

ASX Announcement

Envirosuite Sales update

1 February 2019

Key Highlights

- Total Annualised Recurring Revenue (ARR) now over \$5 million
- Envirosuite enters the emerging 'Smart Cities' sector
- Increasing number of multi-site and regional roll-outs
- Building presence in key geographies to service demand

ARR growth - FY19 vs FY18

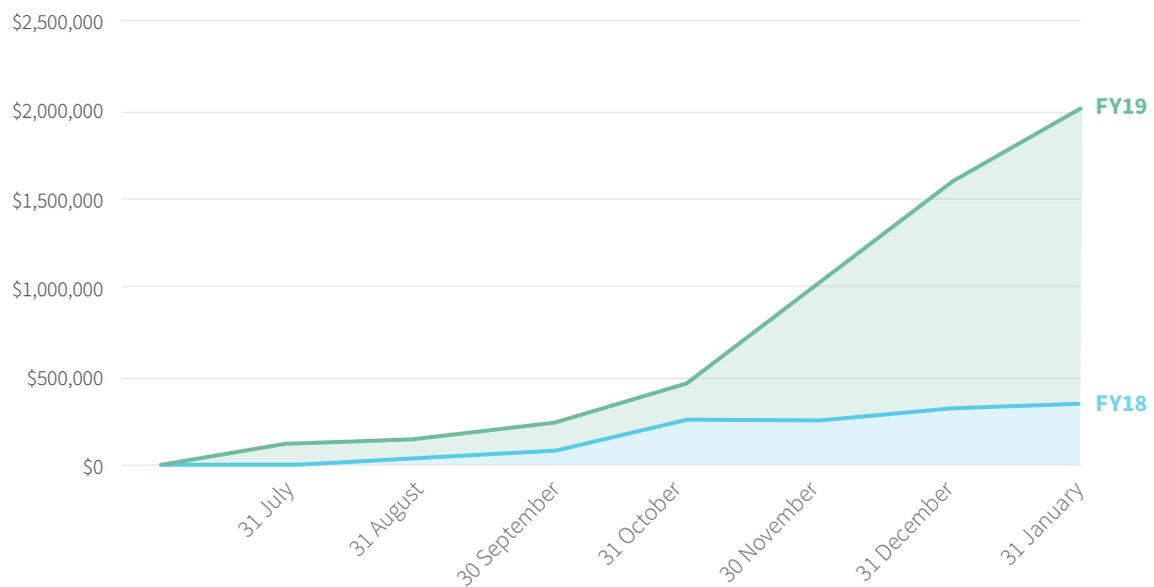


Figure 1: FY19 ARR Growth

Environmental management technology company **Envirosuite Limited (ASX:EVS)** ('Envirosuite' or 'the Company') is pleased to provide an update to the market on its progress since the last update released 2 November 2018.

Since the beginning of November, the Annual Recurring Revenue (ARR) for the Company has increased by over 45%. Clients that have begun contributing to ARR since the beginning of November 2018 are listed in Table 1 below:

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Table 1: New ARR wins since 2 November 2018

Client	Sector	Region
Yorkshire Water Services Limited	Wastewater	UK
City of Cincinnati	Wastewater	USA
Trinity River Association	Wastewater	USA
Pima County	Wastewater	USA
FACSA Copero	Wastewater	Spain
San Francisco	Wastewater	USA
Southern Water (3 sites)	Wastewater	UK
Metro Vancouver	Wastewater	Canada
Welsh Water	Wastewater	UK
Sant Boi	Wastewater	Spain
Melero	Tannery	Chile
Kuwait EPA	Regulatory	Kuwait
Riviere du Loup	Regulatory	Canada
Casa Familiar	Regulatory	USA
Carbonnes del Cerrejon	Mining	Colombia
Western Placer	Landfill	USA
Boyd County Sanitary Landfill	Landfill	USA
Morningstar	Food Processing	USA
Cedar Grove	Composting	USA
Edmonton City	Composting	Canada
Renewi	Composting	Canada
Kelowna	Composting	Canada

CEO Update

Overview

We are pleased to announce that the Company is tracking towards meeting its stated ARR growth target from \$3m to \$6m in 2019FY. The increase in ARR in recent months is in accordance with my commentary in the last sales update, which referred to several anticipated wins having been delayed. I am pleased to advise that those deals have now moved through the sales pipeline as expected. We continue to see an increasing number of prospects entering the sales cycle, which bodes well for coming months.

