



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

De.mem Acquires 25% Stake in German De.mem-Geutec GmbH, Increases Holdings to 100%

3 October 2022: Australian-Singaporean water and waste water treatment company De.mem (ASX:DEM) (“De.mem” or “the Company”) is pleased to announce that it has signed a binding agreement to acquire the remaining 25% stake in its German subsidiary De.mem-Geutec GmbH, Velbert, Germany. Subject to the pending completion of the acquisition, De.mem will own 100% in De.mem-Geutec GmbH.

With the transaction, De.mem delivers successfully to the objectives and intended use of funds from the recent capital raise (see Capital Raising Presentation released to the ASX on 28 July 2022, slide 22).

Overview of De.mem-Geutec GmbH

De.mem-Geutec supplies waste water treatment products and solutions to small and medium sized companies (“SMEs”) and a number of multinational corporations from the heavy industrial, plating 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.

The company’s product range is based on a range of proprietary chemical formulations which have been developed and optimised over decades of operation. Sales are largely recurring.

The manufacturing of De.mem-Geutec’s chemicals is performed at the company’s facility in Velbert, Germany. The manufacturing process is low in energy consumption, hence, the margin impact of the rising energy prices in Europe on the manufacturing cost is insignificant.

De.mem-Geutec’s business is led by its local Managing Director Mr. Uwe Graessel, who is committed to stay with the business, ensuring stability and strong local leadership for the planned expansion.

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).

Attractive Valuation

De.mem pays a total of approx. A\$ 340,000 for the 25% acquisition. The valuation is only slightly higher than for the first tranche (A\$ 915,000 for 75%), in spite of the strong growth which De.mem-Geutec GmbH has accomplished since the initial transaction (see the following paragraph for further details).

De.mem-Geutec has a strong track record of profitability. In the first six months of CY 2022, the company recorded positive EBITDA of A\$ 205,000 (see the Consolidated Interim Financial Report for the 6 months ended 30 June 2022, page 16, Note 3, Segment Reporting).

The acquisition is valued based on an EBITDA multiple (calculated as the acquisition price divided by the annualized EBITDA recorded by De.mem-Geutec in the first six months of CY 2022) of approx. 3.3x.



With the acquisition, De.mem also gets access to a cash balance of approx. A\$ 230,000 held by De.mem-Geutec.

De.mem-Geutec Achieved Significant Revenue Growth Since the Initial Transaction in October 2019

De.mem-Geutec recorded approx. A\$3.2 million in revenues in CY (Calendar Year) 2021; up by approx. 78% vs. approx. A\$1.8 million in revenues recorded in CY 2019.

The growth is remarkable as it was achieved during the peak of the Covid-19 pandemic.

The growth is due to the successful integration of De.mem-Geutec GmbH into De.mem group, the cross-selling of the wider De.mem product range into Geutec customers and the strengthening of Geutec's key account relationships after the initial acquisition thanks to De.mem's strong brand as an international, listed supplier of high quality water and waste water treatment equipment, services and consumables.

Strong Foundation for Further Internationalization and Continued Growth in Germany and Europe

With the full acquisition of and control over De.mem-Geutec, De.mem now has a strong platform for further internationalization and growth into the German and European market.

The region is of particular interest for De.mem, as Germany has a strong industrial manufacturing base combined with strict environmental laws and discharge regulations, resulting in a high demand for advanced waste water treatment technologies.

As De.mem's Australian business has grown substantially over the past few years, the internationalization is now becoming a key target for the Company.

Commentary

De.mem CEO Andreas Kroell said: "The purchase of the remaining 25% stake in De.mem-Geutec completes the successful acquisition of this business by De.mem.

The integration of De.mem-Geutec into our group has been highly successful, as evidenced by the revenue growth of 78% since 2019, which we achieved in spite of the difficult market environment due to the Covid-19 pandemic.

With the full control over De.mem-Geutec we now have an excellent platform for the further roll out of our enhanced product range into the Germany and Europe."

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

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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.