

## JUNE 2021 QUARTERLY ACTIVITIES REPORT: RECORD GROWTH SUPPORTS RECORD OUTLOOK

### Key Highlights

- **Second-highest ever quarterly cash receipts, best ever June Quarter**
- **Record June Quarter** with \$5.2m cash receipts, ~53% growth over June Quarter 2020 and ~49% growth over March Quarter 2021
- **Strong growth momentum**, with 9 successive quarters of cash receipts growth vs prior corresponding periods (pcp)
- **Continued recurring cash receipts growth** to ~65% of total, from 38% in 2018
- **Record balance sheet** supports strong growth prospects, in particular Build, Own, Operate (BOO) opportunities, deploying advanced membrane solutions
- **Recently acquired Capic business exceeding expectations**
- **Record CY2021 outlook**, with significant growth expected.

**29 July 2021:** Water and wastewater treatment company De.mem Limited (ASX: DEM) (“De.mem” or “the Company”) is pleased to report strong June Quarter 2021 results.

### Record Growth in Quarterly Cash Receipts

*De.mem is delighted to report record cash receipts of \$5.2m in the June Quarter 2021.*

June Quarter 2021 results achieve significant milestones:

- Best-ever June Quarter in the Company’s history.
- Second-best quarter of cash receipts (behind \$5.6m cash receipts in the December Quarter 2020).

Furthermore, the above cash receipts only include a partial period contribution from the recent acquisition of Capic, Perth, due to the asset deal structure of the transaction (see section below “*Successful Integration of Capic*”).

### Strong Growth Momentum

*De.mem has a strong track record of significant growth momentum.*

De.mem has now recorded 9 consecutive quarters of cash receipts growth vs. prior corresponding periods (pcp).

Since the beginning of CY 2020, the group’s accumulated quarterly cash receipts have grown by approx. 34% over the prior corresponding period\*. Quarterly growth rates vs pcp are summarised in Table 1 below.

De.mem’s growth significantly exceeds the industry average annual growth rates (*source: Ibisworld, water treatment services in Australia, average industry growth 2016-21*).

**TABLE 1: QUARTERLY CASH RECEIPTS GROWTH**

Quarter ended	Cash receipts growth (% vs pcp)
30 June 2021	53%
31 March 2021	5%
31 December 2020	69%
30 September 2020	7%
30 June 2020	14%
31 March 2020	63%
Average (6 quarters)*	34%*

*\*Based on accumulated cash receipts during the 6 quarters mentioned, relative to accumulated cash receipts for the prior corresponding 6 quarters*

### **World Leading Membrane Technology Provides Strong Competitive Advantage**

*Patented and proprietary technology portfolio provides significant competitive advantage*

De.mem has a unique competitive advantage of proprietary and/or patented technology, underpinning the Company's unique portfolio of hollow fibre Microfiltration, Ultrafiltration and Nanofiltration membranes.

De.mem commercializes its membranes as the key component of its integrated water and waste water treatment systems or its Build, Own, Operate and service contracts, and in combination with a range of chemicals, pumps and consumables that are typically required by clients during operations of membrane based water treatment plants.

De.mem's water treatment solutions are deployed at customer sites across Australia, Singapore and Germany.

The Company's membrane technologies are manufactured at its production site in Singapore. During the June 2021 Quarter, De.mem moved to a new, larger site in Singapore, upgrading its membrane production capacity in anticipation of further strong growth implied by its strong sales pipeline.

