envirosuite

(ASX: EVS)

ASX Announcement

Sales update

13 August 2019

Key Highlights

- New orders signed in FY19 totalling $3.1m achieves gross ARR growth of over 100%
- Total contracted ARR of $5.6m at FYE
- Total sales pipeline of ARR rises to over $14m
- Re-affirming FY20 cumulative target of $12m contracted ARR
- Two major projects in Middle East go live

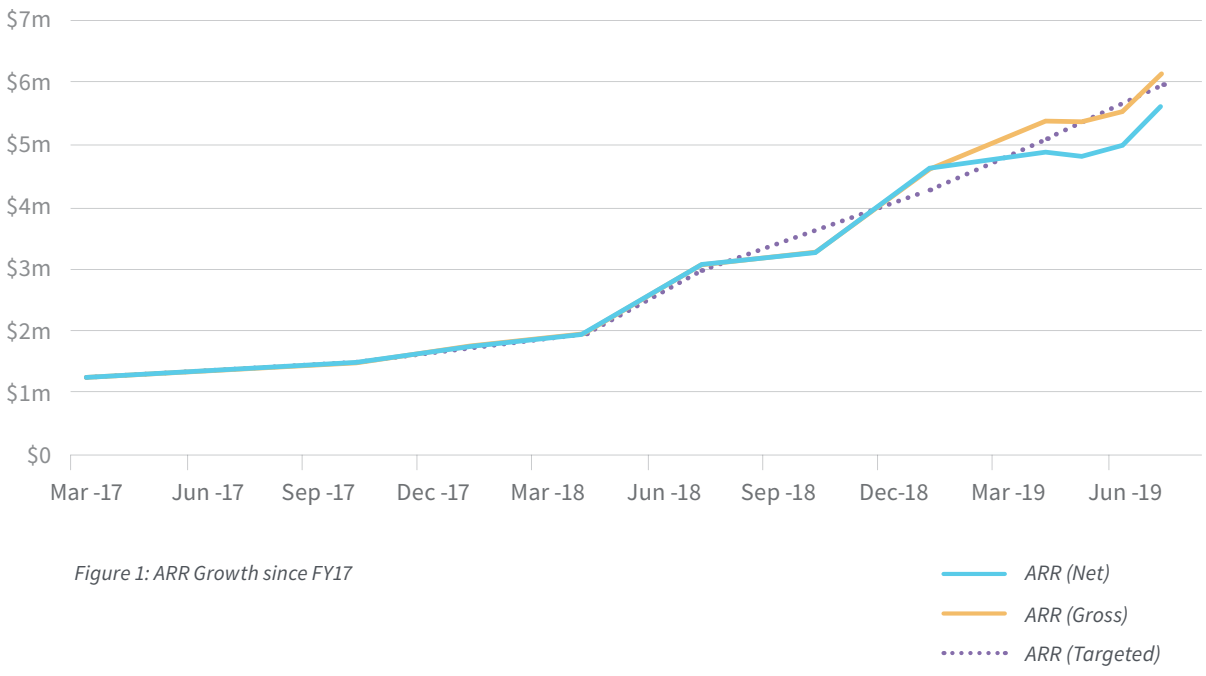

Figure 1: ARR Growth since FY17

Environmental technology Company **Envirosuite Limited** (ASX:EVS) ('Envirosuite' or 'the Company') is pleased to provide an update to the market on Company progress for the June quarter (April through June) 2019. During the quarter the Company received new orders representing an additional $760,000 in annualised recurring revenue (ARR). While the gross ARR growth exceeded 100%, the net ARR year on year growth was 86%. ARR attrition for Q4 was within target range at 1.4%, following abnormal attrition in Q3 arising mainly from the Company's strategic industry sector focus.

Table 1 below contains the list of new sales added during the quarter.

