

## SECOS Group Ltd (SES.AX)

Current share price A\$0.09 (Market Cap A\$15m)

### Eco-friendly, sustainable packaging manufacturer with A\$21m revenue in FY16

April 5<sup>th</sup> 2017

Rating: **N/A**  
Target Price: **N/A**

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SECOS Group Ltd (SES.AX) is an Australian based eco-friendly, sustainable packaging manufacturer, who supplies biodegradable resins, cast films and packaging products to customers. The company provides alternatives to plastic bags and other packaging products which can be harmful to the environment. It has three manufacturing hubs (Melbourne, Malaysia and China).

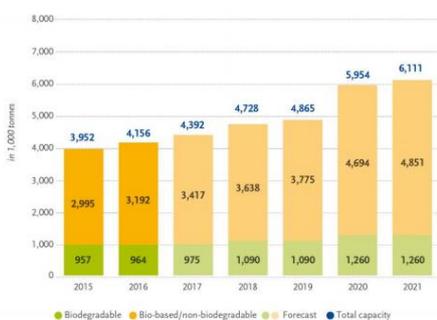
SES's patent protected intellectual property is its biodegradable resins which it can sell directly to packaging companies, or use to produce final products itself (such as waste bags) then sell to retail outlets.

The company provides the following products:

- **Films & Packaging:** Cast films, thermal and adhesive laminates, food packaging, feminine hygiene, pet sheets, disposable diapers
- **Waste management:** Compostable shopping bags, bin liners, garbage bags, nappy bags, dog waste bags

Many of the company's products are 'compostable', which means they can be thrown directly into compost/green waste bins. This differs from plastic bags and other such items which are much more harmful to the environment if placed in landfill. The company also has hybrid products which use less oil than regular packaging. These hybrid products reduce the carbon footprint by up to 70% than the conventional oil based polyethylene (pricing is competitive to standard plastics). SES has well know retail outlets such as Walmart and Costco selling its products.

Global production capacities of bioplastics



Bioplastic packaging represents c.1% of the plastic produced annually – which SES believes will grow due to rising demand for eco-friendly products, global brands moving to bioplastics, large financial and social costs of landfill as well as government regulation.

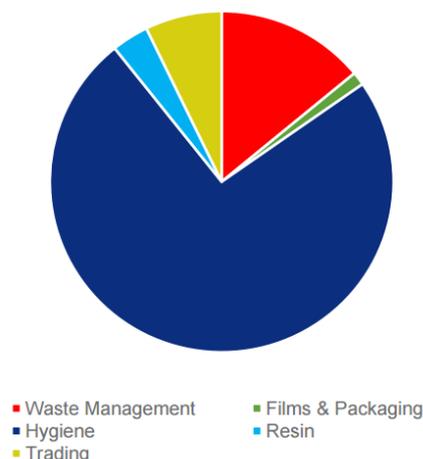
Figure 1: Company Presentation

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The company has announced a near term sales pipeline which includes:

- An additional A\$7.5m revenue per annum (in FY17 and beyond) in Australia, US, Japan and Europe from pet sheet pads and related products, as well as dog waste bags, resin and film
- An additional A\$22.0m revenue per annum (in FY18 and beyond) in Australia, US, Canada, HK and Malaysia from pet products, as well as resin and film

FY16 revenue of \$21 million



SES has lifted its revenue to A\$21m in FY16, with the company focussing on cost reduction while maintaining a solid balance sheet. The company has c.A\$1.5m cash on hand at the end of December 2016 after raising c.A\$1m through the issue of two-year convertible notes.

Both the Australian and Malaysian business arms are currently profitable.

Figure 2: Company Presentation

The company's strategy is to continue to move customers from traditional plastics onto the SES eco-friendly products – whether that involves SES simply selling its resin to packaging companies, or whether it is SES selling final products (bin liners, pet waste products etc) directly to retailers. In addition to this, the company will continue to develop its products, review the cost base as well as rolling out waste diversion programs in the US, Australia and Malaysia through governments, councils and the retail sector.

SES's board consist of 5 members including its Executive Chairman (Richard Tegoni – who was appointed Executive Chairman in September 2014 and has a finance, banking and marketing background), and its Managing Director (Stephen Walters – who has over 20 years' experience in plastics and packaging). The other three board members are Trevor Haines (Executive Director), Donald Haller Jnr (Non-Executive Director with 7.0% ownership of the company) and Edmond Tern (Chief Financial Officer).

**BW Equities does not offer a stock rating on SES, or a 12 month target price**

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