### **Recurring Revenue Underpins Growth**

*Continued growth in recurring cash receipts in H12021.*

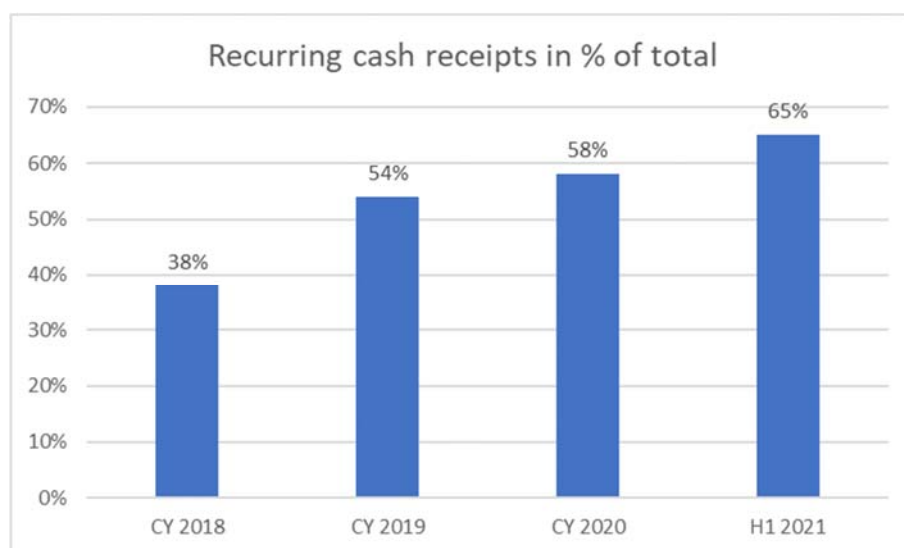
De.mem is pleased to report that recurring revenue growth continues to underpin overall growth.

Recurring revenues include:

- Build, Own, Operate (BOO) and Operations & Maintenance contracts.
- Membrane replacement sales into existing facilities.
- Specialty chemicals sales through the De.mem-Capic and De.mem-Geutec subsidiaries.
- Pumps and related services through De.mem-Pumptechn subsidiary.

Recurring cash receipts in H1 2021 were approx. ~65% of total, up from 38% in CY2018. Chart 1 illustrates growing recurring cash receipts.

**CHART 1: GROWING RECURRING CASH RECEIPTS**



#### **Record Balance Sheet Supports Growth**

*The Company's record ~\$10m cash and term deposits (proforma/unaudited) as at 30 June 2021 supports the Company's future growth prospects.*

De.mem's record balance sheet will support the Company's future growth prospects, in particular its ability to offer Build, Own, Operate (BOO) opportunities.

The Company's record balance sheet enables it to provide larger BOO contracts to its enterprise level clients, including the customers of the recently acquired Capic business.

#### **Build, Own, Operate with Industrial Clients as Unique Service Offering**

Under a BOO scheme, De.mem rents out water treatment equipment, typically based on the Company's proprietary membrane technology as the key technological feature, to a client. Following the commissioning of the plant, De.mem then operates and maintains the equipment on behalf of the client, also providing all required replacement membranes, chemicals and consumables.

The BOO contracts typically come with a fixed term of several years. The offering enables the Company to generate stable, recurring revenues streams from a reputable client base, and to build strong customer relationships.

The BOO offering combines De.mem's extended range of capabilities, from its advanced, proprietary membrane technology to the provision of operations & maintenance services and the supply of in-house Australian-manufactured anti-scalants and membrane chemicals required during operations.

BOO services require some upfront capital to finance equipment leasing. The projects can be funded through the issuance of debt instruments.

