

## SEPTEMBER 2021 QUARTERLY ACTIVITIES REPORT: RECORD GROWTH CONTINUES WITH FOCUS ON RECURRING REVENUE SEGMENTS

### Key Highlights

- **Record September Quarter** with \$5.1m cash receipts, ~40% growth over September Quarter 2020
- **Strong growth momentum**, with 10 successive quarters of cash receipts growth vs prior corresponding periods (pcp)
- **Continued recurring cash receipts growth** to ~68% of total (9 months YTD), from 38% in 2018
- **New Build, Own, Operate (“BOO”) and service contract awards received**
- **Record balance sheet** supports strong growth prospects, in particular further BOO opportunities, deploying De.mem’s advanced membrane solutions
- **Presented new Graphene-Oxide enhanced “next-gen” membrane technology developed in-house**, further expanding proprietary tech portfolio
- **Recently acquired Capic business in Western Australia exceeding expectations**
- **Outstanding acquisition track record with all three acquisitions since 2019 achieving significant growth**

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

### Record Growth in Quarterly Cash Receipts

De.mem is delighted to report record customer cash receipts of \$5.1m in the September Quarter 2021, approx. 40% above prior corresponding period (September Quarter 2020).

The September Quarter 2021 marks the third-best quarter of cash receipts, and the best-ever September Quarter, in the Company’s history (behind \$5.6m cash receipts in the December Quarter 2020, and \$5.2 million cash receipts in the June Quarter 2021).

Quarterly cash receipts exclude an additional approx. \$630k in late payments received from three Australian customers within the first three working days of October 2021. The corresponding work was fully completed with almost all cost incurred prior to 30 September 2021.

Operating cash outflows of approx. -\$1.08m in the September Quarter 2021 are approximately summarised as follows:

- Approx. -\$500k relate to the advance funding of manufacturing cost (included in lines 1.2b and 1.2e of Appendix 4C) for the three above-mentioned Australian contracts completed prior to 30 September 2021, for which corresponding customer payments were received in early October. The payments will be reported as part of December Quarter 2021 cash receipts and will add to December Quarter 2021 operating cash flows.
- Approx. -\$200k relate to the funding of membrane manufacturing capabilities and membrane technology research & development in Singapore (mainly included in lines 1.2b and 1.2e).
- The remaining approx. -\$380k relate to working capital funding for the Australian group entities, which includes the Company’s investment into the build-up of an extended, nationwide sales organization in Australia (mainly included in lines 1.2e and 1.2f).

The cash outflows for investments mainly include a deferred payment of \$150k made to the former owners of the Pumptech business in Tasmania, which De.mem acquired effective 7 August 2021.

### **Strong Growth Momentum**

With 40% growth in cash receipts in the September Quarter 2021 vs. prior corresponding period (pcp), De.mem continues its exceptional track record of top line growth.

De.mem has now recorded 10 consecutive quarters of cash receipts growth vs. pcp – in spite of the extremely challenging macroeconomic environment due to Covid-19.

Since the beginning of CY 2020, the group's accumulated quarterly cash receipts have grown by approx. 35% 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 September 2021	40%
30 June 2021	53%
31 March 2021	5%
31 December 2020	69%
30 September 2020	7%
30 June 2020	14%
31 March 2020	63%
<b>Average (7 quarters since 1 January 2020)*</b>	<b>35%*</b>

*\*Based on the accumulated cash receipts during the 7 quarters mentioned, relative to accumulated cash receipts for the prior corresponding 7 quarters*

### **Recurring Revenue Underpins Growth**

De.mem is pleased to report that recurring revenue growth continues to underpin overall growth, in line with the Company's expansion strategy and business objectives.

