

## MARCH 2021 QUARTERLY ACTIVITIES REPORT: RECORD MARCH QUARTER CASH RECEIPTS, AND RECORD BALANCE SHEET SUPPORT STRONG GROWTH OUTLOOK

### Key Highlights

- **Highest-ever March Quarter cash receipts.**
- **Strong growth momentum**, with 8 successive quarters of cash receipts growth vs pcg.
- **Continued recurring cash receipts growth** to ~67% of total, from 38% in 2018.
- **Record balance sheet** supports strong growth prospects, including Capic growth and Build, Own, Operate opportunities.
- **Revenue quality enhancement** through growing diversification and recurring revenues.
- **Continued strong growth in subsidiaries**, Pumptech and Geutec.
- **Strong CY2021 outlook**, with March Quarter historically accounting for 15-20% of annual cash receipts, re-affirmed guidance and significantly increased cross/upsell potential through Capic acquisition.

**29 April 2021:** Water and wastewater treatment company De.mem Limited (ASX: DEM) ("De.mem" or "the Company") is pleased to report strong March Quarter 2021 results.

### Highest-Ever March Quarter

*De.mem is pleased to report its highest ever March Quarter cash receipts.*

Highlights are:

- Reported ~\$3.5m March Quarter 2021 cash receipts are ~5% above prior corresponding period (pcg).
- Preliminary \$3.9m Adjusted March Quarter 2021 cash receipts, including an overdue \$400k single customer cash payment received in early April, are ~18% above pcg.
- Adjusted net operating cash outflow (including \$400k single late payment) of \$361k, ~51% below pcg.

The above numbers exclude any impact from the Capic acquisition, which was completed on 31 March 2021 (see ASX release, "*De.mem Completes Capic Acquisition*", dated 1 April 2021).

### Strong Growth Momentum

*The Company is experiencing strong growth momentum, with quarterly pcg growth for 9 consecutive quarters.*

Record March Quarter 2021 cash receipts provide a strong foundation for full-year growth, given the historical seasonality:

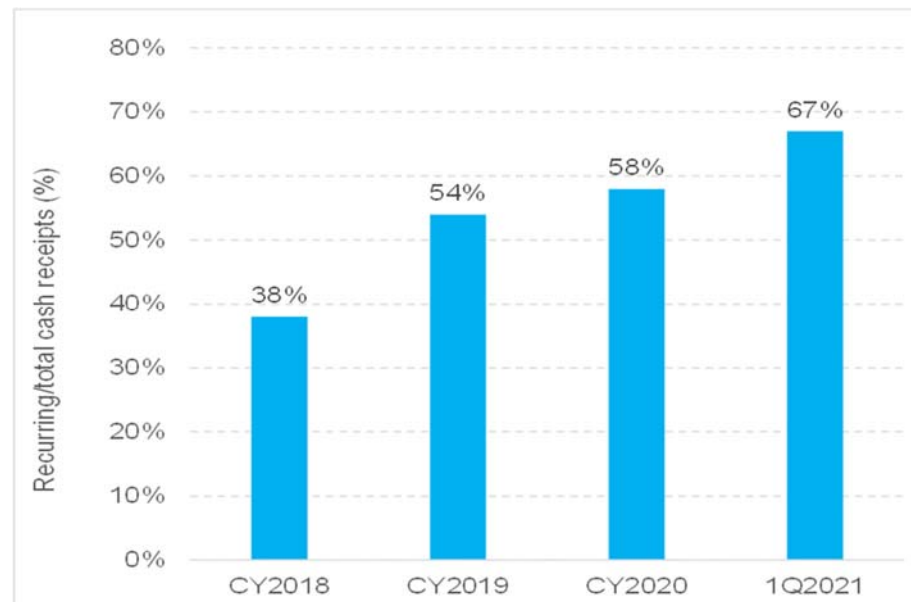
- March Quarter historically accounts for 15-20% of annual cash receipts,
- 1H historically comprises ~40% of full-year cash receipts and 2H comprises ~60%.

### **Recurring cash receipts growth**

*The Company is pleased to report continued growth in recurring cash receipts in 1Q2021.*

- Recurring cash receipts (receipts from BOOs/service contracts, sale of consumables, pumps and chemicals) are ~67% of total, up from 38% in CY2018.
- Chart 1 illustrates growing recurring cash receipts.

