

SECOS
GROUP



Changing the World of Packaging

Investor Presentation

April 2019

(ASX: SES)



Agenda

Company Overview and Business Highlights

Recent Achievements

Market Growth Drivers

Financial Performance

Strategy and Outlook

Company overview

A leading global producer of eco-friendly bioplastics from its patented bio-based resin technology

SECOS is Australia's leading provider of renewable biopolymer resin film and bags

Biopolymer
(Compostable & BioHybrid™)
Resin

Biopolymer & Traditional
Film & Bags

Snapshot

- \$10.3 million revenue in H1 FY19
- Gross Profit \$1.4m (before abnormal) 13.5% margin
- 80% growth in Biopolymers sales vs H1 FY18 with new plant start-up
- Production plants in Malaysia (2) and China (1)
- Sales offices in Melbourne, Malaysia, China and USA servicing 14 Countries worldwide
- Large and growing global market opportunity
- Market cap of \$12.1m at 4.0 c/share
- Top 20 hold 60.5% of issued capital
- Management and staff own 25.6% of company

Board – Expanded & Strengthened



Ian Stacey
Chief Executive Officer

- Joined SECOS in **Oct. 2018**; brings 15 years polymer experience, and significant turnaround experience.
- Previously CEO of Australian of Hoechst SA & TOTAL Petrochemicals subsidiaries.
- GM of TOTAL Polystyrene Asia, based in China.



Donald Haller Jr
Non-Executive Director

- Joined Board in Sep-2016
- Former partner of Ernst & Young USA



Richard Tegoni
Executive Chairman

- Joined Board in Dec-2012
- Chairman since Oct-2013
- Executive positions with various organizations including Optus



David Wake
Non-Executive Director

- Joined Board in **Jul-2018**
- Former Vice President Finance of ICI
- Former CFO of Securrency



Stephen Walters
Executive Director

- 30+ years plastics and packaging experience including executive position with Orica
- Successfully transformed Stellar Film out of Orica and later merged with Secos



Jim Walsh
Non-Executive Director

- Joined Board in **Nov-2018**
- Chairman of GMHBA Ltd
- Non-Executive Director of AG Coombs Group Pty Ltd
- Chairman Placer Property Ltd

Company Overview - Products

SECOS produces:

Compostable/BioHybrid™
Biopolymer resin



Traditional
Polyolefin resin



Blown Film
and Bags



Cast Film using
Traditional Polyolefin



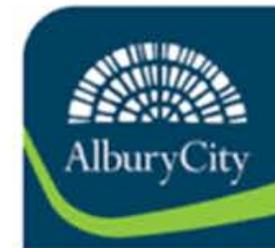
Customers and End users include:

Rigid & flexible Resin for
convertors

Waste Bags for Councils, Waste
Management Companies, Corporate Offices,
Property Managers & Retail Outlets

Film for hygiene &
medical applications

Blue-chip Global Customer Base in Environmental Plastics



\$21M REVENUE*
150 STAFF GLOBALLY



STRONG IP AROUND
FORMULATION &
PRODUCTION OF
STARCH-BASED
BIOPOLYMERS



80% GROWTH VS. H1
FY18 IN BIOPOLYMER
SALES



NEW APPLICATIONS
GAINING TRACTION
WITH SIGNIFICANT
UNTAPPED MARKET
POTENTIAL

MANUFACTURES
POLYMER FILM &
RENEWABLE
BIOPOLYMER RESIN,
FILM & BAGS



MALAYSIA: 2 PLANTS
CHINA: 1 PLANT



12 YEARS SUPPLYING
FILM, BAGS AND RESIN
TO VARIOUS MARKETS



3 SALES OFFICES;
SERVICING 14
COUNTRIES

Recent Achievements

- 80% growth in Biopolymer sales in H1 FY19 vs prior year, with plant start up
- Sale and Lease Back of Malaysian Cast Film plant frees up \$3.5m
- Unlocked capital previously tied up in fixed assets is supporting sales growth
- Closure of Australian cast film operations to reduce costs by \$1.0m p.a.
- Debt reduced from \$6.8m in June-18 to \$2.6m in Mar-19
- Appointment of new Board Members & CEO Ian Stacey with significant turnaround experience
- New growth Strategy with higher margin applications & customer segments identified

