

31 October 2019

Company Announcements Office  
Australian Securities Exchange

## QUARTERLY REPORT – APPENDIX 4C

In accordance with ASX Listing Rule 4.7B, Aeris Environmental Ltd (Aeris or the Company) attaches its September 2019 Quarterly Report – Appendix 4C.

### Highlights – Financial

- **Accelerating revenue momentum – invoiced sales revenue of \$2,150,000, with 2019 calendar year-to-date revenue (for nine-month period from 1 January 2019) up approximately 400% on same corresponding period last year and 270% increase on same quarter last year.**
- **Outstanding revenue pipeline, with purchase orders and commitments in excess of \$2,500,000.**
- **Material improvement in gross margin (48% in September 2019 quarter compared to 37% for 2018-19 financial year) due to increased mix of higher-margin Aeris-branded products.**
- **Record cash receipts of \$3,250,000 and operating cash flow positive for September 2019 quarter. Net tangible assets of \$5,150,000 on balance sheet.**

### Highlights – Operational

- **Strong demand for Aeris USA-produced air-conditioning maintenance range, including \$380,000 in sales to strategic partner Daikin Goodman and other key accounts in North America. Re-orders of current products received and additional range of products also ordered.**
- **Full Aeris-branded range (in addition to previously-supplied white-label products) ready to be launched in North American market by February 2020, which is commencement of North American HVAC ‘summer’ buying programme.**
- **Further orders of Southern Cross proprietary Aeris active paper range by Aus Made Express International Group Pty Ltd (Aus Made).**
- **Outstanding recognition of Aeris’ success as master contractor for completed mould remediation management project in Townsville, Queensland, with \$620,000 in revenue for September 2019 quarter. Ongoing validation of outstanding efficacy and performance of Aeris products ‘in field’.**
- **Aeris has now won additional projects in excess of \$350,000, where it is head contractor, with a significant additional pipeline. Key ongoing focus is on leveraging these successful projects into international mould remediation market.**
- **Latest range of Aeris’ proprietary Eco AerisGuard corrosion coatings product demonstrating substantial technical superiority. Commercial developments with two major original equipment manufacturers (OEMs) agreeing to work with Aeris in Australia and the USA. Ongoing high-volume use of Aeris’ OEM coating in Asia and the Middle East.**
- **Continued success in delivered projects for measurement and data visualisation, control and optimisation in Australia.**
- **Successful client validation projects leading to purchases and material opportunities in the USA, south-east Asia, China, Australia and beyond. Customer recognition of financial benefits, effectiveness, safety, and environmental and health benefits from Aeris’ portfolio of solutions.**



## Commentary

### **North America**

Aeris, in a strategic partnership with Goodman, a leading manufacturer of air-conditioning equipment, has now successfully completed its 'first summer' of air-conditioning wholesale business in North America. The Company delivered commercial orders of air-conditioning maintenance and service consumables into Goodman's company-owned and third-party distribution stores. Whilst the period was unseasonably cool (meaning the entire industry's sales were 'softer' than last year), and the timing of Aeris' market entry meant that it did not have products available for the entire season, the Company is pleased to report that Goodman advised that its products were well received and sold comparably or better (on a same-store basis) than the market-leading brand.

Preparations are now underway for summer 2020 (orders for which will begin to be delivered in January 2020). Building on the success of Goodman's house-branded HVAC maintenance range supplied by Aeris, the Company is now preparing for the full line launch in the USA of its environmentally-friendly, value-added AerisGuard-branded cleaners, treatments and hygiene products into North America. This will not only improve Aeris' margins, but also offers the Company's dealers and their customers the world's most advanced hygiene maintenance range.

In parallel with expanding Aeris' North American air-conditioning wholesale business, the Company's USA team is building on major project opportunities in North America for the Aeris-branded solutions, with a spectrum of platinum partner applicators, covering on-site corrosion, OEM corrosion, hygiene and facilities maintenance. The Company anticipates that there will be a growing and positive impact on margins as the core Aeris range forms a greater part of the revenue mix going forward.

Revenue of approximately \$380,000 was invoiced in the USA in the September 2019 quarter. The revenue pipeline in North America is growing rapidly and in line with the Company's rollout plan. Aeris anticipates strong additional growth into the USA summer.