**CHART 1: GROWING RECURRING CASH RECEIPTS**



### **Record Balance Sheet Supports Strong Growth Prospects**

*The Company is pleased to report record balance sheet strength*

Proforma cash and term deposits as at 31 March 2021 is approx. \$11m (including net Share Purchase Plan proceeds received in April).

De.mem raised ~\$10.6m in two tranches:

- Share Placement of \$9m at 28 cents per share (see ASX release, “*De.mem completes Capital Raising; announces Share Purchase Plan*”, dated 17 March 2021).
- Share Purchase Plan of \$1.61m at 28 cents per share (see ASX release, “*De.mem Share Purchase Plan Closes Oversubscribed*”, dated 15 April 2021).

The Share Placement was led by institutional investors, including existing investors Perennial Value Management and water-focused fund Pathfinder Asset Management from New Zealand, plus new investors Inspire Australia Equities Fund and New Horizons Fund.

*The Company's record balance sheet supports its future growth prospects*

De.mem's record balance sheet will support the Company's future growth prospects, including:

- General working capital.
- Capic's asset receivable growth.
- Potential Build, Own, Operate (BOO) opportunities.

*The Company's record balance sheet enables larger Build, Own, Operate opportunities*

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

Build, Own, Operate services require some upfront capital to finance equipment leasing, with recurring revenues generated over the customer contract period.

The Company has historically provided BOO services to blue-chip clients such as a \$1.7m BOO contract with Givaudan, the global leader in the creation of flavours and fragrances with sales of AUD\$8.1 billion in 2018 (see ASX release, “*De.mem signs \$1.7m Build, Own, Operate Contract*”, dated 25 November 2019).

The Company’s record balance sheet will enable more and larger BOO contracts to be offered to enterprise level clients, which would increase the Company’s recurring revenues.

### **Revenue Quality Enhancement**

*De.mem is enhancing the quality of its revenue base through growing recurring revenues and diversification of customers, customer industry, geography and product range.*

During March Quarter 2021, De.mem continued its diversification by growing its revenues in the Food, Beverages, and Sustainable Agriculture segments.

The Company signed a new ~\$300k contract for the supply of a cooling tower water filtration system to a large Australian food & beverage corporation. The new contract represents the first award from this customer.

*Acquisition of Capic provides geographic, product and customer diversification.*

On 1 April 2021, the Company completed the acquisition of the assets of Capic, which diversifies De.mem by geography, product and customers. See ASX releases, “*De.mem Announces Strategic Acquisition in Western Australia*”, and “*Investor Presentation*”, dated 16 March 2021.

Capic expands De.mem into the strategic, high growth segment of Western Australian mining clients, with combined cross-sell potential across Australia.

Capic is a well-established Perth-based supplier of high value-add specialty chemicals including anti-scalants, membrane cleaners, process additives such as dewatering aids and defoamers plus a whole range of cooling tower water treatment products. Capic’s customer base includes blue chip mining clients such as BHP Billiton, Northern Star or Pilbara Minerals.

The acquisition brings substantial “cross sell” potential to De.mem, through the offering of the Company’s one-stop-shop range of products and services including membrane-based water treatment equipment, pumps & hydraulics, consumables and water treatment services including its proven Build, Own, Operate model.

### **Continued strong organic growth in subsidiaries**

*The Company is pleased to report strong 1Q21 performance in both its subsidiaries, De.mem-Geutec and De.mem-Pumpteck, demonstrating strong leverage to ongoing recovery from Covid-19*

De.mem-Geutec (“Geutec”), based in Germany, reported cash receipts of ~\$1.07m are ~90% above pcip (1Q20). This strong result is driven by strong demand from existing customers for recurring product lines (chemicals) and a number of project/equipment sales to new, corporate customers.

De.mem-Pumpteck (“Pumpteck”), based in Tasmania, reported cash receipts of ~\$0.76m, approx. 10% above 1Q20.

De.mem has grown the Pumpteck business by ~60% since its acquisition in July 2019 (see ASX release, “*De.mem announces strategic acquisition in Tasmania*”, dated 29 July 2019), as follows:

- Unaudited revenues for the 12 months ended 30 June 2019 of ~\$2.5m;
- to ~\$4.0m in CY2020.

