

ASX Announcement

Envirosuite's Strong June Quarter Delivers 100% Increase in Annual Run Rate

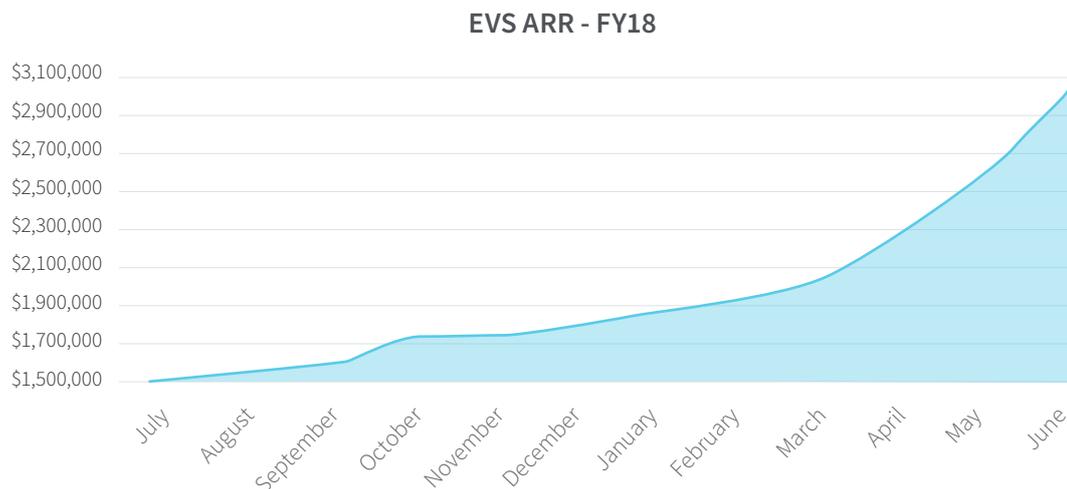
20 July 2018

Quarter Highlights

- 100% increase in Annual Run Rate (ARR) achieved in the past 12 months
- ARR accelerating in the June quarter as sales team gains traction in new markets
- Increasing inbound sales leads from refining marketing initiatives
- Continued momentum in new geographic markets Latin America, focused in Chile
- Breaking new ground with initial client wins in key industry verticals
- Working with NASA on two cutting-edge projects

Environmental management technology company **Envirosuite Limited** (ASX:EVS) ('Envirosuite' or 'the Company') is pleased to announce that a strong June quarter has helped to deliver a one hundred per cent increase in the Annual Run Rate (ARR) since 1 July 2017.

Annual Revenue Run-Rate for the 2018 Financial Year*



*Based on unaudited management figures

The Company has decided to release its Annualised Recurring Revenue (ARR) figures for the EVS platform as part of this and future periodical sales updates.

ARR is the annualised current monthly subscriptions with any new wins adding directly to the ARR, and deducting any client attrition, noting that the churn rate during FY18 was less than 1.5%. In the past 12 months the ARR for the EVS platform has increased from circa \$1.5 million to over \$3.0 million.

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New Envirosuite subscriptions signed since the release of the last update in April 2018:

| Client | Sector | Location |
|------------------------------------|-------------|-------------|
| Thames Water Bicester | Wastewater | UK |
| Welsh Water | Wastewater | UK |
| San Antonio | Wastewater | USA |
| Middle-East public works authority | Regulatory | Middle-East |
| Environment Canterbury | Regulatory | New Zealand |
| Agrosuper | Agriculture | Chile |
| Sopraval | Agriculture | Chile |
| HRSD | Wastewater | USA |
| BMA | Mining | Australia |

As well as the new project wins listed above, the following clients have re-committed to the legacy Odowatch platform since the March quarter update. This is the first step in the migration of these clients to the Envirosuite platform:

| Client | Sector | Location |
|----------------------|-------------|----------|
| Western Placer | Composting | USA |
| PIMA Country | Wastewater | USA |
| Irving Oil | Oil and Gas | Canada |
| Port of Annacortes | Port | USA |
| City of Montreal | Composting | Canada |
| Yorkshire Water | Wastewater | UK |
| City of Boucherville | Regulatory | Canada |

CEO Update

The June quarter has seen a substantial increase in new subscriptions as the Company starts to move from a year of re-establishing itself as a pure technology company, to its next growth phase. The key contributors to the accelerating results have been the new sales team members engaged from November 2017 through to February 2018 coming up to speed following their initial lead-in times, and the steady migration of clients from the legacy Odowatch platform that was acquired by Envirosuite as part of the Odotech acquisition in December 2017.