### **China**

During the quarter the Company made shipments (i.e. it manufactured, shipped and invoiced approximately \$320,000 in orders, with an additional \$120,000 in backorders (December 2019 quarter revenue)) to Aus Made, covering Southern Cross Hard Surface Disinfectant dry paper wipes and Southern Cross Skin dry paper wipes.

### **Mould Remediation**

Aeris has now successfully completed the high-profile mould remediation contract in Townsville, with the Company as the master contractor invoicing \$620,000 in revenue for the September 2019 quarter. In addition to demonstrating that Aeris could deploy and add value through its system-orientated approach to mould remediation project management, the Company's work in Townsville significantly increased Aeris' profile amongst global insurance companies and builders, and also highlighted the unique efficacy and performance of the Company's products 'in field' and at scale.

Aeris has successfully won additional projects in excess of \$350,000, where the Company is the head contractor, with a significant additional pipeline. Aeris is confident that there is a highly-attractive international market for the detection, assessment, quality control and remediation of mould. The Company continues to appoint strategic international partners to address this large-scale opportunity and firmly believes that Aeris is in the forefront of this market, with proprietary and environmentally-friendly products (AerisGuard) offering safe remediation and long-term residual protection against microbial growth. The Company's highly cost-efficient indoor measurement and reporting devices (AerisView) provide real-time measurable outcomes to customers who are ultimately having financial and safety responsibility for their indoor



environments. Aeris has recruited key staff members to supplement its existing resources, with a focus on growing the remediation project management division.

### ***Corrosion Protection***

During the quarter the Company has continued to leverage its eco-friendly and technologically-leading AerisCoat corrosion coatings range. The Aeris solution is targeted at the full spectrum of factory OEMs and on-site service for HVAC systems, including the latest micro-channel coil architecture. Beyond these growing markets, the Company is finding an increasing number of industrial applications in transport, oil and gas, and manufacturing. During the quarter Aeris acquired and advanced strong prospects for large-scale application for both factory and in-field coatings.

### ***Smart Control and Optimisation***

The Company provides its customers with cost-effective and real time:

- AerisView building management and visualisation, being a client-managed platform that empowers users to improve their facilities;
- indoor air quality monitoring and reporting incorporating the Aeris SmartHUB; and
- building management system consulting for existing sites, including maintenance, reporting and site recommendations enabling clients to drive system optimisation and efficiency gains.

The Company is currently engaged with several large customers, including Dexus, Charter Hall and BlueScope Steel for its proprietary SmartHUB and AerisView platforms.

### ***Finance and Operations***

Following Aeris' record June 2019 quarter of invoiced sales revenue (approximately \$3,900,000), the Company had a strong September 2019 quarter, with invoiced sales revenue of \$2,150,000, and the 2019 calendar year-to-date revenue (for the nine months from 1 January 2019) of approximately \$7,500,000, a near 400% increase on the same period last year, and a 270% increase on the same quarter last year. Aeris enjoys an attractive forward order book, with purchase orders, commitments and a forecast well in excess of \$2,500,000 for the current quarter ending 31 December 2019.

The Company saw a material improvement in its gross margin (48% in the September 2019 quarter compared to 37% for the 2018-19 financial year) due to an increased mix of higher-margin Aeris-branded products and the successful completion of the Townsville project, which delivered high revenue, but at a lower-than-usual margin, and included lower project management margins, which is anticipated to be a less significant factor in the overall margin mix going forward.

The Company's September 2019 quarter cash receipts were \$3,250,000, which is a new record for Aeris. The Company was operating cash flow positive for the quarter.

### ***Board of Directors***

Aeris advises that Non-Executive Director Dr Alex Sava has not sought re-election to the Board at the upcoming Annual General Meeting (AGM). The Company is actively seeking new additional Independent Directors and will advise the market when such appointments have been made.

### **Summary**

Aeris continues to successfully deliver on the inflection strategy that it outlined in November 2018. The Company remains highly focused on its commercial scale-up of revenue, driven by a series of global and local strategic partnerships, underpinned by Aeris' investment in its supply chain, in new USA manufacturing capability and, crucially, in its global strategic alliances with an increasing number of the world's leading HVAC OEMs.



The Company continues to execute on its commercial growth plan, with demand growing for all products, in all markets and geographies. Aeris owns and is commercialising a portfolio of advanced hygiene and protection technologies that are second to none. The Company's historical investment in technology, regulatory and claim approvals, and global reference sites is now leading to an accelerating revenue growth trajectory. As previously outlined, Aeris has a clear path towards an ongoing inflection to compounding revenue growth and profitability.

