



## Emefcy and RWL Water Announce Binding Sale and Purchase Agreement

*Combined company to be renamed Fluence Corporation Limited and provide a comprehensive suite of decentralized water solutions for a rapidly growing global market*

**May 26, 2017**

**Melbourne, Australia and New York, NY:** Emefcy Group Limited (ASX: EMC) (“Emefcy”) and RWL Water LLC (“RWL Water”) announced today that they have executed a binding Sale and Purchase Agreement (“SPA”) pursuant to which the two companies would combine. Following closing, the merged company would be renamed *Fluence Corporation Limited* (“Fluence”).

Pursuant to the terms of the SPA, Emefcy will issue 100.5 million new ordinary shares as the purchase consideration for all of RWL Water’s equity interests and pay US\$10,000 in cash. Those shares will be subject to a voluntary escrow for 2 years following closing. RWL Water’s current sole member, an entity owned by Mr Ronald S. Lauder, has also committed to acquire an additional US\$20M of Emefcy’s ordinary shares in a private placement at an issue price of A\$0.85 per share, which is estimated to be for an additional 31.4 million Emefcy shares. Mr Lauder’s ownership of the combined entity after completion of the acquisition and the private placement is expected to be approximately 34%.

The closing of the merger by acquisition under the SPA and the private placement are subject to shareholder and regulatory approval, among other customary closing conditions.

The merger is intended to create a global provider of innovative, decentralized water and wastewater treatment solutions for both municipal and industrial applications. On a pro-forma basis, the combined company has been growing at an annual compounded rate of revenue growth in excess of 20% for several years and anticipates revenues of over US\$90M (A\$120M) in CY2017, 71% of which is committed as of April 30 2017. The combined company also anticipates increasing gross margin and recurring revenue by adding Emefcy’s disruptive technological innovations to RWL Water’s standardized solution suite.

Mr Ronald S. Lauder, Chairman, Founder and sole owner of RWL Water, stated:

*“We set out in 2010 to create one of the leading water and wastewater treatment companies in the world. Seven years later, I am incredibly proud to have achieved more than we could have imagined. By creating Fluence, we are now taking RWL Water and Emefcy to the next level through the unique combination of breakthrough innovations and rapid deployment of standardized solutions by proven teams. I look forward to remaining a significant shareholder of Fluence and seeing the fulfillment of the legacy I set out to create in the water space by originally establishing RWL Water.”*

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Both companies believe that the proposed merger by acquisition will enable Fluence to quickly capitalize on several key opportunities, including:

- Fluence's broad set of water and wastewater solutions would be focused on the rapidly growing market for decentralized treatment, projected to grow from \$13billion (A\$17 billion) in 2016 to \$22 billion (A\$29 billion) in 2021<sup>Note 1</sup>;
- The companies believe that Fluence can become a key player in this market, which today is served mainly by regional providers that cannot offer full, turn-key solutions;
- Fluence would combine Emefcy's disruptive pipeline of innovation with RWL Water's proven global and rapid deployment of standardized solutions. It is anticipated that the combined company would accelerate penetration of the massive China rural wastewater treatment market, projected to be worth US\$15 billion (A\$20 billion) over the next five years;
- Fluence would be positioned to capture numerous opportunities in other key markets such as water stressed regions (particularly the United States, the Middle East and Latin America), and segments including commercial and industrial sites and tropical island resorts;
- It is expected that Fluence would create substantial sales synergies between Emefcy and RWL Water products and systems; and
- It is anticipated that Fluence's strong market position will result in even faster revenue growth, improving gross margins and growing recurring revenue streams.

Note 1 Source: MarketsandMarkets Analysis

After Completion of the merger (by acquisition) and private placement, the Company expects to have sufficient working capital to carry out its objectives. In particular, the raising of US\$ 20,000,000 through a placement to RWL Water's current sole member (which is subject to shareholder approval), combined with the anticipated combined cash balances at Completion are anticipated to be sufficient to fund the combination of the two groups and execute the Merged Group strategy.

The Company will continue to evaluate growth opportunities as they arise together with available funding sources, particularly off-balance sheet funding for recurring revenue projects, and funding offered by value added sources.

Henry Charrabé, President and Chief Executive Officer of RWL Water and proposed Managing Director and Chief Executive Officer of Fluence, stated:

*"Fluence will merge two experienced professional teams in the global water and wastewater treatment space. These teams know how to deploy solutions quickly, reliably and globally to solve any water problem in any market segment worldwide. I believe Fluence will be the first company that can focus globally on meeting the world's increasing need for decentralized water and wastewater treatment with highly engineered and quick*

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*to deploy packaged systems. With over 7,000 references in more than 70 countries, we believe we have the track record and platform to deliver disruptive technological innovations and systems to meet our ambitious goals."*

Upon completion of the merger, Fluence will offer a diverse suite of water and wastewater solutions. Fluence will be an innovative business, with its highly-differentiated Membrane Aerated Biofilm Reactor ("MABR") that saves 90% of the energy used in wastewater treatment and thereby reduces plant OPEX by 50%. In addition to this established technology, Fluence will implement a well-defined roadmap of more disruptive technological innovations changing the economics of water treatment. Fluence will feature a strong management team and Board of Directors with decades of experience in the water industry and capital markets and the proven ability to scale young companies into global leaders.

Richard Irving, Emefcy Executive Chairman and proposed Executive Chairman of Fluence, said:

*"I believe that the combination of our MABR technology and pipeline of upcoming innovations, together with RWL Water's strong global execution platform, has the potential to significantly increase our share of the US\$13 billion market for decentralized solutions, and allow us to become a leading supplier to China's current US\$15 billion deployment of rural wastewater treatment solutions."*

Both the merger (by acquisition) and the private placement are subject to a number of conditions, including regulatory approvals and Emefcy shareholder approval. Closing of the merger of Emefcy and RWL Water and the creation of Fluence Corporation Limited is expected to occur in July 2017. UBS is acting as financial advisor to Emefcy and Hall & Wilcox is serving as legal counsel. Mr Ronald S. Lauder and RWL Water are being advised by Spencer D. Smith, RWL Water's General Counsel, Debevoise & Plimpton LLP and Clifford Chance.

#### **Disclaimer**

*Any forward-looking statements in this announcement are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, its directors and management.*

#### **About Emefcy Group Limited**

*Emefcy develops, manufactures and markets new, energy-efficient MABR based wastewater treatment solutions, aiming to change the economics of various markets and addressing the growing global demand for clean water in municipal and industrial plants. With several global innovation awards and a strong scientific background, Emefcy is at the forefront of the next generation of MABR based wastewater treatment. Additional MABR based wastewater solutions out of Emefcy's extensive R&D operations are expected to be announced in the coming year. Emefcy Group Limited (ASX: EMC) is a public company traded on the Australian Stock Exchange.*

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## About RWL Water

*Founded by Ronald S. Lauder in 2010, New York-based RWL Water was established with a vision to become the leading global water, wastewater and reuse solutions provider in the middle market. With operations in Latin America, the United States, Europe and the Middle East and over 90 years of combined operational experience, RWL Water provides leading edge, global solutions for desalination, water, wastewater, waste-to-energy, recovery & reuse as well as food & beverage processing. Recognized as one of the fastest growing water solutions companies in the world, RWL Water has designed and built more than 7,000 successful installations and possesses strong customer references in more than 70 countries worldwide.*

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