Client	Sector	Region
City of Ottawa	Wastewater	Canada
Hinton Pulp	Pulp Paper	Canada
Maxagro	Agriculture	Chile
Sierra Gorda	Mining	Chile
Yansan Water (Veolia trial)	Wastewater	China
Cerrejon (Water Solution)	Mining	Colombia
Christchurch City Council	Composting	New Zealand
Grand Prado (Veolia)	Wastewater	Reunion
City of Cincinnati	Wastewater	USA
Rubbertown	Regulatory	USA
Duck Creek	Wastewater	USA
City of Kalamazoo	Wastewater	USA
Oklahoma City	Wastewater	USA
Morning Star	Agriculture	USA
Wake County	Landfill	USA

Table 1: New ARR wins in April-June 2019

CEO Update

The Company has completed the financial year with contracted Annual Recurring Revenues of $5.6 million. This represents growth in ARR of 86% year on year, following 100% growth in the previous year. During the year we added $3.1 million in new sales, which was slightly ahead of target, though due to the higher than expected attrition rate in Q3 (40% of which was considered abnormal and once off) we fell short of our target of 100% growth in cumulative ARR.

New wins of note during the quarter included our first win in China (a trial system with Veolia that involves special configuration to enable it to operate within the Chinese regulatory environment), another Veolia win on Reunion island in the Indian Ocean, further wins in Chile in agriculture and mining, expansion of the Cerrejon solution to include groundwater pressure monitoring, and a continuance of momentum of winning new sites in the North American odour-related industries.

In pursuit of increasing sales leads and maximising the efficiency of our sales team, over the past year we have undertaken several digital and online marketing campaigns including employing a digital content strategy through our website, targeting webinars at key industry representatives, and exhibitions at specialised industry conferences. We have witnessed a significant increase in brand awareness of Envirosuite's offerings in our target audience across all regions. Traffic to our website has increased by 30% over the previous year, and digital marketing activities accounted for 30% of sales opportunities created for the month of June 2019. In consequence of the combined results of our marketing and sales activities the total pipeline of opportunities has risen to over $14 million which is encouraging given that the pipeline visibility of opportunities is generally only six months.

The integration of the assets of Odotech is for all purposes completed. This has proven to be a very successful acquisition. Given the market fragmentation of competitors in our key verticals we will continue to keep a watchful eye on the market for potential opportunities to acquire smaller technology companies in the same market areas that would enable strategic cost and time effective client acquisition.

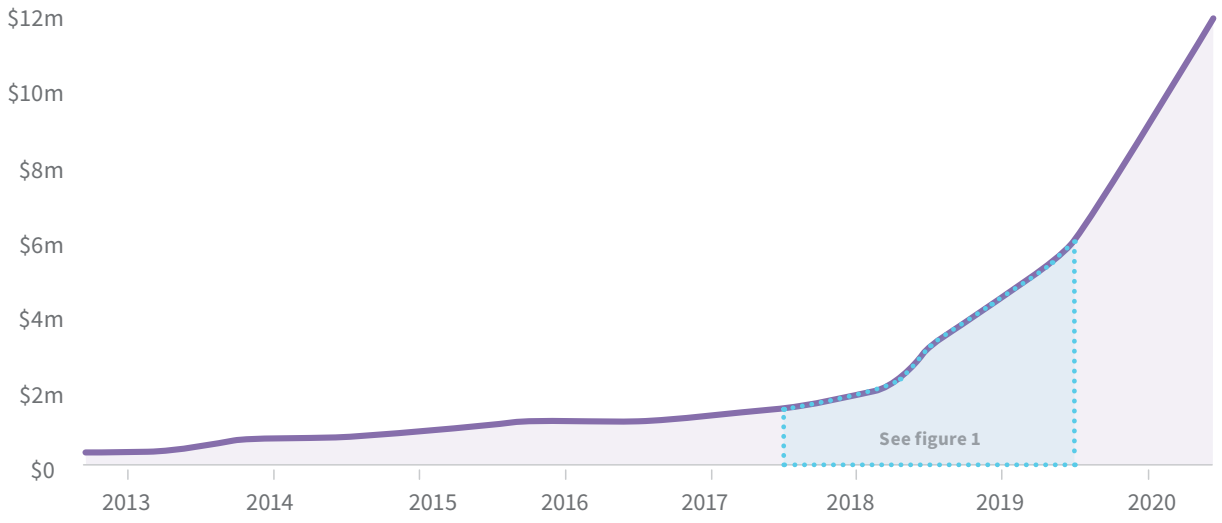

Figure 2: Targeted ARR growth

Overall, we are maintaining our target of $12 million contracted ARR by the end of FY20 (Figure 2). Whilst this may seem an ambitious target, we enter the financial year with a new level of scale and growth. During the year we have been building our regional teams both in sales and support numbers, as well as developing new e-nose and sensor hardware that has recently gone into production at client sites. There is even more demand from clients for a full solution (software platform with integrated hardware), and we expect this trend to grow. At the same time, we continue to be able to integrate any third-party hardware into our platform if a new client already has existing hardware.