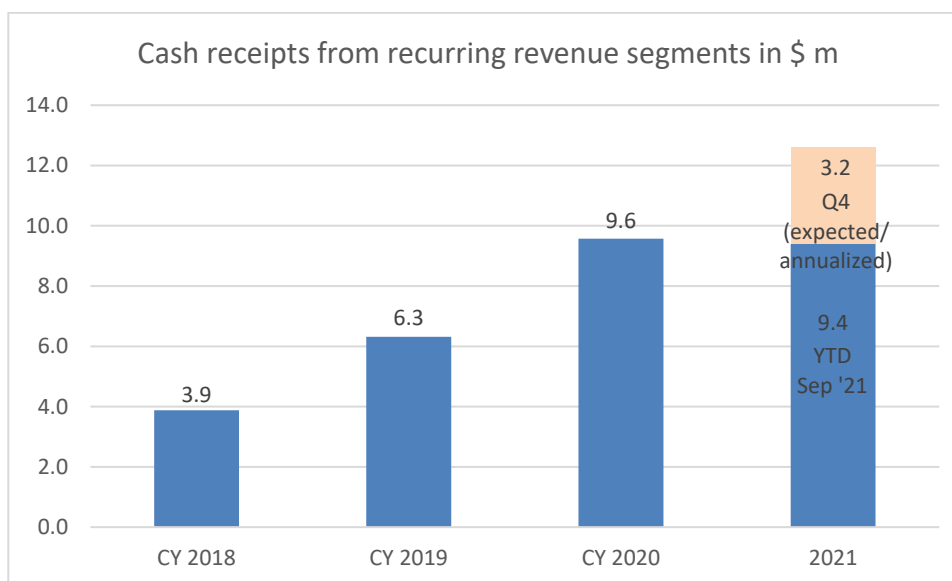
Recurring revenues / cash receipts include:

- 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.
- Sales of Pumps and related services through the De.mem-Pumptech subsidiary.
- Sales of small equipment and consumables.

Total recurring cash receipts in the first 9 months of Calendar Year 2021 were approx. \$9.4m, up from \$3.9m in CY2018.

Chart 1 illustrates the strong growth of recurring cash receipts since 2018.

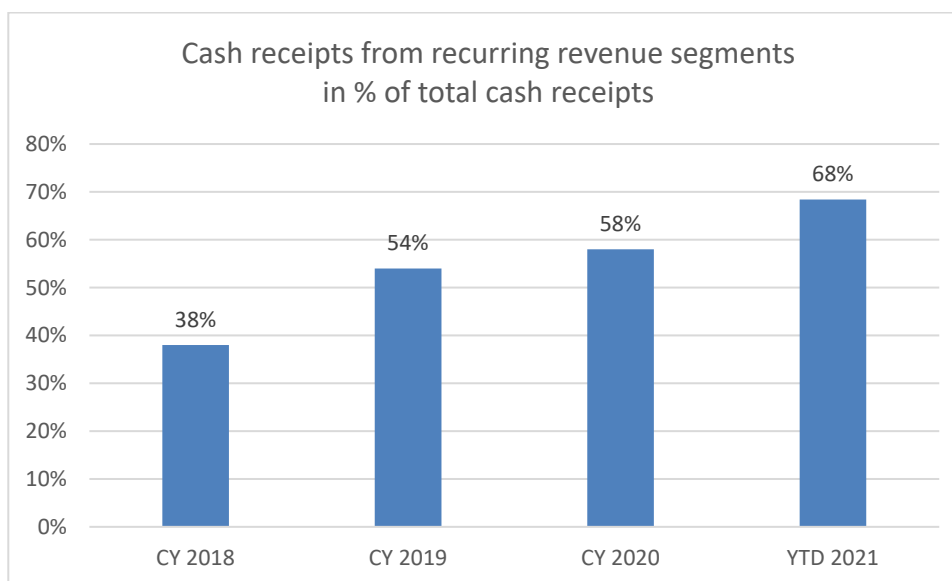
**CHART 1: RECURRING CASH RECEIPTS IN \$ MILLION**



Year-to-Date (YTD) recurring cash receipts in the first 9 months of Calendar Year 2021 were approx. ~68% of total cash receipts, up from 38% in CY2018.

Chart 2 illustrates growing recurring cash receipts in % of total.