The Company will be providing a comprehensive update at its forthcoming AGM of shareholders to be held at The Grace Hotel in the Wilarra Room on Level 2, 77 York Street, Sydney on Wednesday, 27 November 2019 commencing at 10:30am.

## **Aeris Environmental Ltd**

**Peter Bush**

Chief Executive Officer

### ***About Aeris Environmental Ltd***

Aeris develops, manufactures and markets proprietary, environmentally-friendly technology that drives measurable improvements in asset performance and sustainability. The Company's whole-of-system approach ensures that systems perform better, are safer, last longer and cost less to run.

Aeris' products solve real world problems more effectively than conventional toxic chemicals. Uniquely based on validated, green formulations, our enzymes and treatments with residual protection provide long-term remediation and prevention of mould, bacteria growth, corrosion and improved hygiene.

AerisVIEW, the Company's cloud-based visualisation network, is uniquely scalable across all climate-controlled environments, including buildings of all sizes and vehicles. Aeris' solution delivers dramatic and proven energy savings, alongside documented benefits to system efficiency, and independently-validated indoor air quality with proven immediate improvements in sustainability and cash flow savings.

The Southern Cross range offers a direct replacement alternative for many plastic-based wipes, and incorporates the capability to disinfect both surfaces and hands by simply moistening the Company's paper-based wipes.



## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Name of entity

**Aeris Environmental Ltd**

ABN

**19 093 977 336**

Quarter ended ("current quarter")

**30 SEPTEMBER 2019**

#### Consolidated statement of cash flows

|   | <b>Current<br/>quarter<br/>\$A'000</b> | <b>Year to date<br/>(3 months)<br/>\$A'000</b> |
|---|--|--|
| <b>1 Cash flows from operating activities</b>             |  |  |
| 1.1 Receipts from customers                               | 3,230                                  | 3,230  |
| 1.2 Payments for  |  |  |
| (a) research and development                              | (139)                                  | (139)  |
| (b) product manufacturing and operating costs             | (1,680)                                | (1,680)  |
| (c) advertising and marketing                             | (216)                                  | (216)  |
| (d) staff costs   | (686)                                  | (686)  |
| (e) administration and corporate costs                    | (486)                                  | (486)  |
| 1.3 Dividends received                                    | -                                      | -  |
| 1.4 Interest and other items of a similar nature received | 4                                      | 4  |
| 1.5 Interest and other costs of finance paid              | (4)                                    | (4)  |
| 1.6 Income tax refund received (including R&D tax offset) | -                                      | -  |
| 1.7 Government grants and tax incentives (EMDG benefit)   | -                                      | -  |
| 1.8 Others (provide details if material)                  | -                                      | -  |
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>23</b>                              | <b>23</b>                                      |

|  | Current<br>quarter<br>\$A'000 | Year to date<br>(3 months)<br>\$A'000 |
|--|-------------------------------|---------------------------------------|
| <b>2 Cash flows from investing activities</b>                                      |                               |                                       |
| 2.1 Payments to acquire:   |                               |                                       |
| (a) property, plant and equipment  | (7)                           | (7)                                   |
| (b) businesses (item 10)   | -                             | -                                     |
| (c) investments  | -                             | -                                     |
| (d) intellectual property  | -                             | -                                     |
| (e) other non-current assets   | -                             | -                                     |
| 2.2 Proceeds from disposal of:   |                               |                                       |
| (a) property, plant and equipment  | -                             | -                                     |
| (b) businesses (item 10)   | -                             | -                                     |
| (c) investments  | -                             | -                                     |
| (d) intellectual property  | -                             | -                                     |
| (e) other non-current assets   | -                             | -                                     |
| 2.3 Loans to other entities  | -                             | -                                     |
| 2.4 Dividends received (see note 3)  | -                             | -                                     |
| 2.5 Other (provide details if material)  | -                             | -                                     |
| <b>2.6 Net cash from / (used in) investing activities</b>                          | <b>(7)</b>                    | <b>(7)</b>                            |
| <b>3 Cash flows from financing activities</b>                                      |                               |                                       |
| 3.1 Proceeds from SPP and share placements   | -                             | -                                     |
| 3.2 Proceeds from issue of convertible notes                                       | -                             | -                                     |
| 3.3 Proceeds from exercise of share options  | -                             | -                                     |
| 3.4 Transaction costs related to issues of shares,<br>convertible notes or options | -                             | -                                     |
| 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 (provide details if material)  | -                             | -                                     |
| <b>3.10 Net cash from / (used in) financing activities</b>                         | <b>-</b>                      | <b>-</b>                              |
| <b>4 Net increase / (decrease) in cash and cash equivalents for the period</b>     |                               |                                       |
| 4.1 Cash and cash equivalents at beginning of quarter/year                         | 3,467                         | 3,467                                 |
| 4.2 Net cash from / (used in) operating activities<br>(item 1.9 above)             | 23                            | 23                                    |
| 4.3 Net cash from / (used in) investing activities<br>(item 2.6 above)             | (7)                           | (7)                                   |
| 4.4 Net cash from / (used in) financing activities<br>(item 3.10 above)            | -                             | -                                     |
| 4.5 Effect of movement in exchange rates on cash held                              | -                             | -                                     |
| <b>4.6 Cash and cash equivalents at end of quarter</b>                             | <b>3,483</b>                  | <b>3,483</b>                          |

