



ASX RELEASE | De.mem Limited (ASX:DEM)

CY2020 Consolidated Financial Report

1 March 2021: Australian-Singaporean water and waste-water treatment company De.mem (ASX:DEM) (“De.mem” or “the Company”) is pleased release its Consolidated Financial Report for the 12 months ended 31 December 2020 (“CY2020”).

Key Highlights

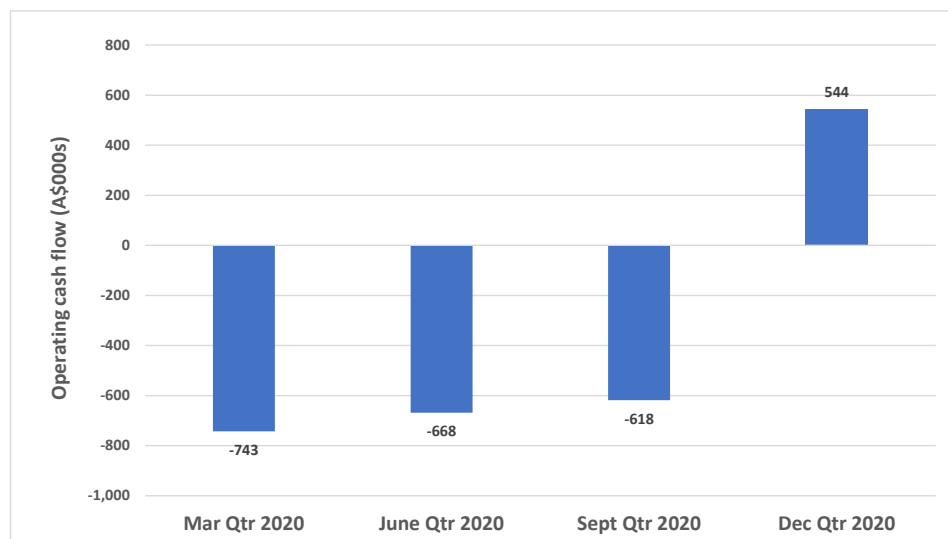
- Inaugural operating cash flow positive of +\$544k in December Quarter 2020.
- Strong sales growth, with +41% customer cash receipts growth to \$16.5m during CY2020.
- Substantially improved revenue quality, with growing recurring revenues and diversification.
- Substantial growth of strategic business acquisitions.
- Strong balance sheet, with \$5.4m cash and term deposits as at 31 December 2020.
- Strong outlook, with ~\$14m CY2021 visible revenues (~\$10m recurring plus ~\$4m contracted revenues) and strong momentum.

Inaugural Operating Cash Flow Positive Quarter

The Company is delighted to report its inaugural operating cash flow positive quarter:

- **December Quarter 2020 operating cash flow of +\$544k** (see ASX release, *Quarterly Activities Report & Appendix 4C*, dated 20 January 2021). Chart 1.
- Annual operating cash outflow significantly reduced to -A\$1.1m vs CY19 -A\$1.7m.

CHART 1: QUARTERLY OPERATING CASHFLOW





This is a high-quality result, driven by:

- Strong overall operational performance.
- Record customer cash receipts of \$16.5m, with growing sales and expansion into high value-add and recurring revenue segments.
- **Increased CY2020 gross margins to 31%**, compared to 26% in 2019.

Annual net operating cash outflow reduced substantially to -A\$1.1m in 2020, vs -A\$1.7m in 2019.

The Company's positive momentum accelerated in the second half of the year, with net operating cash flow of -A\$0.2m in the second half being less than -A\$0.9m in the first half (see ASX release, "De.mem achieves record half-year 1H20", dated 31 August 2020).

Cash outflows were primarily driven by De.mem's ongoing investment into its Singaporean operations, where the Company performs membrane research & development and membrane manufacturing. De.mem's state-of-the-art Singaporean facility contributes to the Company's competitive advantage of its unique portfolio of innovative water treatment technology and intellectual property suited for a wide range of applications.