**CHART 2: RECURRING CASH RECEIPTS VS. TOTAL CASH RECEIPTS**



**World Leading Membrane Technology Provides Strong 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.

A detailed overview of De.mem's technology portfolio and capabilities can be found in the presentation released to the ASX on 7 September 2021 "Technology Presentation – Advanced Membrane Technologies for Water and Waste Water Filtration".

## **De.mem Presents Next-Gen Membrane Technology based on Graphene Oxide Nanoparticles**

On 7 September 2021, De.mem presented its “next-gen” membrane technology, based on Graphene Oxide (“GO”) enhanced polymer membranes.

The company’s existing polymer membranes are infused with GO nanoparticles, enabling substantially improved membrane characteristics such as 20-40% higher water flux (throughput), leading to significantly reduced operating cost for the water treatment process.

The new membrane technology was self-developed by the Company over a 24-month process. The IP is fully owned by De.mem without any obligation to pay royalties or license fees to an external organization.

De.mem is currently undertaking industrial pilot scale projects with its new GO-enhanced membrane. Furthermore, the Company is in the process of manufacturing an initial batch of filters for use in domestic water treatment applications.

Further information can be found in the ASX release “De.mem Presents Next Generation Membrane Technology” dated 7 September 2021.

## **Record Balance Sheet Supports Growth**

De.mem’s record balance of approx. \$8.7m in cash and term deposits (including approx. \$370k in long term and project-related deposits) as at 30 September 2021 supports the Company’s future growth prospects.

The Company’s record balance sheet enables it to provide larger Build, Own, Operate (“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 Project and Service Contract Announced**

De.mem announced two important contract awards during the September Quarter 2021, highlighting the Company’s move towards stable, recurring revenues.

The two contracts are:

- A Build, Own, Operate and Transfer (“BOOT”) contract for approx. \$400,000 in revenues per annum, commencing March 2022, whereby De.mem will design, manufacture, commission, operate & maintain a membrane based water treatment plant for an industrial customer in Australia. The treatment plant incorporates De.mem’s Ultrafiltration membrane technology as its key treatment process. The membrane technology to be deployed is an environmentally friendly, low energy consumption filtration process that delivers superior treatment results.
- An Operations & Maintenance contract for approx. \$300,000 in revenues per annum, commencing immediately, whereby De.mem will operate & maintain the water treatment facilities of an Australian

holiday resort. The customer's facilities incorporate an existing, membrane-based water treatment process.

Further information can be found in the release dated 15 September 2021, "New contracts in move to service-based business model".



**New containerized Waste Water Treatment Plant for Australian BOOT contract – currently under manufacturing**



**De.mem Ultrafiltration membranes to be deployed as key component of treatment process**

### **Strong Performance of Capic in 2<sup>nd</sup> Quarter Since Acquisition**

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.

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.

In the September Quarter 2021, De.mem-Capic already exceeded its historic performance, generating approx. \$1.1 m in revenues (unaudited) during the 3-month period.

Annualized, De.mem-Capic already tracks approx. 29% above its historic 3-year average revenue of ~\$3.3m (see ASX release, "*Investor Presentation*", dated 16 March 2021, page 8).

### **Outstanding Acquisition Track Record with All Acquisitions Since 2019 Achieving Substantial Growth**

De.mem acquired three companies since 2019 – two in key Australian locations and one in Germany. All three companies acquired by De.mem since 2019 earn stable, recurring revenues, in line with the Company's strategy to focus its expansion on recurring revenue segments. All three companies have achieved significant growth since the acquisition, in spite of a challenging environment due to Covid-19.

The three acquisitions are as follows:

- Capic, Perth/Western Australia, which already tracks approx. 29% above its historic 3-year average revenue (please see the section above for further details).
- Geutec Industrie- und Abwassertechnik GmbH, Germany („Geutec"; renamed into De.mem-Geutec): De.mem acquired Geutec effective 23 October 2019 with the intention to enter the German and European market and to cross-sell its sophisticated membrane technology into Geutec's German industrial customer base. Geutec recorded approx. \$0.9m in revenues (unaudited) in the September

Quarter 2021, which is annualized approx. 100% above the \$1.8m in annual revenues prior to the acquisition (see ASX release “Acquisition Overview” dated 23 October 2019).