Recent Achievements

Reduced cost of operations

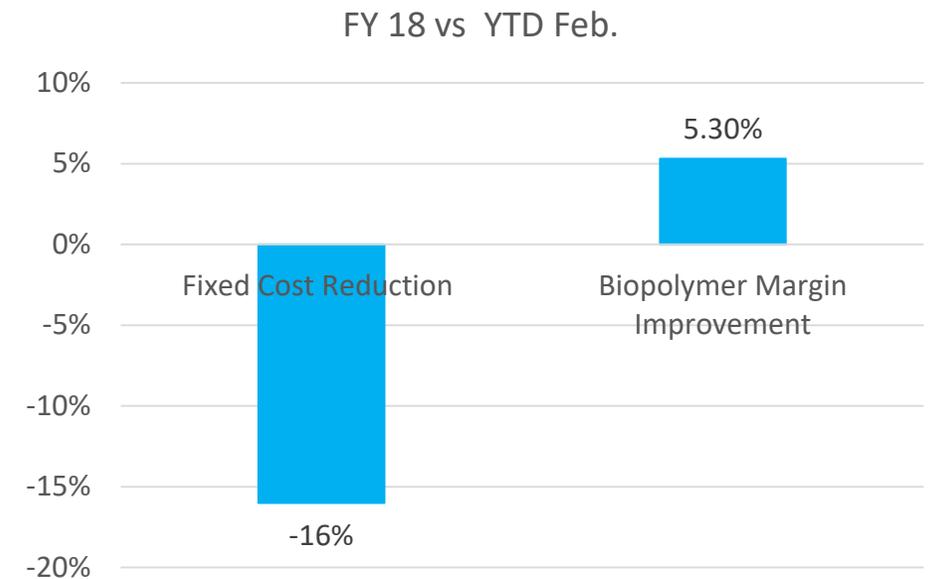
- Reduced Year on Year Fixed costs by 16%

Improved Biopolymer margins

- Drive to increase contribution margin on sales of SECOS biopolymer (bags & film) improved from FY 2017/18 to FY2018/19 YTD Feb 2019 by 5%.

Positive Biopolymer Sales Trend Continues

- 40% to 50% Year on Year growth projected



Market Drivers

Significant upside in the Biopolymer market given the global shift to renewables

Changing views towards traditional plastics driven by graphic evidence of plastic build-up in the sea and on land with growing awareness that it does not degrade

Adverse reaction by public to plastics created by

- 32% of plastic packaging* ends up as unsightly waste in our marine & land environment
- 40% of plastic packaging* ends up in Council/City land-fill
- only a small portion is recycled
- concerns over use of non-renewables & desire to lower carbon output

Accelerating Regulatory change in Countries, States & Towns

- Banning of single use plastics
- Evolution of compostable waste policies (compostable bags going to organic waste bins)