Strong Sales Growth Momentum

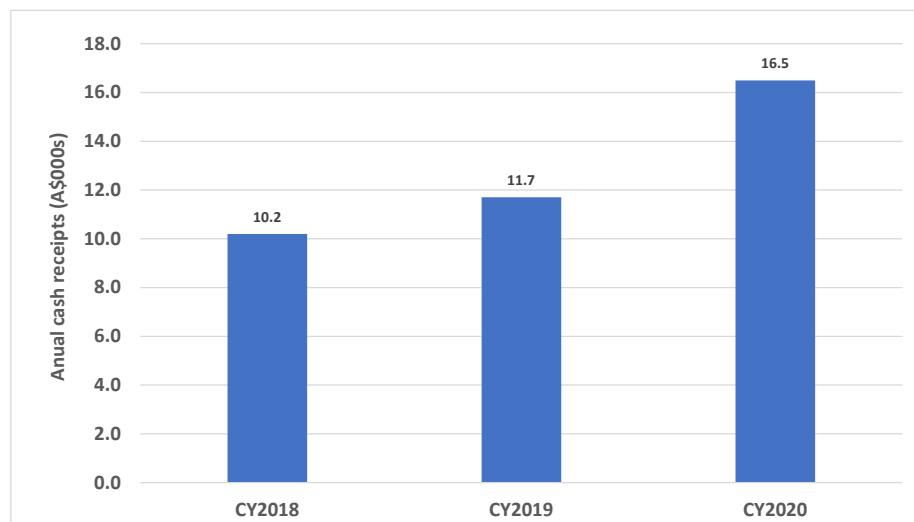
The Company reported >40% growth through CY2020.

- **Cash receipts increased by 41% to A\$16.5m** vs CY19 \$11.7m. Chart 2.
- Total CY2020 income (revenues plus other income) increased by 47% to A\$15.1m vs CY2019 \$10.2m.

Sales momentum accelerated in the second half of CY2020, with \$7.4m cash receipts in 1H and \$9.1m in 2H.

Sales growth was driven by record water treatment equipment sales and strong recurring revenue growth.

CHART 2: ANNUAL CUSTOMER CASH RECEIPTS





Substantially Improved Revenue Quality

Revenue quality significantly improved, with growing recurring revenues and revenue diversification across a range of customer industry segments.

Recurring cash receipts increased to 58% in CY20, from 38% in CY18 (see ASX release, *Quarterly Activities Report & Appendix 4C*, dated 20 January 2021). Recurring cash receipts include:

- Equipment Services (Operations & Maintenance).
- Equipment Leasing (via Build, Own Operate).
- Consumables sales including pumps (via De.mem-Pumptech) and water treatment chemicals (via De.mem-Geutec) businesses.

The Company has continued its revenue diversification across several, high-growth, customer segments:

- **Sustainable Agriculture** – See ASX release, “*De.mem signs \$2.6 million Seawater Desalination Contract*”, dated 12 October 2020.
- **Energy/Power Generation** - See ASX release, “*De.mem receives \$400,000 order for ultrapure water treatment system*”, dated 29 September 2020.
- **Food & Beverages** - See ASX release, “*De.mem signs \$800,000 Build, Own, Operate Contract*”, dated 10 September 2020.
- **Mining & Resources** – See ASX release, “*De.mem receives new purchase orders worth \$500,000*”, dated 17 August 2020.
- **Real Estate & Infrastructure** - See ASX release, “*De.mem signs new service agreement*”, dated 3 August 2020. The contract is a 2-year minimum, operations & maintenance agreement, for \$200k per annum.

The Company’s strong sales momentum has continued into CY2021, with a new \$550k contract with AGL Energy, in the energy sector (see ASX release, “*DEM receives Milestone Order from Australian Energy Sector*”, dated 2 February 2021).

Strong Acquisition Value-Add Track Record

De.mem has a strong track record of successfully growing strategic business acquisitions, with growth driven by the Group’s strong cross-sell and up-sell customer value proposition. De.mem’s complete “one-stop shop” range of products, services, sales and leasing options, supported by its unique intellectual property technology portfolio, has consistently proven to be highly attractive to the customers of acquired businesses.

De.mem-Pumptech Pty Ltd (formerly: Pumptech Tasmania Pty Ltd) (“Pumptech”) has achieved strong growth of customer cash receipts since acquisition by De.mem in August 2019 (see ASX release, “*De.mem completes acquisition of Pumptech Tasmania*”, 7 August 2019).