Supporting the ARR has been the addition of several larger subscriptions that also reflect the Company's growth in new markets and industry sectors. This includes several material subscriptions that were each announced to the market from May through to July including a Middle-East public works authority (announced 16 May 2018), Sopraval (2 July) and Agrosuper (16 July). The Envirosuite platform is being increasingly utilised across larger projects including city-wide regions, large agricultural operations, mines and port facilities, and as such there is no longer a 'typical deal size' across the group, although we are seeing some consistency within the different industry verticals.

It is very pleasing to see the new sales team members starting to gain traction. Given the sales lead times, it is expected that each new sales person requires around five months before their efforts translate to consistent financial outcomes. From November 2017 to March 2018 the size of the global sales team increased from three to twelve people and thus we expect the ARR to benefit from the increased sales resources and market focus from this point onwards.

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We have doubled the ARR in the 2018 financial year and we will target to do the same in the 2019 financial year and then again in the 2020 financial year. Confidence in achieving the 100% growth rate is underpinned by the size and breadth of the market across our five targeted sectors with sales people established in six countries.

During FY18, based on our learnings to date, we have refined our go-to-market strategy for partner-led distribution of Envirosuite. We are intending to augment the existing partner network with companies that provide a total solutions focus including equipment, services or related software platforms.

We have also appointed a senior sales executive experienced in partner sales with the aim that the indirect channel will become the main generator of business in the mid-term future (three to five years). This is intended to enable the continued triple digit percentage revenue growth without the need to engage a proportionate number of direct sales people each year.

We are very excited to be moving into the new financial year with a growth mindset across the company and a strong momentum coming out of the last quarter. There has been an enormous amount of work behind the scenes over the past two years to get us to this point and we believe that the coming year will vindicate these efforts with strong and accelerating financial performance.

Peter White
Chief Executive Officer

Research and development

Envirosuite working with NASA

We are pleased to advise that we have been working with the National Aeronautics and Space Administration (NASA) over the last nine months and that our relationship with this world-renowned aeronautical and scientific organisation has progressively deepened across two specific project areas.

One of the projects is researching the feasibility of improved near real-time tracking and prediction of smoke from wildfires and prescribed burning. The aim is to better anticipate unhealthy smoke levels that are predicted to affect human populations, to more effectively prepare authorities and communities to handle warnings and evacuations. Our current research is aimed at the USA, where new satellite technology is in the process of being deployed through 2018. In parallel, we are also investigating commercial opportunities for such a capability.

We are also working with NASA to develop projects to incorporate satellite data into the Envirosuite platform to enhance real-time and predictive management of air quality over large regions affected by multiple sources of pollution (transport, industry, dust, fires, etc.) Two specific regions, one in Africa and one in the USA, have been identified by NASA as the target areas for this work. One project is subject to internal funding by NASA and the other by a state regulatory agency. Envirosuite would act as a platform for delivering the NASA data, enhanced by various analytics and models.

Over time, improvements in remote sensing by satellite may lead to far less reliance on ground-based measurements to manage regional air quality, and cutting-edge projects of this nature are first steps in this direction.

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Selected case studies

The San Ysidro Border Crossing Air Pollution Study - USA

As the global pioneer in air quality management, California has codified Environmental Justice or 'EJ' into statute through Assembly Bill 617. The approach brings new focus to cumulative impacts and pollution issues at the community or 'hyper-local' level: factors well suited to Envirosuite.

The San Ysidro Border Crossing Air Pollution Study is a new community-led, state-funded project, focusing on the effects of high traffic emissions at the Port of Entry, one of the busiest border crossings in the world. High rates of asthma occur in the community, with many residents living within 150 metres of congested roads.

Envirosuite and Observ, Envirosuite's community-based complaints management app, will be integrated into the study conducted by Casa Familiar, a not-for-profit bi-lingual community development organisation, along with the partner organisations including the California Office of Environmental Human Health and Assessment (OEHHA) and the Schools of Public Health at the University of Washington and San Diego State University.

