



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

## **CY2022 Consolidated Financial Report**

28 February 2023: Australian-Singaporean water and waste-water treatment company De.mem (ASX:DEM) (“De.mem” or “the Company”) is pleased to release its Consolidated Financial Report for the 12 months ended 31 December 2022 (“CY 2022”).

### **Highlights – CY 2022**

Recurring revenue segments drive growth and margins

- Substantially improved revenue quality with revenues from high margin recurring revenue segments up to approx. 92% of total (from 75% in CY 2021; 38% in CY 2018);
- Recurring revenues up 34% to \$18.1 million in 2022 from \$13.5 million in 2021 (\$3.9 million in 2018); and
- Gross margin up to 35% from 34% in CY 2021 (25% in CY 2018).

Strong growth momentum

- Total cash receipts up 16% to \$22.9 million (2021: \$19.8 million);
- 15 consecutive quarters of cash receipts growth vs. PCP (prior corresponding period); and
- Revenues up by 8% to \$19.6 million (2021: \$18.1 million); revenues exclude a total of \$1.2 million in advance payments received for three projects/contracts.

EBITDA loss reduced significantly; positive operating cash flow achieved in Q4; well capitalized balance sheet

- Substantially improved adjusted EBITDA loss of \$-1.2 million in CY 2022, from \$-2.2 million in CY 2021 and \$-3.1 million in CY 2020 (Adjusted EBITDA = EBITDA less business acquisition cost, share based payments expense, and other one-off items);
- Above adjusted 2022 EBITDA includes approx. \$-0.8 million of costs related to the Company’s Singapore operations which mainly relate to membrane technology research & development activities;
- Positive EBITDA momentum continuing with \$-0.4 million loss in 2H compared with \$-0.8 million loss in 1H;
- Positive operating cash flows of \$203,000 reported for the December Quarter 2022 (see the Quarterly Activities Report lodged to the ASX on 22 January 2023); and
- Strong cash and term deposits position of \$5.4 million as at 31 December providing ability to invest in profitable growth initiatives.

Milestone contracts announced in CY 2022 to underpin growth in CY 2023

- Received \$1.4 million contract award for the supply of a membrane-based water treatment plant to South 32;
- Signed \$2.1 million Build, Own, Operate contract with Givaudan to deploy a membrane based water treatment plant for industrial waste water treatment in Singapore; and
- Signed \$1.7 million service contract with Rio Tinto related to the operations & maintenance of the water treatment facilities at one of Rio Tinto’s Queensland mining sites.

Progressing with membrane technology R&D towards significant commercial opportunity

- Announced partnership with Canadian Purafy, with the intention to commercialize De.mem’s new Graphene-Oxide enhanced membrane technology in domestic water filtration products;
- Progressing with NSF product certification for the new Graphene-Oxide enhanced membrane technology – expecting to complete by mid CY 2023; and
- Preparing for commercial launch in the North American domestic water filtration market following the successful completion of the NSF certification.



Strategic development of the group through well-considered, bolt-on acquisitions

- Acquired Stevco Seals & Pumps (Victoria) Pty Ltd effective 1 April 2022; providing access to an extensive industrial customer base in Victoria; and
- Acquired remaining 25% of German De.mem-Geutec subsidiary effective 1 October 2022; providing strong platform for further growth in Germany and Europe.

### **Recurring Revenue Segments Drive Growth and Margins**

In line with the strategy communicated to the Company's shareholders, growth initiatives have focused on De.mem's recurring revenue segments. During CY 2022, recurring revenue segments accounted for approx. 90% of total revenues (CY 2021: 75%; CY 2018: 38%).

Recurring revenues increased to \$18.1 million in CY 2022 (\$13.5 million in 2021) - corresponding to 43% year-on-year growth.