By doubling ARR in the 2018FY and being well on the way to doing the same in this financial year, we are seeing a strengthening conviction amongst our stakeholders that Envirosuite will continue to rapidly grow into its large global market. As previously noted, our projection based on the targeted ARR growth remains that the Company is set to achieve profitability by the end of the 2020 financial year.

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As at 31 December 2018, we had a cash balance of \$9.24m. This reflects an average net monthly cash outflow of \$640k over the first half of the financial year. This outflow figure includes payment for equipment for two large projects during the first half, with the associated receipts from the client due in January and February 2019. These project receivables total approximately \$1.8m as at 31 December. Taking these receipts into account means the average net monthly negative cash outflow rate for the first half was \$340k. Further to this the R&D tax rebate of \$467k is also due. I expect a steady reduction in the average net monthly cash outflow over the next 18 months as we approach profitability.

Strategic wins

It is worth noting the strategic nature of several of our recent wins, including:

- Kuwait EPA
- Pima County
- Southern Water
- Welsh Water

The Kuwait project is highly strategic as we are designing a solution that is more suited to a region than an actual operational site. In this case the ‘region’ will include the entire city-state of Kuwait. The scope for the first phase includes the installation of ninety of our proprietary enoses (electronic noses) around the city. Further phases may include the addition of functions such as air quality sensors, noise sensors and other environmental sensing equipment. After a successful implementation of this project (scheduled for May 2019) we will be in a very strong position to be able to offer a leading “smart city” environmental solution to any major city or region globally.

Southern Water and Welsh Water are also in the strategic win category at this stage in our growth. Both clients chose to implement a short, paid trial of our solution and each has now chosen to proceed to a full-scale rollout. This broadens our client base of UK water authorities and provides momentum both for further multiple-site sales to existing client authorities that wish to implement our solutions at additional sites, as well as new target authorities. It sets a great precedent that Southern Water purchased a multi-site licence on its initial purchase, as our ability to scale in the future will be enhanced by our ability to sell multiple sites at one time.

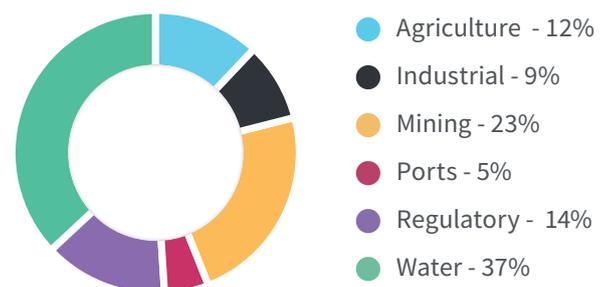
The list set out in Table 1 also includes clients gained through the Odotech acquisition (refer ASX announcement 21 December 2017) that have agreed to migrate from the legacy Odowatch software to the Envirosuite platform. We are now in the process of migrating the remaining Odowatch clients to the Envirosuite platform and we aim to have this activity completed by June 2019. One such client is Pima Country, a large multi-site water authority in Arizona, which has now agreed to migrate to the Envirosuite platform. Due to its size, Pima is very influential in the Wastewater industry in North America. It is intended that this client will provide a good reference site for us in the coming years.

Region and Sector focus

It is now 18 months since we embarked on our expansion overseas. In that time the ARR from the ANZ region has increased, although the pace of global adoption has meant that 70% of Company revenues is now generated in other regions including the Middle East, Europe, Latin and North America. The potential for growth in these overseas markets continues, and we have hired sales and services teams to help accelerate client procurement in these markets. Our focus now is on making these teams fully operationally effective.

At the same time there has been a change in our focus on different market sectors. As reported in the previous update, we are now focusing our sales and marketing efforts on two major areas – Wastewater (and other odour-related sectors - Composting, Landfills, Intensive Agriculture) and Mining. In the same 18-month period, the percentage of ARR from the Wastewater (and other odour-related) sector has grown from under 10% to approximately 49%. Mining is also a very large sector for us.