#### **New Build, Own, Operate Projects Commissioned**

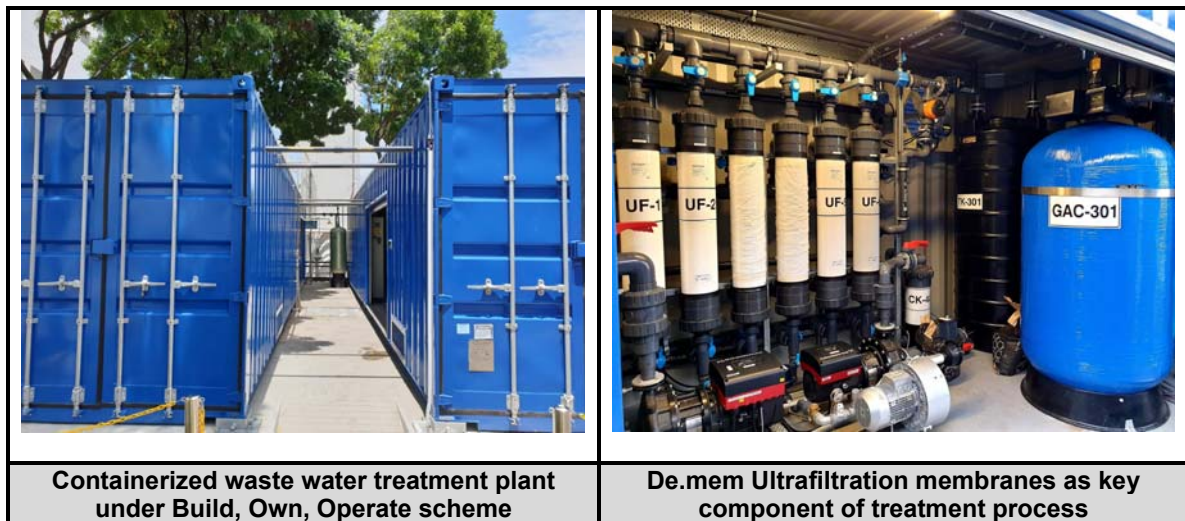
*De.mem commissioned two significant, industrial BOO projects during H12021.*

Both water treatment facilities are now fully operational and generate revenues for De.mem.

The first project relates to a BOO Agreement originally announced on 25 November 2019 (see ASX release, De.mem signs \$1.7m BOO agreement). The containerized waste water treatment plant was designed, built and commissioned and is now operated & maintained by De.mem under the long term BOO

Agreement with a leading multinational corporation from the food & beverage sector. The system treats waste water from one of the client's facilities in Singapore to regulatory discharge standards.

The other BOO agreement was signed by De.mem on 10 September 2020 (see ASX release, De.mem signs \$800,000 Build, Own, Operate contract). Under the contract, De.mem provides and services a waste water treatment system deployed at another manufacturing facility of the same customer.



### **Successful Integration of Capic**

*Capic acquisition exceeding expectations, with strong De.mem customer interest in Capic's highly complementary product range and significant cross-sell pipeline*

On 16 March 2021, De.mem announced its acquisition of the assets of Capic, a Perth-based supplier of high value-add specialty chemicals to blue chip mining clients. See ASX release, "*De.mem announces strategic acquisition in Western Australia*", dated 16 March 2021.

The "asset acquisition" was formally completed (became legally effective) on 1 April 2021, with a new subsidiary, De.mem-Capic Pty Ltd, continuing Capic's business via the new entity and brand. Commercial integration, including sales pipeline development, commenced thereafter.

De.mem-Capic exceeded expectations in June Quarter 2021, generating approx. \$900k revenue, tracking above the 3-year average revenue of ~\$3.3m (See ASX release, "*Investor Presentation*", dated 16 March 2021, page 8).

Customer cash receipts were approx. \$500k during the quarter. Revenues / receivables are recorded as cash receipts subject to the typical payment schedule of the company's industrial clients, which is on average, 60 days.

The key rationale for the Capic acquisition is the substantial revenue growth opportunity provided by:

- Cross-sell of Capic's specialty chemicals products, such as anti-scalants and membrane chemicals, into De.mem's existing customer base.
- Cross-sell of De.mem's advanced membrane products into Capic's West Australian customer base, including the opportunity to offer Build, Own, Operate and service contracts.

De.mem is pleased to report strong growth in the cross-sell sales pipeline, with first Capic cross sales reported during the quarter (see ASX release "*De.mem achieves first Capic cross sales*", dated 17 June 2021).