## 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<br>\$A'000 | Previous quarter<br>\$A'000 |
|---|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank                                      | 1,462                      | 1,449                       |
| 5.2 Term Deposits   | -                          | -                           |
| 5.3 Bank overdrafts   | -                          | -                           |
| 5.4 Deposits at call  | 2,021                      | 2,018                       |
| <b>5.5 Cash and cash equivalents at end of quarter (item 4.6)</b> | <b>3,483</b>               | <b>3,467</b>                |

## 6 Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of loans to these parties included in item 2.3

| Current quarter<br>\$A'000 |
|----------------------------|
| 72                         |
| -                          |

- 6.3 Explanation necessary for an understanding of these transactions

Salaries paid to Peter Bush, Alternate Director and Chief Executive Officer

|    |
|----|
| 72 |
|----|

## 7 Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of loans to these parties included in item 2.3

| Current quarter<br>\$A'000 |
|----------------------------|
| 224                        |
| -                          |

- 7.3 Explanation necessary for an understanding of these transactions

Property outgoings and other charges paid to Ramlist Pty Ltd of which Messrs M Stang and B Stang are Directors.

|   |
|---|
| 3 |
|---|

Marketing and operational services provided by Ensol Systems Pty Ltd and Teknik Lighting Pty Ltd of which Mr M Stang is a shareholder.

|    |
|----|
| 78 |
|----|

R & D and other expenses paid to Novapharm Research (Australia) Pty Ltd of which Messrs M Stang, B Stang and S Kritzler are Directors.

|    |
|----|
| 50 |
|----|

Accounting services provided by Bright Accountants of which Mr Peter Bush is a related party.

|    |
|----|
| 20 |
|----|

Rent, corporate overheads, distribution and administration expenses paid to Regional Healthcare Group Pty Ltd of which Messrs M Stang and B Stang are Directors.

|    |
|----|
| 73 |
|----|

## 8 Financing facilities available

Add notes as necessary for an understanding of the position.

|  | Total facility<br>\$A'000 | Amount drawn<br>\$A'000 |
|--|---------------------------|-------------------------|
| 8.1 Loan facilities  | -                         | -                       |
| 8.2 Credit standby arrangements  | -                         | -                       |
| 8.3 Other (please specify)   | -                         | -                       |
| 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. |                           |                         |
| Not Applicable   |                           |                         |

## 9 Estimated cash outflows for next quarter

|   | \$A'000      |
|---|--------------|
| 9.1 Research and development                  | 60           |
| 9.2 Product manufacturing and operating costs | 1,500        |
| 9.3 Advertising and marketing                 | 250          |
| 9.4 Staff costs                               | 450          |
| 9.5 Administration and corporate costs        | 450          |
| 9.6 Other (provide details if material)       | -            |
| <b>9.7 Total estimated cash outflows</b>      | <b>2,710</b> |

## 10 Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)

|  | Acquisitions | Disposals |
|--|--------------|-----------|
| 10.1 Name of entity                            | n/a          | n/a       |
| 10.2 Place of incorporation or registration    |              |           |
| 10.3 Consideration for acquisition or disposal |              |           |
| 10.4 Total net assets                          |              |           |
| 10.5 Nature of business                        |              |           |

## 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.

Sign here: *Robert Waring*

(Director/Company Secretary)

Print name: **Robert J Waring**

Date: **31 October 2019**