

ASX Release

Material win in China

23 March 2020

Key highlights

- Material contract win: 11.56m RMB (\$2.8m AUD) for the first phase of a regional water quality project
- Explicitly driven by increased regulatory requirements imposed following the COVID-19 outbreak
- Win positions Envirosuite to deliver further solutions

Environmental technology company Envirosuite Limited (ASX:EVS) ('Envirosuite' or 'the Company') is pleased to announce another significant contract win in China, facilitating the supply of specialised water quality monitoring equipment to the Chongqing Lianqing Instrumentation Co Ltd. The end user is Shanghai-listed Chongqing Water Group Co. Ltd (SHA: 601158).

Under the contract, Envirosuite is to procure and commission an initial 375 third-party water quality analysers at 11 water and wastewater treatment plant sites across Chongqing city in the western part of China. The knowhow required to determine the type, number, positioning and calibration of analyser networks forms a core part of Envirosuite's expertise in the provision of its solutions to ensure that the base data capture layer is optimally configured.

This contract had not been included in the previously reported sales pipeline numbers for Envirosuite's China business (*refer slide 11 of General Meeting presentation released 24 February 2020*), and is expected to lead to the subsequent provision of Envirosuite software-based solutions to the customer under separate future contracts. It is customary in the China market for these types of projects to commence with hardware orders and to then follow with software solutions.

The contract value is RMB 11.56m (AUD \$2.8m) inclusive of equipment costs and Envirosuite's profit margin. The contract is expected to be delivered and completed over the next 2-3 months. With reference to ASX Guidance Note 8, the margins are commercially sensitive and cannot be disclosed, and aside from that set out in this announcement, there are no other material conditions or information relevant to assessing the impact of the contract on the Company's securities.

The water quality analysers sourced and commissioned by Envirosuite will be used to increase the effectiveness of water quality monitoring for multiple parameters of the discharge for the 11 treatment plants.

The contract was fast-tracked by the customer as it seeks to address increased national environmental regulatory requirements targeting air and water quality as a direct result of the COVID-19 outbreak. In recent weeks Envirosuite has experienced an accelerated demand in the China market where its solutions may assist in enabling improved environmental and public health outcomes. As further clarification, Envirosuite notes that its solutions have not been designed or represented to customers or others that they can detect the COVID-19 virus directly.

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Chief Executive Officer of Chongqing Lianqing Instrumentation Co. Ltd, Mr Wei Peng said:

“We are very pleased to commence this relationship with Envirosuite at a time when China is increasing its efforts to ensure the safety and well-being of its citizens in the wake of the Coronavirus epidemic, and industry is compelled to act and adopt appropriate technologies. Water quality is a key aspect of public health and industry needs to ensure that discharged treated water is safe to return to natural water courses and subsequent water supplies.”

Business outlook

Envirosuite Limited Chief Executive Officer Peter White said:

“We are observing in China that the COVID-19 pandemic has elevated community awareness of public health issues particularly in the air and water quality areas. There now seems to be more focus on reducing the risk of future public health issues with tighter regulatory requirements being enforced.

As a result, we are witnessing a marked increase in interest for our solutions. Based on the number of near-term opportunities, we are confident that our China subsidiary will achieve revenue in excess of \$10m this calendar year. This is 12 months earlier than the 31 December 2021 deadline set for the vesting of performance dependent options associated with the agreement that Envirosuite entered into with our China partner in September last year.” (Refer announcement released 6 September 2019 for further details on this arrangement)

Further to the Envirosuite’s China business and commenting on Envirosuite’s recently completed acquisition of EMS, Mr White said:

“The acquisition of EMS has significantly increased the scale of the EVS business, strengthened its financial position, diversified the customer base, and broadened our solution suite and geographical reach. The two organisational structures are currently being consolidated into one and the Company is targeting monthly run-rate profitability by June 2021.

“While the global airline industry is clearly in turmoil at present, Envirosuite’s contractual revenue from the airports sector is not dependent on flight numbers and over 75% of revenues are recurring. The Company does not have, nor does it target, airlines as clients.

“A main growth focus in the acquired EMS business in the last two years has been in the provision of noise and vibration monitoring solutions to infrastructure projects. As demonstrated in previous global recoveries, the low interest rate settings and the monetary and fiscal stimulus measures implemented by central banks and governments to support their economies is expected to result in a sustained positive outlook for this sector in the medium to long term.

In the nearer term we see the main growth drivers for the Envirosuite being the China market, the global mining and wastewater industrial sectors, and the cross-sell opportunities across the newly expanded customer base leveraging our broadened solution suite.”

Peter White
Chief Executive Officer

To learn more please visit: www.envirosuite.com

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