

Continued growth, strong operational progress, focus on margins & profitability

Key Highlights – H1 CY 2022:

- Record H1 cash receipts of \$10.7m, 27% above prior corresponding period (pcp)
- Record H1 revenues of \$9.2m, 1% above pcp (large, one-off project revenue recorded in pcp)
- Strong growth momentum maintained with 13 consecutive quarters of cash receipts growth vs pcp
- Recurring revenue segments now account for more than 90% of total revenue (38% in CY 2018)
- Gross margins have continued increasing to 34.1% in H1 CY 2022 (25% in CY 2018)
- EBITDA loss significantly reduced to \$800,000 in H1 CY 2022, thereof \$470,000 in Q1 and \$330,000 in Q2
- Strategic focus shifting towards profitability with quarterly EBITDA and/or operational cash flow break even expected by H1 2023
- Strong operational progress during the period:
 - Signed three-year service agreement with Rio Tinto worth \$1.7m
 - Delivered on two BOO contracts worth \$3m over five-year term, invoicing starting from H2
- Completed strategic acquisition of Stevco Seals & Pumps (Victoria) Pty Ltd in Melbourne, Victoria
- Appointment of Danny Conlon as Non-Executive Director, former CEO and Managing Director of Veolia Australia & New Zealand
- Closed \$3m share placement after the end of the reporting period, which supports growth prospects, cash balance (incl. term deposits) on pro forma basis of \$6.8m

31 August 2022: Water and wastewater treatment company De.mem Limited (ASX: DEM) (“De.mem” or “the Company”) is pleased to report strong H1 CY 2022 results.

Record cash receipts and revenues

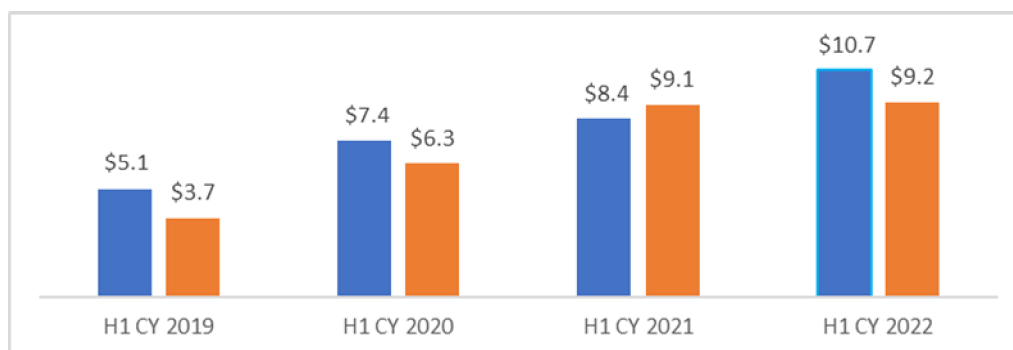
De.mem is pleased to report its highest ever half-year cash receipts and revenues of \$10.7 million and \$9.2 million respectively in H1 CY 2022, approx. 27% and 1% growth vs. prior corresponding period (“pcp”), H1 CY 2021. The Company’s ongoing track record of growth was continued within the half with 13 quarters of cash receipts growth being recorded vs the respective prior corresponding quarter.

Although revenue growth was modest in the half, the improvement in the quality of the underlying cash receipts / revenue was significant. As previously communicated, the Company has been focused on improving the quality of its revenues by concentrating on recurring revenue segments. Delivery on this strategy is evident as the percentage of recurring revenue has grown to more than 90% in H1 CY 2022 vs 65% in H1 CY 2021.

As Chart 1 shows, De.mem has recorded consistent cash receipts and revenue growth over the last 4 corresponding H1 periods. Since H1 CY 2019, half year revenues have grown by approx. 36% p.a. (on average, compounded).

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CHART 1: HALF-YEARLY CASH RECEIPTS (BLUE) AND REVENUES (ORANGE)



In the prior corresponding period (H1 CY 2021) there was a relatively large contribution from the Company's projects business segment to accounting revenues; approx. \$3.2 million or 35% of total revenues in H1 2021 were derived from projects & equipment sales which are lower in margin. Some of the corresponding cash receipts have been received in H2 CY 2021 and H1 CY 2022.

Growth of high margin recurring revenue segments continues to >90% of total in H1 CY 2022

In line with the strategy communicated to the Company's shareholders, growth initiatives remain focused on De.mem's high-margin recurring revenue segments. De.mem's recurring revenue, in addition to being very predictable, generates above industry average gross margins, and continues to enhance the margin profile across the combined business (see section below, "Strong Gross Margins").

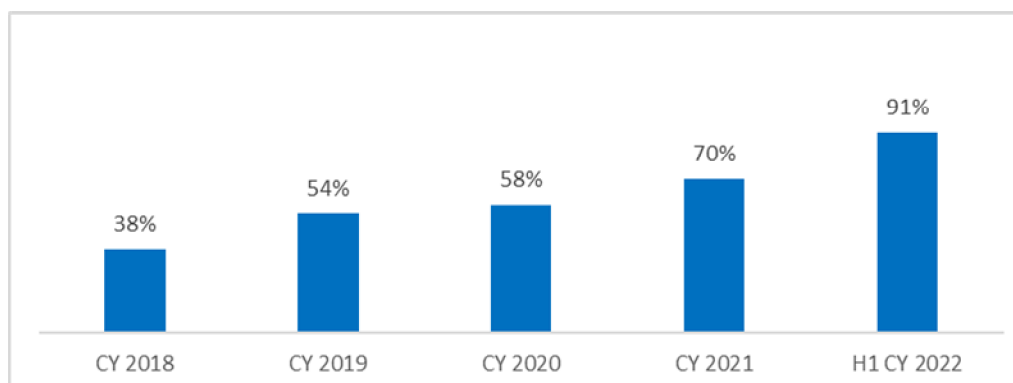
The vast majority of revenues in H1 CY 2022 (>90%) were derived from De.mem's recurring revenue segments, which include in particular the Company's services (BOO and Operations & Maintenance contracts), specialty chemicals and pumps & small water treatment equipment business segments which are recurring in nature as they are fundamental to the operation of the water treatment plants.