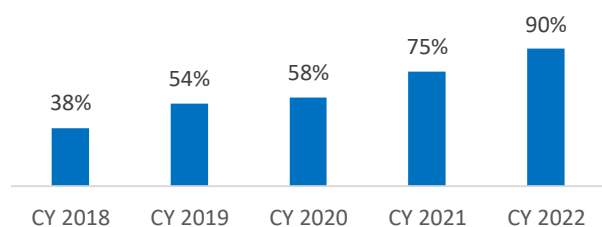


Chart 1: Recurring revenues as percentage of total revenues

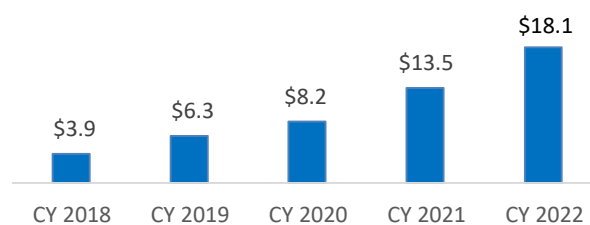


Chart 2: Recurring revenues (in \$ million)

Recurring revenues segments include:

- Build, Own, Operate ("BOO") and Operations & Maintenance contracts;
- Regular maintenance work on water treatment equipment;
- Membrane replacement sales into existing facilities;
- Specialty chemicals sales through the De.mem-Capic and De.mem-Geutec subsidiaries;
- Sales of pumps and related services through the De.mem-Pumptech subsidiary; and
- Sales of small equipment and consumables.

As a result of the above, De.mem group's gross margin has increased further to 35% in CY 2022 (up from 34% in CY 2021; 25% in CY 2018).

### **Strong Growth Momentum**

The Company's overall cash receipts increased by 16% to \$22.9 million in CY 2022 (CY 2021: \$19.8 million).

Revenue increased by 8% to \$19.6 million (2021: \$18.1 million). Excluded in the CY 2022 revenue is a total of \$1.2 million in advance payments received relating to three projects/contracts which have not yet been recorded as revenues.

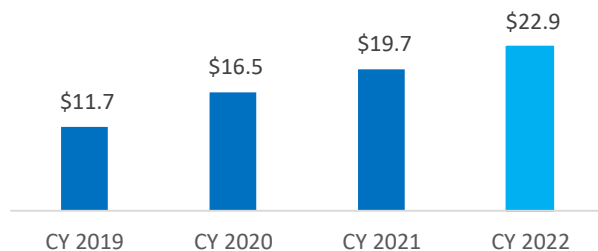


Chart 3: Total cash receipts by CY (in \$ million)

**Substantially Reduced Adjusted EBITDA Loss**

De.mem recorded a substantially reduced adjusted EBITDA loss of \$-1.2 million, from \$-2.2 million in 2021 and \$-3.1 million in 2020 (adjusted for one-off items, please see further details in the section “Review of Operations” of the Consolidated Financial Report).

The adjusted EBITDA loss of \$-1.2 million in CY 2022 splits up in \$-0.8 million incurred in the first half of the calendar year (see half year report lodged to the ASX on 31 August 2022) and \$-0.4 million incurred in the second half.

De.mem reported positive operating cash flows of \$203,000 for the December Quarter 2022 (see the Quarterly Activities Report lodged to the ASX on 22 January 2023).

The adjusted EBITDA loss of \$-1.2 million in CY 2022 includes an amount of approx. \$-0.8 million from the Singapore operations of the company, which mainly relate to membrane technology research & development activities. 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.

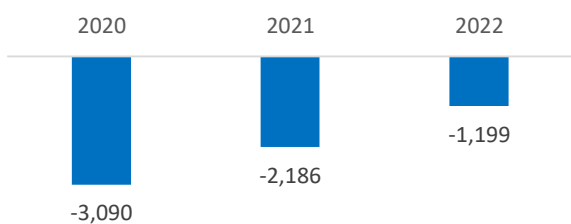


Chart 4) Adj. EBITDA loss by CY (in \$ thousand)

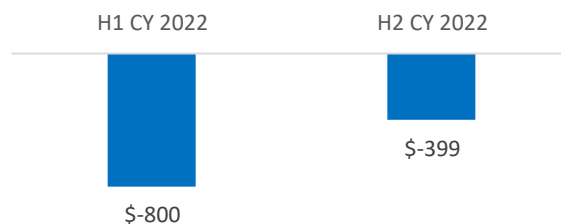


Chart 5) Adj. EBITDA loss per half year in CY 2022 (in \$ thousand)

