



De.mem Limited (ASX:DEM)

Acquisition Overview:

Geutec Industrie-und Abwassertechnik GmbH

23 October 2019



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De.mem has completed the acquisition of 75% of the shares in Geutec Industrie- und Abwassertechnik GmbH, Essen, Germany (“Geutec” or the “Target Company”).

Geutec supplies solutions for industrial waste water treatment based on proprietary chemical formulations.

The acquisition will expand De.mem’s product range, increase cross-sell potential by enabling the company to sell innovative chemicals-based products to its customer base in Australia and Asia, increase recurring revenues, accelerate De.mem’s path to operating cash positive and increase geographic diversification.



Geutec – Business Overview

Geutec has a focus on waste water treatment products and solutions for the heavy industrial, plating and metals processing industries. It is an established business with a customer base in Germany and Europe which has grown over decades. Strong potential in the Asia-Pacific and with the current De.mem customer base



Complementary Product Lines

Includes products often used in conjunction with membrane based water treatment systems such as:

- Proprietary, advanced chemicals for industrial waste water treatment
- Chemical dosing systems
- Filtration equipment and consumables



Earnings Accretive and Highly Profitable

Revenues of A\$1.8m and Normalized Earnings Before Tax of A\$245k in the 12 months to 31 December 2018 (unaudited)



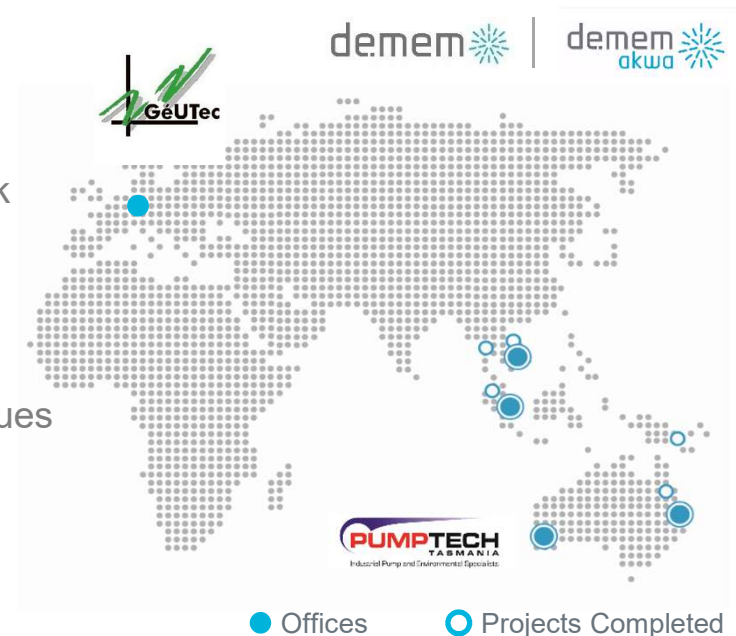
Recurring Revenues from Strong and Diversified Customer Base

Long-term customer relationships with 100+ large corporates and SMEs in Germany and Europe, providing stable, recurring revenues



Attractive Valuation and Acquisition Structure

De.mem acquired 75% in Geutec’s shares for approx. A\$915k cash
Valuation approx. 5x Normalized Earnings Before Tax



Geutec is well known and highly synergistic to De.mem
Strategic Rationale: Product Range Expansion, Cross Selling, Geographic Diversification and Earnings Accretion

Product Range Expansion and Cross Selling Opportunity



- Geutec's products are highly complementary to De.mem's membrane based water treatment systems, i.e. by sales of chemicals for pre-treatment to membranes such as coagulants and flocculants, membrane cleaners, anti-scalants to the De.mem customer base
- Strong cross-selling opportunity for Geutec's know how into Australia and the Asia-Pacific
- Immediate product need among De.mem's existing customer base in Australia
- Large market opportunity in particular within the mining and heavy industrials sector

Geographic Diversification

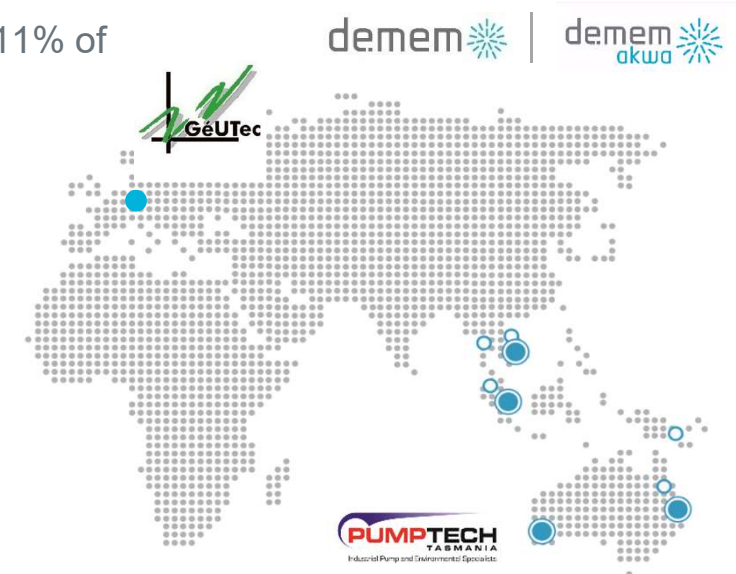


- Strategic milestone for De.mem with market entry into Germany and Europe – market size for water supply and waste water treatment estimated at approx. EUR 20.5 bn* annually in Germany alone, or 11% of global market volume
- Geutec provides established platform for offering of De.mem group products and services to German and European customers