*Ellen MacArthur Foundation

Market Drivers

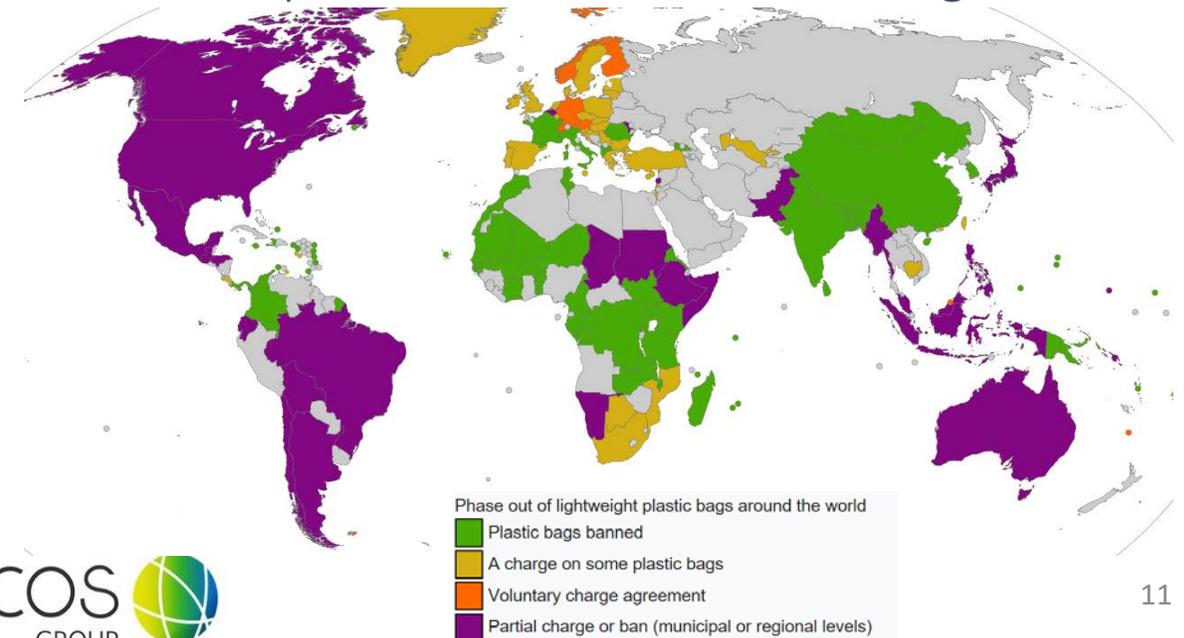
Sustainability Policies on plastic bans & recycling being introduced globally

The use of recycled oil-based plastic waste is often not possible in food applications as impurities and contamination in waste streams prevent recycle use. China reduction of waste imports, is challenging traditional waste systems.

Significant increase in single use food packaging anticipated in Europe, Asia and the U.S. Many Asian and European countries are acting to ban single use oil-based plastics. The U.S. has seen significant legislation across counties & municipalities.

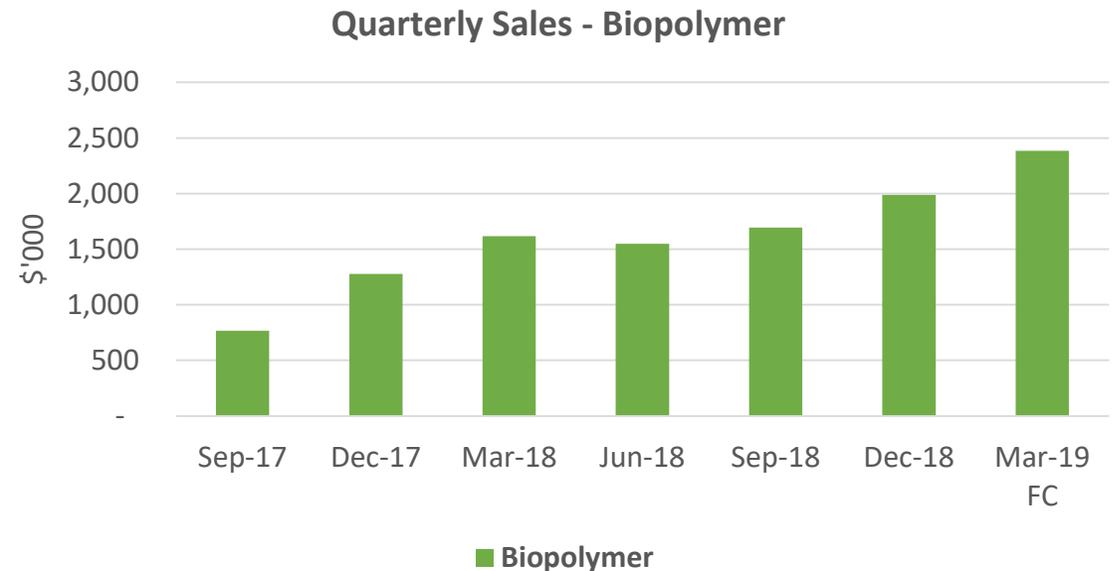
Companies & Brand managers are increasingly looking for renewable packaging solutions that enable them to meet corporate sustainability objectives.