Pumpteck outperformance has been driven by:

- Successful integration into De.mem Group’s sales & marketing organization.

- Access to the wider De.mem Group product range, cross- and up-selling initiatives. De.mem's "one-stop shop" diversified product and services offerings has been well received by Pumptech's long-standing customers, who particularly appreciate access to De.mem's sophisticated, membrane-based water treatment solutions.
- Robust demand from food & beverage customers.

De.mem is optimistic that its successful integration of Pumptech can be replicated with its recent Capic acquisition.

### Outlook

*The Company reiterates previous guidance (excluding the Capic acquisition).*

The Company reiterates the following guidance:

- March Quarter typically provides only 15-20% of annual cash receipts.
- Significant CY2021 growth expected relative to CY2020 cash receipts of \$16.5m.
- ~\$14.5m CY2021 cash receipts already visible, comprising ~\$10m recurring and ~\$4.5m contracts as of today.
- 1H2021 outlook is for ~18-25% organic growth vs pcp, with actual cash receipts for 1Q21 plus contracted and recurring cash receipts for 2Q21 of ~\$7.9-8.4m as of April 2021 (excluding any potential additional project awards and impact from Capic acquisition), an increase on \$6.7m in 1H20 (see ASX release, *June 2020 Quarterly Report*, dated 29 July 2020 and *Trading Update*, dated 9 April 2021).
- 2Q2021 outlook is for ~29-47% organic growth vs pcp, with actual cash receipts for 2Q21 plus contracted and recurring cash receipts for 2Q21 of ~\$4.4-5m as of April 2021 (excluding any potential additional project awards and impact from Capic acquisition), an increase on \$3.4m in 2Q2020 (see ASX release, *June 2020 Quarterly Report*, dated 29 July 2020 and *Trading Update*, dated 9 April 2021).

Other relevant considerations include:

- The proforma combined historical full-year cash receipts of the combined De.mem-Capic businesses is ~\$19m.
- De.mem acquired Capic's assets on 1 April 2021. Capic will require asset receivable investment to grow Capic's revenues.

### CEO Commentary

De.mem Chief Executive Officer Andreas Kroell said:

"We are pleased to report continued strong momentum in the first quarter of 2021, along with further growth into the strategically important high-growth segment of food, beverages and sustainable agriculture.

We look forward to commencing the cross-sell sales process across both the Capic and De.mem businesses. With our world-leading, innovative membrane technology, expanded product range which now includes Capic's speciality chemicals, and our proven capability to operate and maintain water treatment plants, De.mem is uniquely positioned to realise our vision of becoming ***the Australian "international champion" providing the complete 'one-stop shop' for decentralised industrial water treatment solutions***".

### 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-**

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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")**

31 March 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	3,461	3,461
1.2 Payments for	-	-
(a) research and development		
(b) product manufacturing and operating costs	(2,451)	(2,451)
(c) advertising and marketing	-	-
(d) leased assets	(15)	(15)
(e) staff costs	(1,061)	(1,061)
(f) administration and corporate costs	(716)	(716)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(10)	(10)
1.6 Income taxes paid	(9)	(9)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	39	39
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(761)</b>	<b>(761)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	(3,321)	(3,321)
(b) businesses	-	-
(c) property, plant and equipment	(318)	(318)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	(6)	(6)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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>(3,645)</b>	<b>(3,645)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	9,000	9,000
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	(600)	(600)
3.5	Proceeds from borrowings	141	141
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>8,541</b>	<b>8,541</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	5,040	5,040
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(761)	(761)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,645)	(3,645)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	8,541	8,541
4.5	Effect of movement in exchange rates on cash held	(6)	(6)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>9,169</b>	<b>9,169</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	4,543	1,413
5.2	Call deposits	4,626	3,627
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>9,169</b>	<b>5,040</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	99
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)	-	-
7.4	<b>Total financing facilities</b>	-	-
7.5	<b>Unused financing facilities available at quarter end</b>		-
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)	(761)
8.2	Cash and cash equivalents at quarter end (item 4.6)	9,169
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	9,169
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>12</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 April 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.