Earnings Accretive and Strengthening Recurring Revenues



- Adds stable, recurring revenue stream to De.mem's core business in Australia
- Attractive valuation at approx. 5x Normalized Earnings before Tax



*Source: Germany Trade & Invest; Statista; VDMA (2017/18)

The acquisition is well-priced at 5x Normalized Earnings Before Taxes

Upfront cash consideration is less than 2% of DEM's market capitalisation



Structure

- De.mem acquired 75% of the Geutec's shares for approx. A\$915k in cash
- Reasonable valuation at approx. 5x Normalized Earnings Before Taxes
- Option for De.mem to acquire the remaining 25% in the Target Company based on the same valuation



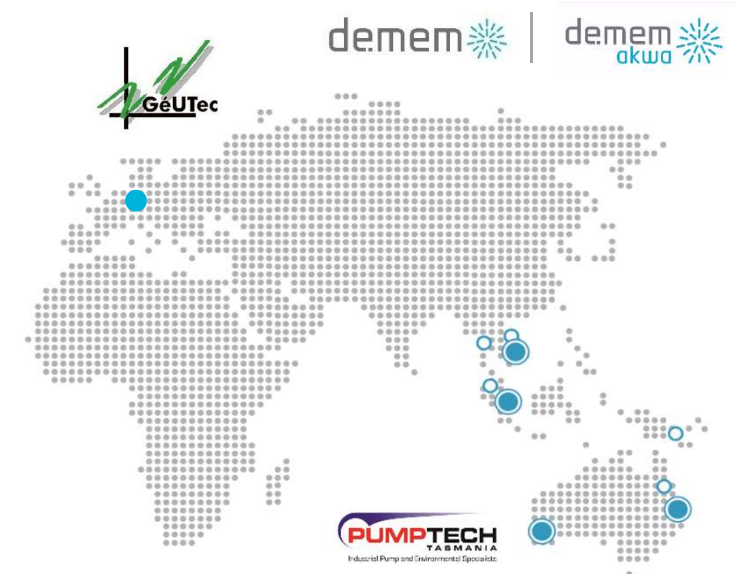
Closing and Completion Date

- Closing (signing of share purchase agreement) took place on 17 October 2019
- Completion announced today



Management

Owner/Managing Director of Target Company remains with De.mem after the acquisition



Uniquely positioned to become the leading player in decentralized water treatment across APAC, providing a range of proven, world-class, highly scalable and potentially disruptive technologies to a large addressable market



Proprietary technology – De.mem has access to a range of proven, disruptive, easy-to-scale membrane technologies targeting a huge addressable market. Part of the IP is owned by De.mem, other has been licensed exclusively from Nanyang Technological University (NTU), Singapore – ranked no. 2 in membrane research worldwide by Lux Research (2013).



High growth market – The global water industry is estimated to reach US\$915bn by 2023 (*source: Global Water Intelligence*). The global market for packaged / decentralised water treatment systems was valued at USD 12 bn in 2015 and is projected to reach USD 21.8 billion by 2021 - a compounded growth of 10.4% per annum (*source: Markets & Markets*).



Blue chip customer base – Including: Rio Tinto, Monadelphous, Bechtel (mining/resources); St Hilliers, Mulpha, JRK Group, Civeo, Ausco (infrastructure/municipal); Givaudan, FMC Technip (industrial)



High revenue growth – From \$0.3m in 2016 to \$2.9m in 2017 and \$10.5m 2018. FY19 YTD exceeding FY18 run-rate, with \$10.5m secured revenues as of October 2019.



Stable revenue component - Approx. \$3.5m or 35% of revenues from long term or revolving Operations & Maintenance or Build, Own, Operate contracts



Multiple growth drivers – High growth addressable market; growing product range; emerging new technologies; cross-sell opportunities; recent expansion into new geographies (Western Australia and Pacific Islands).



Visible path to cash positive – Operating cash outflow of \$1.6m on \$10.5m revenue in FY18, with growing FY19 revenue outlook. Flexible revenue model, low cost base, existing projects providing stable cash flow and recurring service revenues.



Valuation discount – DEM trades at a discount to ASX-listed peers on a market cap/revenue (x) basis.

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All figures included in this presentation are in AUD\$ unless otherwise stated. Assumed exchange rate of AUD\$1:USD\$0.75



DE.MEM LIMITED (ASX:DEM)

Andreas Kroell

Chief Executive Officer

De.mem Limited

investor@demem.com.sg

INVESTOR ENQUIRIES

George Gabriel, CFA

Managing Director

BLETCHLEY Park Capital

investors@bletchleyparkcapital.com.au

(03) 8686 9144