SECOS compostable & BioHybrid™ products enable these objectives to be met.



Quarterly Sales Development

Strong Biopolymer sales growth supported by improving margins



* Excludes traditional polymer sales of Stellar Films Australia

SECOS Growth Strategy

Focus sales growth on high-margin applications in Biopolymer resin, film & bags

- Targeted sales growth of Biopolymer film & bags direct to Brand, Pet Shop Distributors, Counties, Councils, Waste Companies & hygiene film customers
- Focus on Biohybrid & Compostable sales to large Corporates looking to meet 'Sustainability Targets' around renewables

Grow through partnering with industry participants:

- Geographic Partners: expand geographic reach via new distributors
- Application Partnerships: co-develop high-margin applications with 'Brands' & film converters
- Technical Partnerships:
 - SECOS has global rights to develop Minifab technology to create breathable traditional & biopolymer films for Hygiene & Medical markets
 - SECOS will look to partner on the development of new multi-layer co-extrusion formulations incorporating Compostable & Biohybrid products.
- Expand channels to market with launch of B2B E-commerce portal to Pet products and 'waste bag' market

Expand Sales into High-Margin Applications

- Sales growth strategy is focussed on 9 high-margin applications for Compostable & BioHybrid biopolymer products, which can drive sales over the next 6-12 months.
- Opportunity to double existing product gross profit margins
- Opportunities include:
 - Expand high-margin film & bag making capacity at our China facility by ~20% in order to capture additional Pet Store, Council & direct to customer Bag sales
 - Leverage the rollout of waste programs in the US, Australia and other countries by pursuing compostable bag sales to governments, councils, the retail sector & large corporates looking to meet sustainability goals
 - Move to full utilisation of Malaysian resin production
 - Optimise Malaysian Film production to supply new Hygiene customers & develop sales of compostable cast-film for hygiene & medical applications

New Biopolymer Applications & Markets

SECOS is aggressively pursuing a wide range of attractive new applications and markets for Biopolymers.

These opportunities include:

- Significant market sizes;
- Global markets; and
- High margin segments.

| Short Term - (6-12 months) | Market Size | Geographic Opportunity | Progress |
|--|-------------|------------------------|---|
| High speed digester & organic waste bags | Emerging | USA., Aus. |  |
| Compostable cast film | Significant | Global |  |
| Food Application | Significant | Global |  |
| Packaging application | Significant | Global |  |
| Adhesive lamination | Emerging | Global |  |
| Cargo packaging | Significant | Global |  |
| Bio-Hybrid cast film | Emerging | Global |  |
| Corporation & retail bags | Significant | USA, India, Aus. | |
| Long Term - (12-18 months) | Market Size | Geographic Opportunity | Progress |
| New co-extrusion products | Significant | Global | |
| High Renewable Content | Significant | Global | |
| Agriculture Application | Significant | Global | |
| Compostable Breathable Film | Significant | Global | |

SECOS – Growth through Partnering

- Strong interest from multiple major market participants are looking for new opportunities, applications and partnerships within the Biopolymer space.
- Significant opportunities for SECOS to leverage its capabilities in Biopolymers through partnerships & supply opportunities with larger players in the traditional plastics sectors.

