

ASX RELEASE

25 January 2024

Quarterly Activities and Appendix 4C – December 2023

The Board of sustainable Biopolymer producer SECOS Group Limited (ASX: SES, “SECOS” or “the Company”) presents its Quarterly Activities Report and Appendix 4C Quarterly Cash Flow Statement for the December 2023 quarter. All figures are in A\$ and are provided on an unaudited basis.

Financial Summary

- Q2 FY24 sales of \$3.4 million were down 23.6% on Q1 FY24 and down 39.3% on the prior corresponding period (PCP) of which 94.8% and 79.2% of the respective decreases were due to reduced sales relating to the Company’s exit from its traditional plastic business. Q2 FY24 biopolymer sales were down 1.7% on Q1 FY24 and down 13.0% on PCP
- 15.6% growth in MyEco™ brand sales in major Australian retailers and independent distributors in Q2 FY24 versus Q1 FY24 and up 0.5% on PCP.
- Council and waste management sales in Q2 FY24 were up by 18.3% on PCP and up 0.7% on Q1 FY24 with further growth expected in the second half of FY24
- Net operating cash flows of -\$0.4 million for Q2 FY24
- Closing cash of \$7.4 million with no debt.

Operational Highlights

- Finalised the assets sale of traditional plastic business to Advent Packaging Sdn Bhd (Advent) in December 2023 with production ceasing in October 2023.
- Successful in a joint Industry-University bid to secure new matched research and development (R&D) funding from the Australian Federal Government which supports the establishment of a new Cooperative Research Centre (“CRC”) program aimed at solving the plastic waste problem (“Solving Plastic Waste CRC”). SECOS’ allocation of funding from this CRC will enable the Company to accelerate its product development program and partner with RMIT and researchers to develop new compostable formulations which replace conventional plastic. SECOS may utilise compostable ingredients from another CRC industry participant, the Minderoo Foundation, an Australian independent philanthropic organisation, which is developing a viable PHA process for production in Australia. To secure funding, CRC partners will need to execute the Commonwealth CRC Agreement, Partners Agreements, and Project Agreements by 1 July 2024 with project funding commencing from then.
- MyEcoBag® range achieved 26% market share in compostable bin liner and kitchen caddy sales in 850 Coles stores¹ since the launch in November 2022.
- MyEcoBag® has maintained its position as the number one brand for compostable bin liner and kitchen caddy sales in 970 Woolworths stores², representing 43% of sales in this category.
- SECOS’s brands are the first in Australia to be certified to meet Textile Exchange's Recycled Content Standard and Global Recycled Standard for recycled plastic products.
- SECOS awarded and upgraded to silver EcoVadis after another successful sustainability audit which now rates the Company in the top 15% of sustainability companies worldwide



¹ IRI Scan Data between 12/11/22 to 9/01/24

² Quantum Scan Data between 18/01/23 to 16/01/24

For personal use only

Cash Flows

Net operating cash inflows were negative \$0.4 million for the quarter. Cash receipts from customers in Q2 FY24 were \$4.7 million, down from \$5.0 million in Q1 FY24, impacted by the exit from low margin traditional plastic sales. Cash payments to suppliers/employees in Q2 FY24 were \$5.1 million, up slightly from \$5.0 million in Q1 FY24.

Capital expenditure of \$0.2 million was invested during Q2 FY24 to continue expanding the newly established Malaysian biopolymer film and bag plant and for new equipment for the Company's Research and Development Centre.

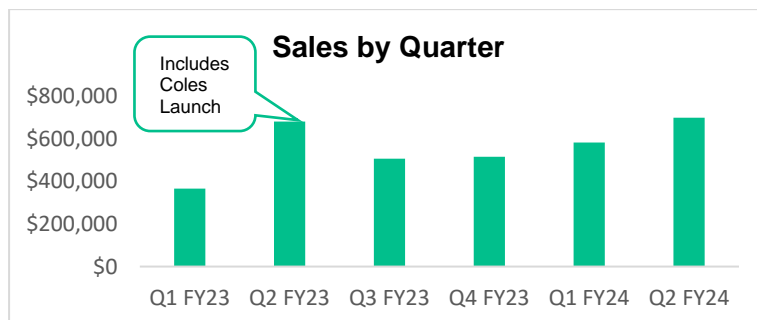
Pursuant to ASX Listing Rule 4.7C, as noted in Section 6.1 of the Company's Appendix 4C Cashflow Statement, payments made to related parties and their associates totals \$167,521 for Q2 FY24 relating to Directors' remuneration and fees.

Sales Development

Compostable Bags

MyEco™ branded products (Australia)

Sales of the Company's MyEco™ branded products (Australia) which comprise Woolworths, Coles and Independent Distributors were up 15.6% on Q1 FY24 and 0.5% on PCP. The MyEco™ branded products remain a key part of the Company's growth strategy and will be driven through increases in the number of products/SKUs and increased retailers/stores, together with the organic growth of existing products in stores. The growth in MyEcoBag™ sales via major retailers within Australia is highlighted in the below graph and shows the ongoing success of our range over the last six consecutive quarters including the initial launch of MyEcoBag™ into Coles during Q2 FY23.