We have previously flagged that we do not expect our growth to be linear over time. This is mainly due to the mix of projects we win, some of which are much bigger than the average. Over the past year we have delivered two of these large projects and it is likely that there will be others in the future however at this stage in our growth the timing of these wins is not predictably regular.

To be able to target another doubling of ARR this coming year we have been working on our ability to continue to scale the business. This is ongoing and amongst other areas involves us expanding the senior level of management in the Company (in areas such as Sales Management, Projects and Marketing), as well as building out the regional support teams. Our strategy to achieve on our goals this coming year will involve a "business as usual" approach for the majority of our sales force, supplemented with a small group focused on step change growth via other initiatives such as:

- **Multi-site and Corporate level deals** – we have hired resources to focus exclusively on this area as we believe it is the fastest way to achieve rapid expansion.
- **Solution broadening** – we are investigating ways to attract a bigger "share of wallet" from our existing client base. This will see us broadening our solution functionality to enable us to expand into more operational areas of our clients' businesses and thus more deeply ingraining our solutions with a deeper value proposition.

We are also focusing on geographic expansion and during this year we are building up our sales team in ANZ and Asia Pacific including China. This is a new focus area for us. At the same time, we are strengthening our team in the Middle East as we continue to see bigger opportunities in that region.

We continue to be excited by the potential of rapid growth in our target markets and the difference the solution can make to the ability of industry and communities to co-exist.

R&D Update

The past quarter has again highlighted the importance of ongoing R&D efforts to drive new and improved capabilities that meet the requirements of our clients and the broader market. Some key aspects in the past quarter have included ongoing collaboration with the US EPA, further development of e-nose technology and forays into the water sector.

In June, a team headed by the US EPA published a scientific paper in the International Journal of Environmental Research and Public Health (*Thoma et al., vol 16, p. 2041*) describing a research project at an industrial complex in Kentucky. It investigated new measurement technologies and models to track sources of toxic and greenhouse gas leaks from industrial processes and storages in real time. Envirosuite contributed backward trajectory modelling, a standard part of our offering, and the results were very successful. The EPA plans to work with us further in the coming year.

Off the back of this collaboration with EPA, we have been noticed by other potential clients and their stakeholders. We have already been introduced in a significant way into the US oil and gas sector at a time when regulatory and community drivers are working strongly in favour of effective new solutions for real-time management - our sweet spot.

Our e-nose technology is advancing on several fronts, one being the development of an odour recognition capability through the combination of the e-nose sensors themselves with associated data and software. Over time, we expect that machine learning will play an increasing part in helping to identify odour types in real time under increasingly complex situations. Put simply, we will very soon have the technology to quickly know the strength of an odour, what type it is and where it is coming from.

In relation to water, we are now advancing our R&D efforts into the realm of water catchment modelling and management, particularly for applications involving water quality and storage management. Over time this will extend our well-established capability in weather modelling to be able to deal with natural and engineered water flows and associated water contaminant levels. This is of considerable relevance to mining, industrial, agricultural and waste management activities across the globe, particularly where rapid response is needed for fast-changing situations.

