



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

De.mem Completes Capic Acquisition

1 April 2021: Australian-Singaporean water and waste water treatment company De.mem (ASX:DEM) (“De.mem” or “the Company”) is pleased to announce that the Company has completed the acquisition of the Capic business (“Capic”). De.mem had previously reported about the transaction (see ASX announcements dated 16 March 2021 “De.mem Announces Strategic Acquisition in Western Australia” and “Investor Presentation”).

Key Highlights

- Capic is highly complementary to De.mem by product, geography and customer base.
- Proforma CY2020 cash receipts of the combined De.mem-Capic group are ~\$19m.
- Substantial cross/up sell opportunities exist.
- Capturing only ~2% of the potential cross-sell revenue opportunity is likely to contribute material revenue growth to the proforma CY2020 revenues.

Highly Complementary Businesses

Capic and De.mem are highly complementary by product, geography and customer base, providing substantial cross/up-sell opportunities.

Capic is a well established, Perth-based supplier of specialty chemicals for water treatment applications, focusing on “high value add”, high margin, speciality chemicals. De.mem announced its Capic acquisition on 16 March 2021 (see ASX release, “*De.mem announces strategic acquisition in Western Australia*”).

De.mem provides a “one-stop shop” of decentralized water treatment solutions to a blue-chip, international customer base, based on proprietary and patented technology, with recurring cross-sell of high-margin consumables such as chemicals, pumps and filters. The Company is rapidly growing across Australia, with significant global potential. See ASX release, “*Investor Presentation*”, dated 10 March 2021.

Substantial cross/upsell opportunity

Capic’s highly complementary business provides substantial revenue growth opportunity through cross/up sell to a well-established, complementary customer base. De.mem intends to rapidly introduce its complete “one stop shop” offering, including membrane products and water treatment and filtration equipment, to Capic’s Western Australia mining & resources customers.



“Significant Synergy Potential” is illustrated below. Key points are:

- CY2020 cash receipts of the combined De.mem-Capic group are ~\$19m.
- De.mem has ~100 clients and is underweight in Western Australia.
- The average value of De.mem’s announced material contracts in CY2020 was \$861k (with a range from \$0.4m to \$2.6m). See page 9 of De.mem’s 16 March 2021 Investor Presentation. (Note that not all of De.mem’s existing clients are considered “material” from a Group revenue contribution perspective).
- Capic has ~50 clients, with an average contract value of ~\$66k per client.
- **Capturing only ~2% of the potential cross-sell revenue opportunity is likely to contribute material revenue growth to the proforma CY2020 revenues.**

SIGNIFICANT MERGER SYNERGY POTENTIAL

SIGNIFICANT SYNERGY POTENTIAL			
<p>Potential cross-sell De.mem products to Capic clients, and vice versa, with organic growth potential across Australia.</p> <p>De.mem has a very strong cross-sell track record – increasing Pumptech +67% and Geutec +18%</p>			
SYNERGY	demem	+	CAPIC
REVENUES	\$16.5m CY20 cash receipts		~A\$3.3m revenue (3-yr average)
GEOGRAPHY	Bris, Launceston, Melb, Adelaide		Exclusively West Australia, Perth head office
PRODUCTS	“Complete one-stop shop”		Specialty water treatment chemicals
CUSTOMERS	<ul style="list-style-type: none"> • ~100 clients • Blue-chip customers, mostly in Qld and Tas, • Multiple sectors, but underweight W.A. mining 		<ul style="list-style-type: none"> • ~50 clients, all in W.A. • Blue-chip mining clients such as BHP Billiton, Northern Star, Pilbara Minerals and Iluka Resources.
CROSS-SELL POTENTIAL	Average CY2020 announced contract value = \$861k (see Slide 9 below)		Average contract value = ~\$66k
<p>COMBINED</p> <p>~A\$19m proforma CY2020 revenue with organic growth momentum & synergy potential</p> <p>Complete Australian coverage, global reach</p> <p>Expands “complete one stop shop”</p> <p>~150 clients Positioned for Australian growth, with ~340 mining sites across Australia (~170 in W.A.) (source: Minerals Council)</p> <p>SIGNIFICANT CROSS-SELL POTENTIAL</p>			