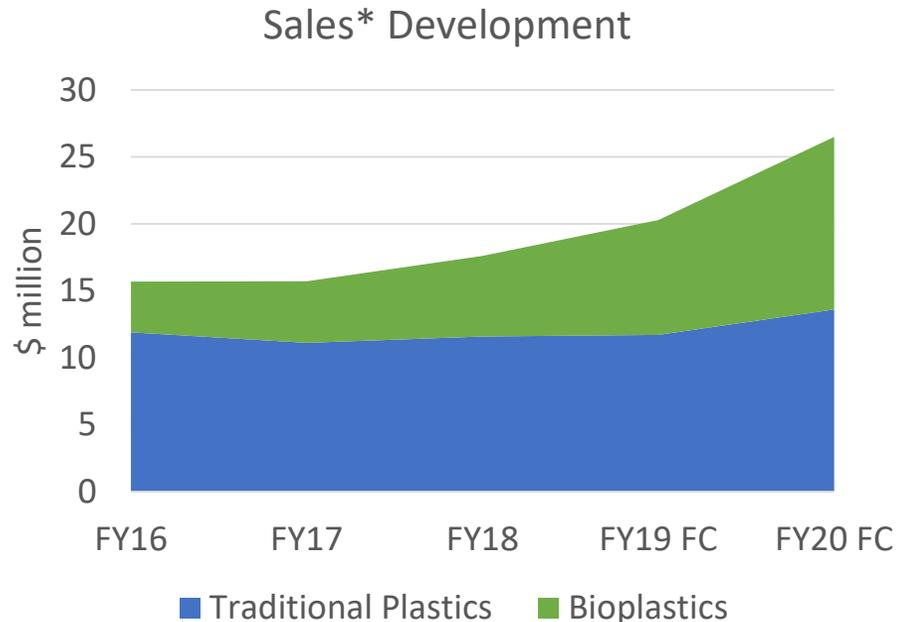
- ▼ E-commerce Launch of Compostable Bags via USA Property Partnership
- ▼ Appointed distribution partner to increase sales to USA Corporates & 'High Speed Digester market
- ▼ Technical partnership around new Breathable Hygiene technology
- ▼ Partnerships to extend Geographic Reach (IN, SL, Bangl., JP, UK, Thai., S.Africa & Mex.) Production Partnership around compounding under consideration
- ▼ Production Partnership around compounding under review



Deliverables in H2 FY19

- Relentless focus on further margin improvement and volume growth in Compostable Resins & Bags
- Better asset utilization and fixed cost recovery as new Malaysian Biopolymer Plant reaches full utilization in H1 FY20
- Increase sales of high-margin compostable resin applications with multiple trials in progress with multinational target customers, moving through qualification, initial purchases leading to commercial volumes.
- Further growth in Council & Waste (Pet & General) business in Australia
- Launch of US based B2B web portal targeting suppliers to the US Pet industry.
- Announcements expected in relation to partnerships in waste management, property management and new application development
- Continue to reduce cash outflows via corporate cost reductions

50% p.a. Growth in Biopolymers Sales



* Excludes Stellar Australia sales

- Strategically positioned as a global supplier of biopolymer resin and finished products
- SECOS is benefitting from **increasing global demand for sustainable plastics**
- Higher-margin biopolymer sales are expected to **grow at 40% to 50% p.a. to FY20.**
- Revenue reduction from closure of uneconomic Australian traditional film plant in FY19 is expected to be recovered rapidly
- New resin plant in Malaysia & investment in film lines in China provides capacity for growth/margin enhancement
- SECOS is developing new applications for biopolymer resin
- Development of micro-pore Breathable film (MiniFAB), is expected to lead to sales growth for both traditional and biopolymer products

Investment Highlights

- Global supplier of sustainable Biopolymers
 - Selling to 14 Countries from production in Malaysia and China
- Newly commissioned resin production in Malaysia provides capacity to drive higher margin resin sales
- Biopolymer sales to grow at 40% to 50% p.a. for next 2 years to drive sustainable and profitable growth
- Strong Intellectual Property in renewable compostable resin, film & bag production.
- Moving to higher margin applications; margin improved FY 18 -> YTD Feb. 19 by 5.3%
- Full integration from resin to film to bags makes SECOS cost competitive & enhances margins
- Experience in traditional cast film hygiene market is facilitating opportunities for use of compostable and BioHybrid™ cast films in lucrative hygiene applications
- Significant opportunities for SECOS BioHybrid™ technology in the food packaging industry

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- (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.

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