- Pumptech Tasmania Pty Ltd, Launceston/Tasmania (“Pumptech”; renamed into De.mem-Pumptech): De.mem acquired Pumptech effective 7 August 2019 with the intention to enter the Tasmanian market and to cross-sell the Company’s wider range of membrane-based water treatment products into Pumptech’s well established customer base from the food & beverage and agricultural industries. Pumptech recorded approx. \$1.0m in revenues (unaudited) in the September Quarter 2021, which is annualized approx. 60% above the \$2.5m in annual revenues prior to the acquisition (see ASX release “De.mem announces strategic acquisition in Tasmania” dated 29 July 2019).

De.mem has built a track record of successful and well-integrated acquisitions, by achieving substantial post-acquisition revenue growth in particular through cross-selling and offering its wider product range around its innovative membrane technology.

### **Outlook**

De.mem has positioned itself uniquely as a provider of comprehensive water treatment solutions to industrial customers. The Company’s growth strategy will continue to focus on its recurring revenue segments and in particular on Build, Own, Operate and service contract opportunities.

The company expects the strong growth of recurring revenue segments to continue.

The extent of overall revenue and/or cash receipts growth for the ongoing calendar year 2021 depends on orders and customer payments for one-off projects and equipment sales received during the final quarter of the calendar year.

De.mem sees a significant and growing pipeline for its products and services, and expects significant new orders for equipment / projects, in particular once current Covid-19 lockdowns and state border closures in Australia end.

Further extension of current lockdowns and state border closures 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 September 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 approx. 40% compared to the September Quarter last year.

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

During the quarter, we presented our “next gen” Graphene-Oxide enhanced membrane technology, which adds to our existing portfolio of hollow-fibre membrane innovations.

We expect the growth to continue with the expected easing of Covid-19 restrictions in Australia, and with a focus on our recurring revenue segments.”

### **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 September 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	5,119	13,821
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(3,466)	(9,668)
(c) advertising and marketing	(7)	(7)
(d) leased assets	(10)	(60)
(e) staff costs	(1,694)	(4,254)
(f) administration and corporate costs	(1,058)	(2,350)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	6
1.5 Interest and other costs of finance paid	(13)	(64)
1.6 Income taxes paid	(9)	(27)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	53	301
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,083)</b>	<b>(2,302)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	(150)	(3,579)
(c) property, plant and equipment	(26)	(543)
(d) investments	(50)	(133)
(e) intellectual property	-	-
(f) other non-current assets	-	(6)



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	24	24
	(d) investments	33	33
	(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>(169)</b>	<b>(4,204)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	10	10,620
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	-	(741)
3.5	Proceeds from borrowings	-	141
3.6	Repayment of borrowings	(5)	(62)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	2	(168)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>7</b>	<b>9,790</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	9,584	5,040
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,083)	(2,302)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(169)	(4,204)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	7	9,790
4.5	Effect of movement in exchange rates on cash held	2	17
4.6	<b>Cash and cash equivalents at end of period</b>	<b>8,341</b>	<b>8,341</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	3,712	5,039
5.2	Call deposits	4,629	4,544
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>8,341</b>	<b>8,341</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	(103)
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. 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	-
7.4 <b>Total financing facilities</b>	200	-
7.5 <b>Unused financing facilities available at quarter end</b>		200
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.  Standard bank overdraft account held with ANZ Bank		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,083)
8.2 Cash and cash equivalents at quarter end (item 4.6)	8,341
8.3 Unused finance facilities available at quarter end (item 7.5)	200
8.4 Total available funding (item 8.2 + item 8.3)	8,541
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	8
<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?  N/A	
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?  N/A	
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?  N/A	
<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: 27 October 2021

Authorised by: Andreas Kroell  
Chief Executive Officer

## 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.