

## De.mem achieves record half-year 1H20

### Highlights

- **Record half-year cash receipts of \$7.4 million in 1H20**, up 45% vs \$5.1m in 1H19
- **On track for record CY20 annual cash receipts**
- **On track to achieve CY20 cash receipts guidance of A\$14-18m**, assuming no further global deterioration in the COVID19 pandemic
- **Record performance of acquired business De.mem-Pumptech (Tasmania)**
- **Visible path to sustainable operating cash positive**
- **Strong balance sheet**, with approx. A\$6 million cash and term deposits as of 30 June 2020.
- **Extensive sales pipeline for remainder of CY 2020**

**31 August 2020: Water and waste water treatment company De.mem Limited (ASX: DEM)** ("De.mem" or the "Company") is pleased to provide its financial report for the 6 month period ending 30 June 2020 ("1H20").

### **Record half-year results continues trends to operating cashflow positive and full-year record cash receipts**

In 1H20, De.mem **achieved record customer cash receipts of \$7.4 million**, broadly in line with reported total income (revenues plus other income) of A\$6.8 million.

**The Company is on track to achieve record annual cash receipts/revenues.** The Company's cashflows are historically weighted 60% to the second half. If this historical seasonality applies in 2020, then De.mem will be well placed to achieve its full-year revenue guidance of \$14-18 million.

**Continued trend to positive operating cash flows**, with declining operating cash outflows in each of the last 3 quarters, despite significant new growth investment, providing a robust foundation for expected sales growth.

Total 1H20 operating cash outflow was -\$876k, broadly in line with 1H19 outflow of -\$754k, with growing customer cash receipts partly offset by staged growth investments including:

- Australian sales team growth, with a presence now in Queensland, Victoria, Tasmania and South Australia.
- Scale-up of Singaporean membrane technology development and manufacturing.

De.mem reiterates that it sees a visible path to sustainable operating cash positive in the near-term.

The Company has a **strong balance sheet**, with cash and short term deposits of approx. \$6 million as at 30 June 2020.

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## **Growing Recurring Revenue Contribution**

**Continued growth in recurring revenues underpins the quality and resilience of 1H20 revenues.**

Approx. ~62% or \$4.6m of total H1 2020 cash receipts of \$7.4m were recurring revenues.

Recurring revenues comprise the following segments:

- De.mem Equipment Leasing – Build, Own, Operate water treatment facilities on behalf of customers.
- De.mem Services - Operations & Maintenance of water treatment facilities.
- Sales of pumps & hydraulic components through De.mem-Pumptech Pty Ltd, Launceston, Tasmania.
- Sales of water treatment chemicals through De.mem-Geutec GmbH, Essen, Germany.
- Sales of consumables, membranes, spare parts etc. through the different group entities.

Recurring cash receipts as a proportion of total cash receipts continues to grow, up from 38% in FY18 to 62% in 1H20 (as outlined in *June Quarterly Activities Report*, dated 29 July 2020).

## **Strong Performance of Recently Acquired Businesses**

The Company is pleased to report on the strong growth of its recent acquisitions, De.mem-Pumptech Pty Ltd (formerly: Pumptech Tasmania Pty Ltd) and its German subsidiary, De.mem-Geutec GmbH.

Pumptech reported 1H20 revenues of A\$1.75m, which annualised is a 42% increase on CY19 revenues of A\$2.4m. Pumptech continues to enjoy strong operating momentum and outlook.

Geutec maintained stable revenues through the peak period of the COVID-19 pandemic in Europe. Geutec reported 1H20 revenues of \$1.02m, largely in line with annual CY19 revenues of A\$2.2m. De.mem remains confident about Geutec's outlook for H2 CY 2020 as German/European industrial activity is improving.

See *June Quarterly Activities Report*, dated 29 July 2020 for more details.

## **Outlook**

### **Reaffirms Guidance**

De.mem reaffirms its full-year cash receipts/revenue guidance range of A\$14-18 million, based on:

- Strong 1H performance
- Seasonality weighted ~60% to 2H
- Contracted 2H revenues
- New project commissioning
- Recurring revenues, and
- Strong pipeline.

Guidance assumes no further COVID-19 deterioration, which could adversely impact the Company.

See *June Quarterly Activities Report*, dated 29 July 2020 for more details.

### **New project commissioning**

The Company expects additional revenues from Givaudan from the Build, Own, Operate agreement signed in November 2019 (see ASX release, "*De.mem signs \$1.7 million build, own, operate contract*", dated 25 November 2019), beginning from the December Quarter 2020.



See *June Quarterly Activities Report*, dated 29 July 2020 for more details.

### **Strong pipeline**

The Company reaffirms it retains a strong project pipeline and has observed growing customer intent to commission new projects, as projects previously paused due to Covid-19 are now coming on-stream.

De.mem has already reported two key new contract awards after 30 June 2020:

- On 3 August 2020, De.mem signed a new service agreement for the operations & maintenance of water treatment facilities with a minimum period of two years, worth approx. \$200,000 per year. See *De.mem Signs New Service Agreement*, dated 3 August 2020.
- On 17 August 2020, De.mem announced new orders worth approx. \$500,000 in revenues from the sale of different types of water treatment equipment and components. See *De.mem Signs New Purchase Order*, dated 17 August 2020.

### **CEO Commentary:**

**De.mem Limited CEO Andreas Kroell said:** “We are very pleased with our performance in the first half of 2020 – in spite of the very challenging macroeconomic environment.

We are delivering on our three main priorities for 2020:

- improving revenue quality, which is evident in our growing recurring revenues and revenue diversification by geography, customer segment and product;
- revenue growth, which has resulted in record revenues; and
- moving to sustainable operating cash flow positive.

To this end, we are pleased with 1H results and we look forward to 2H, which is seasonally stronger and also well placed for a post-COVID19 recovery, as previously paused projects are now likely to be commissioned in the second half.

We are pleased that the recently acquired businesses Pumptech Tasmania and Geutec have both performed well and continue to provide multiple organic growth opportunities, particularly cross-selling of our unique “one-stop shop” offering for industrial water treatment customers.

The current situation represents some challenges to the Australian water industry. We believe that our balance sheet strength, strong investor support, recurring revenues, stable and resilient customer base and one-stop shop offering positions De.mem to emerge as a market leader in industrial water treatment.

We look forward to updating shareholders around a number of pending developments in the coming months.”

Please refer to the attached Appendix 4D Filing for further details on the results for the half-year ended 30 June 2020.

This release was authorized by the Company’s Chief Executive Officer, Mr. Andreas Kroell.

-ENDS-

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**De.mem Limited (ASX:DEM)** is a 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 is headquartered in Australia and has international locations in Singapore, Germany and Vietnam. It is commercialising 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 uniquely offered by De.mem 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.

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