**Continued Expansion and Validation of Hollow Fibre Membrane Portfolio – Key Partnership Signed and Progressing with NSF Product Certification**

De.mem presented its new Graphene Oxide enhanced membrane on 7 September 2021 (see ASX release “De.mem Presents Next Generation Membrane Technology”). The new technology delivers 20-40% higher water flux (=throughput, or volume of clean water produced) vs. standard polymer ultrafiltration membranes, leading to significant cost reductions for the user.

On 19 July 2022, De.mem announced a partnership with Purafy Clean Technologies, Kingston, Ontario, Canada (“Purafy”), related to the manufacturing, sales & distribution of the new GO membrane technology. Purafy is a division of Grafoid Inc., a graphene research, development and investment company that promotes a range of graphene-based



products for applications in key commercial markets. Purafy manufactures and sells a range of products for domestic water filtration as well as portable water treatment systems.

Jointly, De.mem and Purafy intend to launch the new membrane as part of a domestic water filtration system into North America initially, and other countries at a later time. De.mem will manufacture the membrane modules in its facility in Singapore.

De.mem has initiated a process to obtain NSF (National Sanitation Foundation) certification for the new membrane, which is a prerequisite for usage of the technology in potable water treatment applications in the USA and many other countries. The process is ongoing and De.mem expects to conclude the certification by mid-2023.

### **Expansion of Unique Build, Own, Operate & Service Offering for Industrial Clients, New Contracts Signed**

Based on its extended range of capabilities, De.mem is uniquely positioned as a supplier of Build, Own, Operate (“BOO”) and operations & maintenance services to industrial customers.

During the year, the Company signed a new BOO contract with Givaudan, world wide market leader in flavours & fragrances. The contract has a value of \$2.1 million over an initial fixed term of six years. Under the agreement, De.mem will be purifying industrial waste water from one of the client’s Singapore facilities to regulatory discharge standards (see the announcement to the ASX on 29 August 2022 for further details).

Furthermore, De.mem signed a \$1.7m operations & maintenance agreement with Rio Tinto, under which it will operate & maintain the water treatment facilities at one of Rio Tinto’s mining sites in Queensland, Australia. The agreement has a minimum term of three years (see the announcement to the ASX on 22 June 2022 for further details).

### **Milestone Order from South32 for \$1.4m Water Treatment Plant**

On 17 October 2022, De.mem received a new contract award for the supply of a membrane-based water treatment plant to an Australian mining site. The project is worth approx. \$1.4m in revenue, the vast majority of which is expected to be recorded in CY 2023, with the commissioning scheduled for the second half of CY 2023. The customer is a subsidiary of South 32.

While the contract is a project and effectively one-off in a nature, it provides the Company with the opportunity to sell operations & maintenance services, chemicals, consumables and other water treatment products to the same client, thus opening up a potentially larger opportunity over the longer term.

For further details please refer to the ASX announcement dated 17 October 2022 “De.mem signs \$1.4m contract for water treatment plant supply”.

### **Strong Acquisition Track Record Continues With Stevco Acquisition in Victoria/Australia and Purchase of the Remaining 25% of Geutec/Germany**

On 1 April 2022, De.mem acquired Stevco Seals & Pumps (Victoria) Pty Ltd (“Stevco”) for a total initial consideration of \$1.25 million in cash plus \$180,000 in DEM shares, plus two potential milestone payments of \$50,000 in cash and \$50,000 in DEM shares each, subject to the achievement of revenue targets.

Established in and operating since 2004, Stevco is a well-known supplier of pumps, small water treatment equipment and related operations & maintenance services to industrial and municipal clients in Victoria. Stevco has a reputation of supplying highest quality products and services. The Company has a workshop in Epping/Melbourne, Victoria.

Stevco’s long-term customer base includes leading industrial players from the food & beverage, agricultural and heavy industrial sectors, as well as a number of municipalities in Victoria.