Project Update

Two city projects in Middle East go live

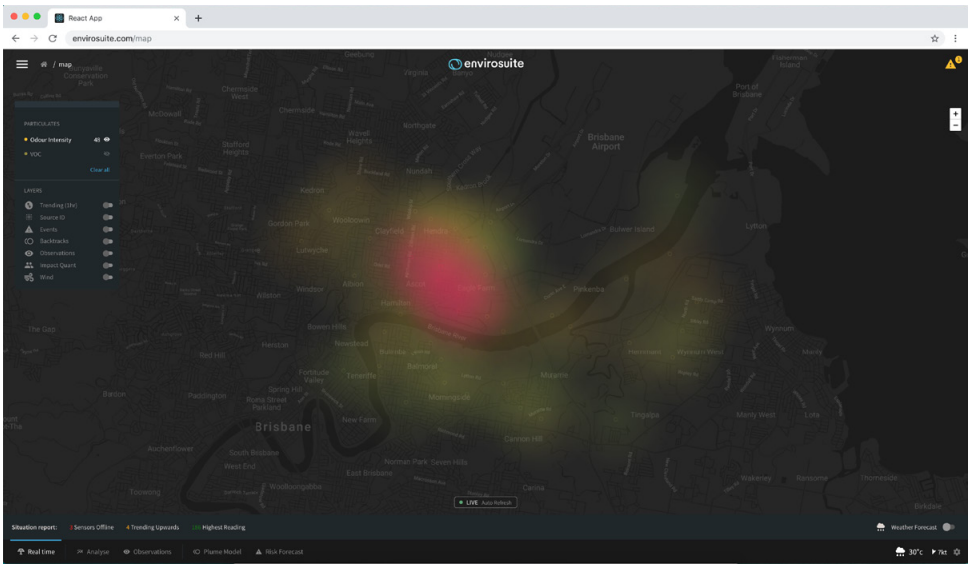

Figure 3: Envirosuite's new city-wide solution

During the last quarter the two biggest projects in Envirosuite's history went live. These are the city-wide projects in the Middle East (Doha and Kuwait). It is worth noting that both these projects could grow further in scope in the medium term. Contrasting single site projects, these projects are city-wide odour and air quality monitoring solutions, each involving the new Envirosuite hardware (Envirosense monitors and e-noses).

The Doha project is focused on the city's sewer pipelines and will be used by the government to monitor and assess the performance of the network and its ability to handle times of higher operational demand. This is important for Envirosuite as it is broadening the use-case of the solution and this project is a precursor to further broadening the functionality of our platform.

The Kuwait project involves the deployment of 100 sensors across the city, initially tracking odour and other air emissions from various sources such as oil refineries, wastewater plants, landfills, and intensive agriculture. For this project Envirosuite has implemented a new software solution for city-wide and regional projects (see Figure 3). This solution will handle the display of hundreds of sensors (or more) across a larger region (typically a city), and has potential for inclusion of noise, water quality and other sensors, becoming a general environmental Smart City solution. As these projects build out a strong name for Envirosuite in the region we will be targeting other Middle Eastern cities as well as other major cities globally with this solution.

Case Study

The City of Kalamazoo Water Reclamation Plant (KWRP) provides treatment services to 18 Kalamazoo-area municipal jurisdictions by using an innovative treatment system to treat a variety of high concentration pollutants. Consequently, KWRP receives a significant portion of its wastewater from industrial sources. Odour complaints have been received in the past from the adjacent communities and it's been difficult to assess KWRP's specific contribution, or whether the KWRP operations are the cause of those complaints at all.

The plant's proximity to a recycled cardboard facility makes it difficult to use traditional investigation methods to reach a conclusive answer. KWRP is implementing an Envirosuite wastewater solution consisting of the Environmental Compliance, Incidence Intelligence and Impact Modelling modules to allow the plant to:

- Provide real-time monitoring capabilities
- Generate a 'reverse trajectory model' to quickly understand the likely source of the incident and facilitate rapid action
- Minimise the risk of off-site odour by using 72-hour forecasts to schedule high-risk activities (such as dewatering or a tank clean-out) at optimal times.

Operations staff at KWRP are now provided with much quicker notifications for corrective action and scheduling operations. They are able to access powerful insights into the site activities that contribute most to off-site odour impacts. This improved knowledge supports capital planning decisions, enabling the plant's management team to focus their spending on where it will have the biggest impact to reduce odour nuisance.

About Envirosuite

Envirosuite Limited is an environmental management technology company that has developed a leading Solution-as-a-Service offering which translates data into action in real-time.

Using proprietary algorithms built on more than 30 years of environmental consulting experience, the Envirosuite platform provides a range of environmental monitoring, management and investigative capabilities.

The Envirosuite platform is used worldwide by a range of clients in the mining, water and waste management, heavy industry, ports and agricultural industry sectors and as well by governments looking to regulate industry in accordance with community well-being.

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