Source: page 8 of De.mem’s 16 March 2021 Investor Presentation



AVERAGE VALUE OF DE.MEM's ANNOUNCED CY2020 MATERIAL CONTRACTS

MATERIAL CONTRACTS - AVERAGE CONTRACT VALUE CY2020

demem

9

2020 total initial value of announced De.mem new contract wins = A\$5.17m

Average Contract Value (ACV) = \$861k, range from \$0.4m to \$2.6m

Company	Date	Description	Value (A\$m)
Global leader in sustainable agriculture	12-Oct-2020	Sewater desalination plant to convert seawater into highest quality treated water, exceeding Australian drinking water standards.	\$2.6m
An Australian power station	29-Sep-2020	Membrane-based water treatment equipment to be used for the generation of ultra-pure, de-ionized water, required for the power generation process.	\$0.4m
Givaudan, global leader in flavours and fragrances	10-Sep-2020	Build, Own, Operate of waste water treatment system	\$0.8m
Australian mining/resources client	17-Aug-2020	Water treatment equipment, including hollow fibre membrane elements, elements, pumps, control panel, software	\$0.5m
Australian real estate/infrastructure client	3-Aug-2020	Service contract for the operations & maintenance of water treatment facilities, with ongoing consumables & chemicals sales	\$0.4m
Metro Mining Ltd (ASX: MMI)	28-Jan-2020	Waste-water treatment equipment and Build, Own, Operate, Transfer (BOOT) agreement	\$0.47m

Source: page 9 of De.mem's 16 March 2021 Investor Presentation

Organic Growth opportunity

The combined Group is well positioned for organic growth in the Australian mining/resources sector:

Capic currently services ~50 mining/resources clients in Western Australia.

The combined Group will target revenue growth through the ~170 mines in Western Australia and ~340 across Australia.

Complementary Client Base and Geography

The Capic acquisition provides De.mem with blue-chip, Western Australian, mining/resources clients, where De.mem is currently underweight.

Capic has high quality, institutional, mining/resources customers, all based in Western Australia, including BHP Billiton, Northern Star, Pilbara Minerals and Iluka Resources. De.mem also services blue-chip institutional clients across Australia and globally, such as Rio Tinto, South 32, AGL Energy, and Monadelphous.



The acquisition marks De.mem's entry into the key strategic market of Western Australia (WA), with its large number of mining sites requiring decentralized water treatment solutions.

With the acquisition, De.mem is now well-diversified across Australia. Previously, the majority of cash receipts were generated in Queensland and Tasmania. Now, De.mem has offices in Brisbane, Launceston, Melbourne, Adelaide and Perth.

Complementary Products

The Capic acquisition expands De.mem's "one-stop shop" product and services offering. Capic's specialty chemical products are typically used with membrane based water treatment equipment or filtration systems which are sold by De.mem. Capic's products include scale and corrosion inhibitors, process additives such as defoamers, viscosity modifiers and dewatering aids, reverse osmosis membrane antiscalants and cleaners and a complete range of industrial cooling tower water treatment chemicals.

De.mem's strong acquisition value-add track record

De.mem has a strong track record of adding value to strategic "bolt-on" acquisitions via cross/upsell, increasing Pumptech by +67% and Geutec by +18%.

De.mem's two recently acquired subsidiaries, Pumptech and Geutec, both reported strong growth momentum during CY2020. The Company'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 increased total cash receipts +67% in CY2020 to ~\$4.0m, vs. ~\$2.4m in CY2019, since its acquisition by De.mem in August 2019 (see ASX release, "*De.mem completes acquisition of Pumptech Tasmania*", 7 August 2019).

German subsidiary De.mem-Geutec GmbH, Essen ("Geutec"), has increased total cash receipts +18% in CY2020 to \$2.6m, since its acquisition by De.mem in October 2019 (see ASX release, "*De.mem acquires German industrial wastewater treatment company*", dated 17 October 2019).

CEO Commentary

CEO Andreas Kroell said, "*We are delighted to welcome Capic into the wider De.mem group.*"

Capic is highly complementary for De.mem, as it provides a geographic base for De.mem to service multiple mining and resources sites across Western Australia.

As we demonstrated with our growth of our Pumptech and Geutec acquisitions, our history shows that offering De.mem's complete "one-stop shop" solution to an established customer base results in significant



customer benefits through access to expanded services and superior technology and products, results in significant cross-sell and up-sell.

We look forward to working with Capic management to welcome Capic's customers to the De.mem group, introducing them to our wider product and services range and growing sales revenues for De.mem shareholders."

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

-ENDS-

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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.