Envirosuite will serve as the monitoring data interface to display current and historical data on an interactive map. The system components for this project also integrate our Observ mobile app for logging complaints and a publicly facing webpage to facilitate community engagement and collect information about community concerns. The system will also enable users to further investigate and analyse pollution sources using the system's inbuilt trajectory analysis.

HRSD - USA

Following a successful trial period, Hampton Roads Sanitation District (HRSD) has signed on to Envirosuite to conduct real-time hydrogen sulfide (H₂S) monitoring of emissions from a pump station that has previously been responsible for odour issues at their operation.

HRSD originally trialled the Envirosuite system for a 60-day period to assess how the software supports the management of air quality from the District's collection network and to improve its ability to investigate incidents or potential community complaints relating to odour around the pump station.

Envirosuite will facilitate the operation's proactive management of air quality and enable users to both predict and rapidly respond to odour impact risks.

Welsh Water - UK

In an important milestone for Envirosuite in the wastewater industry, Welsh Water has now become the second major water utility in the UK to adopt Envirosuite. After a four-month pilot project, Welsh Water has subscribed to the Environmental Intelligence Solution that comprises Environmental Compliance, Impact Management and Incident Intelligence.

This particular Welsh Water site has been experiencing ongoing odour complaints from both local residents and businesses living and working nearby. Complaints are numerous and do not seem to correlate with operational activities.

Operations and management have been spending significant time and money attempting to validate whether complaints are legitimate. If complaints are legitimate, the likely source of the issue is currently difficult to identify as there are influences from agriculture and possibly tidal mudflats.

Odour issues currently have a very high profile with regulatory authorities, and Welsh Water is under considerable pressure to improve the way that odour issues are managed. This win indicates the growing recognition and adoption of Envirosuite in this major sector.

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BMA Mining Australia - Australia

Envirosuite has proposed blast management and risk reporting solutions for BMA Mining Australia, a BHP/ Mitsubishi Alliance operating the Daunia Coal Mine outside Moranbah, Queensland, Australia. The risk reporting solution will be developed in the first four months to add lightning and storm forecasting functionality.

BMA's site is within 5 km of three other mines, a general railroad and a major highway so that any blasting results in closures of these nearby mines, the highway and the rail line if the dust and fumes head in those directions. Accurate blast planning and the pollution consequences are critical for a significant community of interest.

The area is also affected by lightning which also causes mine shutdowns. The mine currently uses a separate forecasting service but wanted to have all of its data in the one system. The blasting fraternity moves around from site to site quite a lot and management is keen to build and maintain a set of processes and systems to standardise blast outcomes across this itinerant work population.

Accurate blast plume (dust and fume) prediction will minimise impacts on adjacent mines, rail, and road services in the area. Improved weather risk knowledge will further reduce the incidence of unnecessary local business interruptions and increase accuracy in predicting and avoiding potential harm.

BMA is very influential in the local mining community and has agreed to provide support in expanding the use of this combination of solutions to up to 15 other sites in the area.

Environment Canterbury - New Zealand

Canterbury Regional Council in New Zealand has signed an order for assistance with odour complaints it receives from the community. Canterbury Regional Council is the regional council for Canterbury, the largest region in the South Island of New Zealand. It is part of New Zealand's structure of local government. It uses the promotional name Environment Canterbury, frequently abbreviated to 'ECan'. Envirosuite uses its Incident Intelligence solution to allow the ECan team to quickly determine likely sources of odours, mainly from waste processing and food processing facilities in the region. The technology reduces much of the time and uncertainty involved in trying to get an initial fix on what is causing odour complaints, and also streamlines tracking and reporting the management of complaints.

The Canterbury Regional Council is responsible for a wide variety of public functions, including environmental management. Then region often has temperature inversions which trap pollutants, exacerbating air quality impacts such as wood smoke and odour nuisance.

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About Envirosuite

Envirosuite Limited (ASX:EVS) is an environmental management technology company that has developed a leading Software-as-a-Service platform which translates data into action in real-time.

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

Envirosuite's platform is used worldwide by a range of clients in the mining, oil refining, transportation and water management industries and by governments looking to regulate industry in accordance with community well-being.

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

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