ARR By Sector



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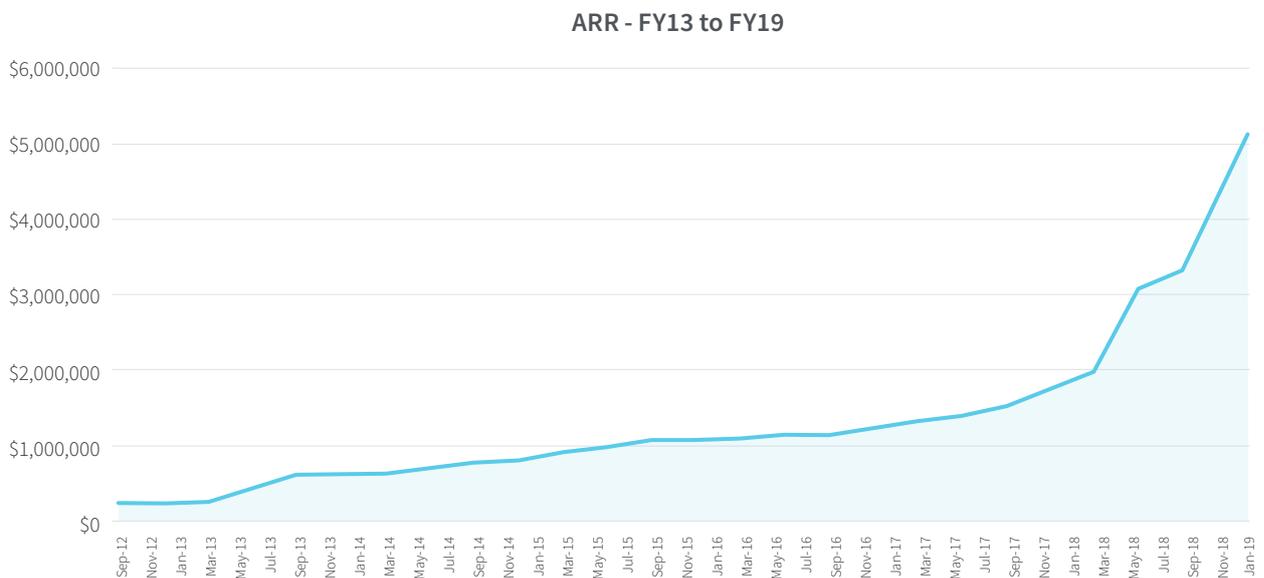
We have also performed strongly in the Regulatory sector and we see growing signs of overlap between the Regulatory and Smart City sectors. The Envirosuite platform turns data into action in real time, and we have learnt that our highest-potential clients in the Regulatory spaces are those clients that are focused on real-time operations, rather than other regulatory agencies that may be more concerned about recording data for historical use. We have had one client (Bay Area Air Quality Management District) that are not renewing their subscription as they do not require the real-time functionality. The total ARR figure quoted is net of this attrition.

Building for sustained growth

Having a goal of 100% growth per annum over three years certainly puts extra pressure on any organisation however we have set this target with a view toward delivering sustainable growth. We are nearing completion of our hiring of sales people around the globe, and we are now focused on building up client delivery and support skill sets. We have a newly appointed Global Service Delivery Manager who will oversee client delivery and success, to assist a steady maturing of the Company and its procedures as we grow.

We continue to see the demand from our larger clients for a one-stop-shop, “Solution as a Service”. For these clients we receive a recurring revenue stream comprised of bundled software licence fees, as well as hardware and maintenance services. We continue to focus our marketing efforts on monthly webinars around sector based subject matters that are of interest to our key target prospects. Once a prospective client attends a webinar we use our CRM system to foster their interest until they enter a buying cycle phase, at which time they are assigned to a sales person for follow up.

Figure 2: ARR Growth since FY13



Overall the Company has never been as well positioned as it is now. Even though the expansion that we have been executing has put a lot of demand on our company resources, we are targeting profitability within 18 months. This is in line with our targets presented at the commencement of the 2019 financial year.

