

## ASX RELEASE

12 November 2020

# Business Update

## Highlights

- December quarter sales expected to be in the range between \$7.3 to \$7.8 million (*subject to final shipping schedules*) compared to September quarter sales of \$5.8 million, an increase of 26% over previous quarter and 35% over the December quarter last year.
- SECOS successfully wins tender contract for existing customer, Penrith City Council valued at over \$3 million over the next three years plus additional contract extensions totaling \$2 million over a two-year period.
- Lucky Dog compostable pet bag orders commenced delivery in the current quarter as announced on 10<sup>th</sup> August 2020. Jewett-Cameron Corporation (USA) expected to exceed the minimum contracted amount of \$3.0 million per annum.
- SECOS has committed to the purchase and installation of an additional compostable resin manufacturing line in its Malaysian plant in response to growing resin sales into the Americas and Australasia.
- SECOS develops new compostable bioresin grade which is more suited to replace conventional plastic carry bags which are commonly sold or given away by supermarkets.
- Initial sales of newly developed compostable Cast-Film Magazine Wrap secured with formulation work continuing to expand Cast-Film applications to compostable hygiene film commonly used for diaper and FemCare applications

Sustainable and eco-friendly bioplastics developer SECOS Group Limited (ASX:SES “the Company”) is pleased to advise that it expects the Company’s current quarter sales performance to improve materially with an expectation that sales will exceed \$7.3 million (*subject to final shipping schedules*) compared to a first quarter sales result of \$5.8 million which was already 19% higher on a year on year basis.

## Sales Growth

September quarter sales (unaudited) were up 19% on the June quarter. Biopolymer sales in September quarter were up 75.8% compared with the September 2019 quarter delivering the strongest quarterly Biopolymer sales in the Company’s history. Biopolymer sales for the current quarter are expected to increase in the range of 35% over the similar prior year quarter.

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Biopolymer sales represented 57.5% of total sales in the September 2020 quarter. We anticipate the compostable mix as a percentage of sales to increase further in December 2020 quarter as demand for proprietary Cardia™ Biopolymer resin, film and bags continues to grow with increased awareness of compostable plastics as an effective alternative to conventional plastic. SECOS Group has \$8 million of sales orders on hand for December 2020 quarter and expects to invoice deliveries of \$7.3 - 7.8 million for the quarter. This would deliver a record sales month and further supports the Company's optimism for its sales pipeline and trajectory going forward.

## Food Organic Garden Organic Programs (FOGO)

Complementing the abovementioned growth, SECOS also sees market dynamics around Organic Treatment Programs creating further opportunities for growth in Compostable demand. FOGO programs, typically run by local councils, often provide for the use of compostable biopolymer bags to be used to dispose of commercial and household organic food waste in conventional compostable garden waste bins, significantly reducing the cost and environmental impact of that waste going to landfill.

A Rabobank report<sup>1</sup> calculated that Australians waste around \$10.1 billion worth of food a year and that householders contribute 34% of food waste nationally. The same report states that Australia is the fourth highest food waster in the world. It is these metrics and the consequent cost of landfill that is driving Council adoption of FOGO programs. SECOS Group calculates that there are now over 120 councils in Australia committed to FOGO programs, which amounts to ~ 20% growth over the last 2 years

## Operating Highlights

The Group has been focused on expanding production capacity during the past few months and will continue to do so to meet increasing customer orders and market demand.

Proceeds from the Company's recent \$15 million equity placement has facilitated the investment in new manufacturing assets and working capital to support strong orders. Additional capex investment has been made in film and bag lines for Council food and organic waste bags and dog waste bags during the quarter.

The Company has recently committed to expanding SECOS resin making capacity in response to strong sales demand in Q1 FY21, as announced on 23 September 2020 (ASX announcement "SECOS Distribution Partner Delivers \$1.5m New Resin Orders"), and due to an increased order pipeline in compostable dog waste and council bag sales.

Fixed operating costs were well contained with a portion of the savings from staff and administration costs redeployed into marketing investments to support SECOS' entry into retail store sales as well as its own branded line of MyEcoPet and MyEcoBag products.

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<sup>1</sup> <https://www.rabobank.com.au/media-releases/2019/191126-aussies-annual-food-waste-bill-hits-ten-point-1-billion/>

## Outlook

SECOS is experiencing strong underlying global demand in its core segments including local council bag tenders, pet waste bag retailers and compostable hygiene biofilms used in the manufacture of products such as compostable diapers and FemCare products. SECOS is also experiencing growing demand for its wide range of bio-resins used in an expanding list of environmentally friendly packaging applications.

The progress that the Company made to achieve positive results in the second half of last financial year is expected to continue into FY21. Although Covid-19 restrictions have affected some of our customers in certain geographical regions and consequently delayed shipments, the Group has experienced substantially greater sales volume than in the previous quarter and that of September quarter last year.

SECOS CEO Ian Stacey said “we remain on track to meet or exceed our internal sales targets and are actively expanding capacity to supply current sales commitments and to cater for additional growth opportunities that we see. I am glad to say we have an experienced operational team around the world who are working hard to meet the evolving needs of our customers. I thank them for their contributions to our results and for the support of the Board who are all working on delivering on our promise to grow at a pace which continues to exceed bioplastic industry averages.

This announcement was authorized for release by the Board of SECOS Group Limited.

### **For more information, please contact:**

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## About SECOS Group Limited

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SECOS Group Limited (ASX: SES) is a leading developer and manufacturer of sustainable packaging materials. SECOS supplies its proprietary biodegradable and compostable resins, packaging products and high-quality cast films to a blue-chip global customer base. SECOS Group is integrated from resin production, into film (cast and blown) production and can develop bespoke compostable solutions for a range of applications.

SECOS holds a strong patent portfolio and the global trend toward sustainable packaging is fueling the Company's growth.

The Company's headquarters and Global Application Development Centre are based in Melbourne, Australia. SECOS has a Product Development Centre and manufacturing plant for resins and finished products in China and resins plant in Malaysia. The Company also has manufacturing plants for high quality cast films in Malaysia.

SECOS has sales offices in Australia, Malaysia, China, and USA, with a network of leading distributors across North Americas, Mexico and Latin Americas, Europe, Asia, the Middle East, Africa, and India.

## Disclaimer and Explanatory Notes Forward Looking Statements

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This document may include forward looking statements. Forward looking statements include, but are not necessarily limited to, statements concerning SECOS' planned operational program and other statements that are not historic facts. When used in this document, the words such as "could", "plan", "budget", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward looking statements. Although SECOS believes its expectations reflected in these are reasonable, such statements involve risks and uncertainties, including but not limited to risks and uncertainties relating to impacts that may arise from Covid-19, and no assurance can be given that actual results will be consistent with these forward-looking statements. SECOS confirms that it is not aware of any new information or data that materially affects the information included in this announcement and that all material assumptions and technical parameters underpinning this announcement continue to apply and have not materially changed.

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