MyEco™ branded products (USA and Canada)

There were no sales in MyEco™ branded products during Q2 FY24 to Jewett Cameron Company (JCC) however the stock sold to JCC for their initial launch to retail stores in Q4 FY23 have almost been depleted and new orders have now been received. JCC is the exclusive distributor and strategic partner in USA and Canada and continues to develop the market for MyEco™ branded products in this region. They have recently onboarded major USA retailers to expand our distribution footprint. The MyEco™ branded products in major online retailers such as Amazon and Costco have been successfully launched and are starting to realise initial sales. Despite falling short of the annual sales target, SECOS and JCC have agreed to renew the existing exclusive sales agreement under the same terms reflecting the significant work over the last twelve months to establish a meaningful presence in the region. Both companies believe this positions us well for sales growth over the coming 12 months.

Council and Waste Management

Council and waste management sales in Q2 FY24 were up by 18.3% on PCP and up 0.7% on Q1 FY24. Sales are still expected to grow in the current financial year compared to FY23 based on the current FOGO orders and contracts in place. The roll-out of FOGO programs to householders remains a key focus for councils to divert food scrap to organic composting programs in line with related regulations in effect or to be in effect.

Compostable Resin

Compostable resin sales in Q2 FY24 were down 17.9% on Q1 FY24 and down 26.5% on PCP. Resin sales during Q2 FY24 continue to be impacted by the unwinding of excess inventory from some LATAM customers. SECOS continues to develop new resin grades aimed at meeting the differing sustainability needs in markets globally, including a lower cost resin and resins specifically designed for food packaging and magazine wrapping. The company is working to add additional global distributors in the Middle East, the UK and Europe.

Compostable and Sustainable Film

Compostable and sustainable film sales currently represent a relatively small component of the Biopolymer business (\$0.2 million for Q2 FY24) and in Q2 FY24 were up 25.2% on Q1 FY24 and down 40.2% on PCP. High-speed compostable film products remain a strategic focus for the company as they offer opportunities to enter the growing sustainable pallet and magazine wrap markets. The Company is working to develop a distribution channel to support the sale of our compostable and sustainable film products in major markets.

Traditional Plastic

The Company exited from the traditional plastic business in Q2 FY24 with final sales of \$0.3 million. SECOS is now exclusively a sustainable products and solutions business in line with its strategy to be a world leader in this area. The recent award of silver EcoVadis status supports our improved sustainability credentials and will position the Company well to compete for business where authorities are increasingly cracking down on companies that engage in greenwashing and where consumers are looking for brands that they can trust when choosing environmentally preferred products.

Outlook

SECOS achieved growth of 15.6% in MyEco™ retail brand sales in major retailers and independent distributors in Q2 FY24 sales versus PCP and we continue to pursue growth in this category. Growth in sales to local Councils is expected to continue in the current financial year as Councils continue to introduce FOGO programs and householders adopt food scrap diversion to organic composting programs.

SECOS being a partner of the Solving Plastic Waste CRC program, which aims to bring together business, industry, and government to tackle some of the most difficult challenges in reaching net zero plastics by 2050, is expected to provide SECOS with opportunities. The Solving Plastic Waste CRC will tackle new products, processes and activities aimed at reducing conventional plastic waste as well as addressing micro-plastic pollution. SECOS CEO, Mr Richard Tegoni said “we are very proud to be part of the distinguished team that was successful in its bid to receive Government funding under the Cooperative Research Australia’s program to establish the Solving Plastic Waste CRC. Our contribution to the CRC program will complement our Research and Development Centre’s existing development activities for new compostable compound formulations and compostable film applications. The SECOS R&D team will also have the opportunity to work alongside experts within Australia’s best Universities and industry stakeholders.

The completion of the divestment of SECOS’ traditional plastic business enables the Company to focus on compostable resin development, with a growing range of products being produced via a combination of outsourcing and in-house manufacturing. The strong retail brand of MyEcoWorld™ positions the Company well to source highly competitive large-scale converters to manufacture a new and expanding range of compostable and sustainable products, rather than investing in manufacturing conversion assets to fulfil demand.

Gross margin is continuing its upward trend as the Company has exited low margin traditional sales and freight rates and material costs have reverted to pre-pandemic levels.

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

For more information, please contact:

Richard Tegoni

CEO and Executive Director

+61 411 110 901

r.tegoni@secosgroup.com.au

For personal use only

About SECOS Group Limited

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 fuelling 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 a resins plant in Malaysia. The Company also produces 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

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.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

SECOS GROUP LIMITED

ABN

89 064 755 237

Quarter ended ("current quarter")

31 December 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,683	9,722
1.2 Payments for		
(a) research and development	(75)	(155)
(b) product manufacturing and operating costs	(3,372)	(6,537)
(c) advertising and marketing	(419)	(869)
(d) leased assets		
(e) staff costs	(895)	(1,803)
(f) administration and corporate costs	(356)	(713)
1.3 Dividends received (see note 3)		
1.4 Interest received	59	59
1.5 Interest and other costs of finance paid	(41)	(89)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(416)	(385)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(172)	(329)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

For personal use only

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment	99	99
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(73)	(230)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (principal component of lease payments)	(173)	(353)
3.10	Net cash from / (used in) financing activities	(173)	(353)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	8,122	8,424
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(416)	(385)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(73)	(230)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(173)	(353)
4.5	Effect of movement in exchange rates on cash held	(15)	(11)
4.6	Cash and cash equivalents at end of period	7,445	7,445

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	7,445	8,122
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,445	8,122

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	168
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities		
7.5	Unused financing facilities available at quarter end		
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(416)
8.2	Cash and cash equivalents at quarter end (item 4.6)	7,445
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	7,445
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	17.9
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 25 January 2024

Authorised by: **By the board**

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.