Lastly, I will host a webinar in February to demonstrate the platform and take questions from investors.

Peter White
CEO, Envirosuite Limited

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R&D Update

Envirosuite's R&D team provides scientific support to the other parts of the business and is engaged in research projects directed at current or future product needs. As indicated in the previous update, priorities vary as we encounter new market needs.

In the past few months one of our primary projects has been the development of a world-first, fast-computing model that combines a complex wind flow model (for areas with buildings etc.) and a standard wind field model. This project is relevant to new regulatory requirements for US industries that must address the cross-fenceline impacts of their operations, which potentially cause negative impacts to nearby communities. We will soon begin testing our newly developed model in league with the US EPA, with whom we are working on this project.

Our work on the application of machine learning techniques now extends to including methods for processing the data from networks of e-nose monitors: for example, the real-time identification of odour types and emission sources using intelligent signal processing methods. This work is part of a set of requirements for the Smart Cities applications, relevant to some recent wins that have been announced. The capabilities being developed will be applicable to Dense Monitoring Networks in general.

The R&D team continues to work closely with the Product Development Team to ensure that our e-nose capabilities provide maximum user benefits.

Case Studies

Kuwait EPA implements Envirosuite for city-wide management of odour issues

Kuwait has a population of 4.4 million inhabitants. Across the populated areas of Kuwait are various sources of odour such as petrochemical facilities, intensive livestock operations and waste management operations. Urban sewer networks around the region create high levels of hydrogen sulphide which is a major cause of odour nuisance in communities. Hydrogen sulphide (H₂S) is a colourless, flammable, extremely hazardous gas with a "rotten egg" smell and its emissions are a major trigger for odour complaints globally. Odour impacts are commonly amplified by very high temperatures in the Middle East region.

The Kuwait Environment Public Authority (K-EPA) receives routine complaints from citizens about odours around the city. Investigating these complaints is logistically challenging using traditional methods and can lead to inconclusive results. Like many other authorities worldwide, K-EPA has sought more effective ways to manage odour nuisance issues.

K-EPA has now committed to the Envirosuite platform with an associated network of 90 e-noses around the city. This is a ground-breaking solution to drive improved methods and outcomes for identifying, analysing and responding to odour issues for the benefit of its citizens.

Multi-site win at UK's Southern Water for real-time environmental analysis

Southern Water is a private water utility company responsible for public wastewater collection and treatment in Hampshire, the Isle of Wight, West Sussex, East Sussex and Kent, as well as being the major operator in the public water supply and distribution in those regions.

As populations in these areas are growing, land use buffers around Wastewater Treatment facilities that are designed to minimise the impact of odour emissions on residential areas are increasingly encroached upon by urban expansion.

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The operations team at Southern Water will now use Envirosuite at 3 of 6 sites for real-time analysis of odour impacts. This will include sending alerts and diagnosing abnormal conditions indicated by monitoring. This will enable Southern Water to gain a clearer, faster picture of key aspects of its operations and help the organisation better manage the impact of its operations on local communities.

Pima County migrates to Envirosuite platform

Pima County is a county in the south-central region of the U.S. state of Arizona. County officials maintain two large metropolitan wastewater treatment plants and six sub-regional water reclamation facilities.

The county is in a desert environment and experiences very high summer temperatures, which exacerbate odour emissions. It has a population of 1 million inhabitants who rely on these facilities for sewage treatment and water reclamation. The organisation places high importance on reducing the environmental impact of essential wastewater treatment plant operations on the local communities it serves.

Pima County was a former client of Odotech and has used the Odowatch platform. It has now agreed to upgrade its hardware and be migrated to the Envirosuite platform by June 2019. The county authority will then benefit from the extra operational functionality and risk management that the Envirosuite solutions provide.

About Envirosuite

Envirosuite Limited is an environmental management technology company that has developed a leading Solution-as-a-Service offering which translates data into action in real-time.

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

The Envirosuite platform is used worldwide by a range of clients in the mining, water and waste management, heavy industry, ports and agricultural industry sectors and as well by governments looking to regulate industry in accordance with community well-being.

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

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