The company generated approx. \$2.3 million in annual revenues during the past 3 business years (on average) prior to the transaction. It generated approx. \$330,000 in normalized EBITDA (adjusted for one-off items). Revenues are largely recurring and a significant percentage is generated from the rendering of operations & maintenance services.

The transaction rationale included the following:

- Stevco brings an extensive, well-established industrial customer base in Victoria into De.mem group
- Substantial opportunity to cross-sell De.mem's wide product range and advanced membrane technology
- Strong operational synergies with De.mem-Pumptech business in Tasmania;
- Completion of De.mem group's Australian-wide footprint with nationwide service & support capability
- Recurring revenue focus as large part of revenues generated from operations & maintenance services;
- Profitable business with approx. \$330,000 in normalized EBITDA per annum generated, contributing towards De.mem's move towards EBITDA breakeven;
- Accretive and well-priced acquisition; and
- Stevco founders will join De.mem management team.

Stevco recorded revenues of \$2.3 million in the 9 months since the acquisition on 1 April 2022. Annualized, this corresponds to a revenue growth rate of approx. 33% relative to the average during the 3 business years prior to the transaction.

Effective 1 October 2022, De.mem acquired the remaining 25% stake in its German subsidiary De.mem-Geutec GmbH, Velbert, Germany. De.mem now owns 100% in De.mem-Geutec GmbH. De.mem paid a total of approx. \$350,000 for the 25% acquisition.

De.mem acquired the initial 75% in De.mem-Geutec on 17 October 2019 (see the ASX release dated 17 October 2019, "De.mem acquires German industrial waste water treatment company", for further details). De.mem-Geutec supplies waste water treatment products and solutions to industrial customers from the heavy industrial, plating/galvanizing and metals processing industries. It has a strong customer base in Germany and Europe, with more than 100 Small-and-Medium Enterprises (SMEs) and a number of larger corporations as repeat customers. It is led by local Managing Director Mr. Uwe Graessel, who is committed to staying with the company, ensuring stability and strong local leadership for the ongoing expansion.

### **Strong Outlook for 2023 with Further Growth Expected**

Going forward, De.mem will continue to focus on the growth of the Company's high margin recurring revenue segments whilst maintaining cost discipline. This continues the Company's successful strategy over the past years.

For CY 2023, De.mem expects continued significant revenue and/or cash receipts growth, in particular for its recurring revenue segments. While the recurring revenues recorded in CY 2022 (\$18.1 million) provide a strong basis for further growth in CY 2023, De.mem also has contracted orders for projects and water treatment equipment of more than \$2 million at the beginning of the new calendar year.

Key operational objectives and milestones for CY 2023 include (see the Quarterly Activities Report for the December Quarter 2022 for more details):

- The expansion of the Company's specialty chemicals sales to Australian East Coast customers;
- Obtaining NSF product certification (see section above) for the Company's new Graphene Oxide membrane technology;
- Following the successful completion of the NSF certification process, the wider commercial launch of this unique membrane technology into the North American and other international markets, for domestic water treatment applications;
- Signing new service contracts as well as maintaining the existing ones;
- Signing of new BOO contracts subject to the availability of capital - De.mem will consider loan financing as an option to pursue this offering; and
- Strategic growth through M&A on an opportunistic basis.



## **CEO Commentary**

De.mem Chief Executive Officer Andreas Kroell said:

"I am delighted to report the continued growth of De.mem in CY 2022, driven by our recurring revenue segments. The strategy resulted in a substantial improvement of our profitability as measured by the adjusted EBITDA. With the positive operating cash flows reported for the December Quarter of CY 2022, we have achieved another important milestone.

We have built a high-quality revenue / business model and a comprehensive offering of products & services which is unique within the water treatment industry, based on long-term, stable industrial customer relationships and key accounts.

With the new project awards and contracts announced during CY 2022 we are well positioned for further growth. We look forward to delivering for our customers and shareholders in CY 2023."

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

-ENDS-

## **For further information, please contact:**

### **De.mem Limited**

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CEO

De.mem Limited

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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](http://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.