### **Outlook**

*De.mem reiterates that it expects significant CY2021 growth relative to CY2020 cash receipts of \$16.5m.*

The first half results have created a strong base for significant full-year growth. Key considerations are:

- Cash receipts of ~\$8.7m recorded in H1 2021, approx. 30% growth vs. \$6.7m in H1 2020. The reported growth is largely organic and reflects only minor contribution from recently acquired business in Perth, Capic, while full contribution is expected for H2 2021.
- Approx. \$4.5-5.5m cash receipts expected for the September Quarter 2021, ~25-53% growth compared to September Quarter 2020.
- Significant and growing pipeline for new projects, equipment sales and Build, Own, Operate projects, both in Australia and internationally, with the majority of orders typically received in the second half of the calendar year.

The above is subject to no further deterioration of the Covid-19 situation in Australia. Further extension of current lockdowns may impact the Company's projects business, particularly the ability to generate cash receipts from contracted projects according to schedule; and the ability to close new projects.

### **CEO Commentary**

De.mem Chief Executive Officer Andreas Kroell said:

"The June Quarter of 2021 has been yet another excellent quarter for us. Our track record of organic growth is outstanding. I am delighted to report top-line growth of 53% compared to the June Quarter last year.

Our growth is driven by our advanced membrane technology and comprehensive product and service offering in particular for industrial clients.

The Company is well placed for significant growth in CY2021, given the strong base of the first half results, the strong growth of recurring revenue segments, the growing contribution of recently acquired Capic and the historically stronger second half of the calendar year."

### **Payments to related parties included in Appendix 4C**

The payments to related parties of De.mem disclosed in item 6.1 of the Appendix 4C for the quarter, accompanying this quarterly activities report, were payments of directors' fees and salaries.

This release was authorized by the Company's CEO, Andreas Kroell, on behalf of the board.

**-ENDS-**

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

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**De.mem Limited (ASX:DEM)** is an Australian-Singaporean 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 has commercialised 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 exclusively licensed from NTU 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.

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

De.mem Limited

**ABN**

12 614 756 642

**Quarter ended ("current quarter")**

30 June 2021

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>			
1.1 Receipts from customers		5,241	8,702
1.2 Payments for			
(a) research and development		-	-
(b) product manufacturing and operating costs		(3,751)	(6,202)
(c) advertising and marketing		-	-
(d) leased assets		(35)	(50)
(e) staff costs		(1,499)	(2,560)
(f) administration and corporate costs		(657)	(1,292)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		3	4
1.5 Interest and other costs of finance paid		(35)	(51)
1.6 Income taxes paid		(9)	(18)
1.7 Government grants and tax incentives		-	-
1.8 Other (provide details if material)		209	248
<b>1.9 Net cash from / (used in) operating activities</b>		<b>(533)</b>	<b>(1,219)</b>
<b>2. Cash flows from investing activities</b>			
2.1 Payments to acquire or for:			
(a) entities		-	-
(b) businesses		(108)	(3,429)
(c) property, plant and equipment		(193)	(517)
(d) investments		(83)	(83)
(e) intellectual property		-	-
(f) other non-current assets		-	(6)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(384)</b>	<b>(4,035)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,610	10,610
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(141)	(741)
3.5	Proceeds from borrowings	-	141
3.6	Repayment of borrowings	(57)	(57)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)		
	Repayment of lease liabilities	(101)	(170)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,311</b>	<b>9,783</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	9,169	5,040
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(533)	(1,219)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(384)	(4,035)



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,311	9,783
4.5	Effect of movement in exchange rates on cash held	21	15
4.6	<b>Cash and cash equivalents at end of period</b>	<b>9,584</b>	<b>9,584</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	5,039	4,543
5.2	Call deposits	4,545	4,626
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>9,584</b>	<b>9,169</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	49
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)		
	Bank overdraft	200	80
7.4	<b>Total financing facilities</b>	200	80
7.5	<b>Unused financing facilities available at quarter end</b>		120
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(533)
8.2	Cash and cash equivalents at quarter end (item 4.6)	9,584
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	9,584
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>17</b>
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
	8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 July 2021

Authorised by: Board of Directors  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.