Pumptech’s performance highlights are:

- **Total cash receipts up +67% in CY2020 to ~\$4.0m, vs ~\$2.4m in CY2019.**



- December Quarter 2020 customer cash receipts of \$1.17m, a ~67% increase on \$700k in March Quarter 2020.

German subsidiary De.mem-Geotec GmbH, Essen (“Geotec”) was acquired by De.mem in October 2019 (see ASX release, “*De.mem acquires German industrial wastewater treatment company*”, dated 17 October 2019).

Geotec’s performance highlights are:

- **An 18% increase of CY2020 cash receipts to \$2.6m**, vs \$2.2m in CY 2019.
- December quarter cash receipts of ~\$740k are ~33% above ~\$550k March Quarter 2020 cash receipts, which is an excellent result considering the adverse impact of the Covid-19 pandemic during the period.

Strong Outlook

De.mem’s strong CY2021 outlook is driven by its visible revenues (recurring and contracted) and strong operating momentum.

De.mem commences CY2021 with ~\$14m of visible cash receipts (~85% of CY2020 cash receipts) comprising:

- ~\$10m of recurring revenue; and
- ~\$4m of CY2020 water treatment equipment sales contracted to De.mem, with goods delivery and cash receipts due in CY2021.

De.mem’s growth momentum accelerated in the second half, with \$7.4m cash receipts in 1H and \$9.1m in 2H.

Other factors supporting the Company’s strong outlook include:

- New Australian sales team in place, managing a growing pipeline across Australia.
- Increasing customer focus on buying from Australian suppliers to avoid global supply chain risks.
- Re-commissioning of projects previously paused due to Covid-19.
- New Zealand growth opportunity as international markets re-open.

Achievement of Strategic Milestones and Strategic Outlook

De.mem achieved its 3 strategic priorities for CY2020.

De.mem achieved its three CY2020 strategic priorities, as outlined in ASX release “*March 2020 Quarterly Activities Report*”, dated 30 April 2020, as follows:

- Sales growth – revenues and cash receipts grew 47% and 41% respectively during CY2020 vs CY2019.
- Enhancing revenue quality – recurring cash receipts have grown to 58% of total, with growing revenue diversification.
- Cash flow positive – inaugural +\$544k cash positive December Quarter 2020.

Through CY2021, De.mem will continue to focus on 3 strategic priorities of sales growth, enhancing revenue quality and achieving sustainable cash flow positive, as the Company seeks to realise its vision of becoming an Australian



“national champion” with a complete and unique “one-stop shop” offering of decentralised water treatment solutions.

This release was authorized by the Company’s Chief Executive Officer, Mr. Andreas Kroell.

-ENDS-

For further information, please contact:

De.mem Limited

Andreas Kroell

CEO

De.mem Limited

investor@demem.com.sg

Investor Enquires

George Gabriel, CFA

+61 3 8686 9144

invest@vested.com.au

De.mem Limited (ASX:DEM) is a decentralised water and wastewater treatment business that designs, builds, owns and operates turnkey water and wastewater treatment systems for some of the world’s largest companies in the mining, electronics, chemical, oil & gas, and food & beverage industries. Its systems also provide municipalities, residential developments and hotels/resorts across the Asia Pacific with a reliable supply of clean drinking water.

De.mem’s technology to treat water and wastewater is among the most advanced globally. The Company is headquartered in Australia and has international locations in Singapore, Germany and Vietnam. It is commercialising an array of innovative proprietary technologies from its research and development partner, Nanyang Technological University (NTU) in Singapore, a world leader in membrane and water research. Technologies uniquely offered by De.mem include a revolutionary low-pressure hollow fibre nanofiltration membrane that uses less electricity and is cheaper to operate than conventional systems, as well as a new Forward Osmosis membrane deployed in de-watering applications or the concentration of liquids.

To learn more, please visit: www.demembranes.com

Forward Looking Statements

Statements contained in this release, particularly those regarding possible or assumed future performance, revenue, costs, dividends, production levels or rates, prices or potential growth of De.mem Limited, are, or may be, forward looking statements. Such statements relate to future events and expectations and, as such, involve known and unknown risks and uncertainties. Actual results and developments may differ materially from those expressed or implied by these forward-looking statements depending on a variety of factors.