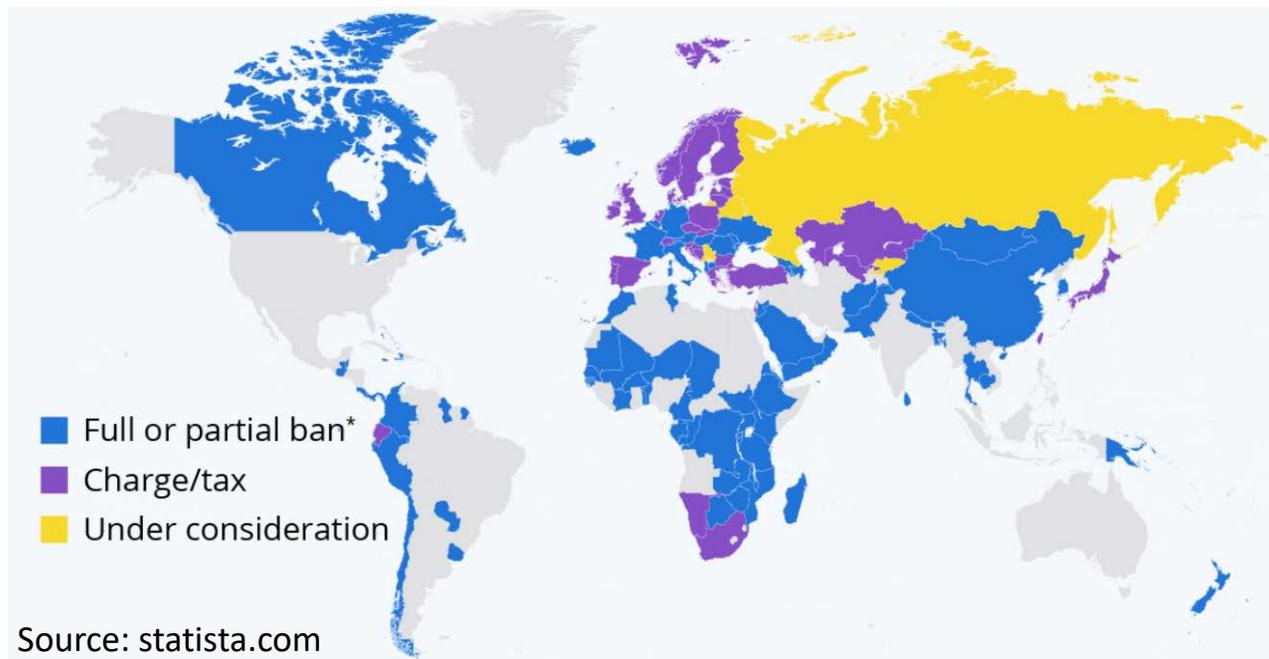
- ▶ **Own-Brand Range consists of:**
  - Pet waste bags
  - Bin Liners
  - Food diversion bags
  - Produce bags
  - Carry bags

# REGULATORY and MARKET DRIVERS

Multiple forces are disrupting the global market for conventional plastics

## The Countries Banning Plastic Bags

National-level regulation to ban/limit the use of plastic bags (2021)



### Regulatory driver to disruption of conventional plastic demand:

~130 countries have regulated the use of single use conventional plastics, which brings bio-products into the frame as a substitute to conventional plastics

### Market driven disruption:

- Brands looking for a way out of conventional plastic
- Governments and NGOs adopting recycle and new material options
- Australia – national plastics plan => 70% of plastic packaging needs to be compostable
- Europe driving towards renewable bioplastic adoption
- California-USA, announces from 1st Jan 2022, plans to compost all organic waste, which currently accounts for 56% of total land fill. This will encourage compostable packaging and film use

# FORWARD-LOOKING STATEMENTS DISCLAIMER

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

- estimates of future earnings;
- estimates of future production and sales;
- estimates of future cash costs;
- estimates of future cash flows;
- statements regarding future debt repayments; and
- estimates of future capital expenditures.

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