In absolute numbers, recurring revenues have grown from approx. \$5.9m in H1 CY 2021 to approx. \$8.4m in H1 CY 2022. This represents a growth of approx. 42% vs. pcp.

The strategy results in a high-quality revenue/business model and comprehensive offering of products & services, which is unique within the water treatment industry. It brings long-term, stable customer relationships and key accounts to De.mem, which provide a strong opportunity for the cross-selling of other De.mem products.

De.mem upgraded the forecast recurring cash receipts and/or revenue for CY2022 to \$17.5m - \$20m (up from \$16.5m - \$19m), corresponding to a growth rate of between 28-46% vs CY 2021 recurring revenue.

CHART 2: RECURRING REVENUE VS. TOTAL REVENUE

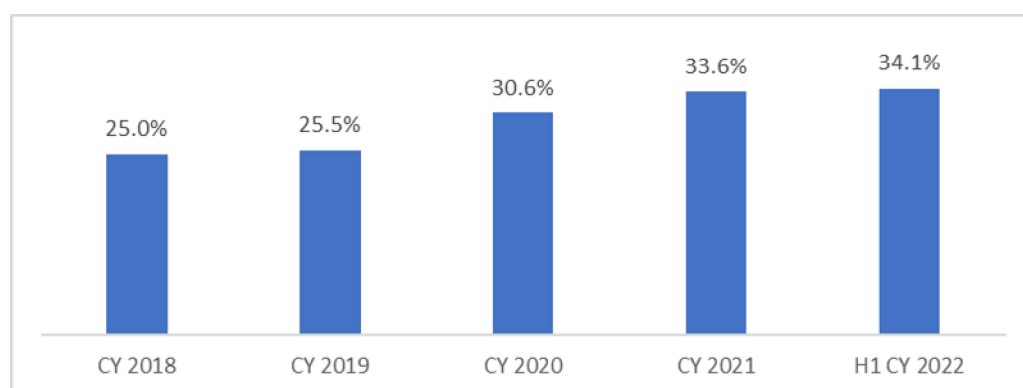


Strong profit margins

Due to the growth of De.mem's high margin recurring revenue segments, gross margins (gross profit divided by revenues) increased steadily from 25% in 2018, 26% in 2019 and 31% in 2020, to 33.6% in 2021 and 34.1% in H1 CY 2022.

The Company is pleased to achieve this margin growth in what has been a particularly challenging period due to cost pressures faced in light of supply chain issues and inflation. With respect to its long-term BOO contracts, De.mem typically figures in reasonable assumptions with respect to inflation, salary and supplier price increases.

CHART 3: GROWING MARGINS



Reduced EBITDA loss in H1 2022; further reduction in Q2 2022 – focus on break even

With the clear focus on growing its recurring revenue segments and Build, Own, Operate and service contracts, complemented by bolt-on acquisitions of profitable businesses with a strong industrial customer base, and only selective involvement in lower margin projects business, De.mem's strategy has continued to shift towards achieving adjusted EBITDA and operating cash flow break even. EBITDA break-even is now expected to occur at approx. \$23-25m in revenues (previously: ~\$26m).

In H1 2022, De.mem recorded an underlying EBITDA loss of approx. \$800,000; thereof approx. \$470,000 in the March Quarter and approx. \$330,000 in the June quarter. De.mem is committed to its objective of achieving quarterly EBITDA and/or operating cash flow break even by H1 CY 2023.

De.mem advises that further improvements in operating cash flows and profitability are expected for H2 CY 2022 with the addition of two important previously announced BOO contracts beginning to generate revenue (see section below, "Two Important Build, Own, Operate Contracts Started Invoicing") and due to the integration of Stevco (see section below, "Acquisition of Stevco Provides Strong Basis For Cross-Selling Into Victorian Customers").

\$3m placement after the end of the reporting period supports growth prospects

De.mem announced a \$3 million share placement on 28 July 2022, supported by existing and new sophisticated investors. The use of funds supports the Company's growth plan and roadmap to achieve EBITDA break even, and includes:

- The acquisition of a remaining 25% stake in German subsidiary De.mem-Geutec GmbH;
- New Build, Own, Operate opportunities; and
- Future acquisitions and general working capital / costs of the offer.

The closing balance of approx. \$4 million in cash and term deposits as of 30 June 2022 plus the net proceeds of \$2.8 million from the placement leave the Company well-funded to execute on its ambitious growth plans.

In line with the use of funds, the Company has signed a fourth BOO contract in Singapore with existing multinational customer Givaudan. Givaudan is the global leader in the creation of flavours and fragrances with sales of CHF 6.7 billion (AUD \$10.0 billion) in 2021. Headquartered in Switzerland with local presence in over 185 locations, it has more than 16,800 employees worldwide. This BOO contract has minimum value of A\$2.1 million of revenue payable to the Company over a fixed term of 6 years (see ASX release dated 29 August 2022, "De.mem signs \$2.1 million BOO agreement")

Key 3-year service contract with Rio Tinto signed

On 22 June 2022, De.mem announced a new 3-year service contract with Rio Tinto, one of the world's leading mining companies, to manage the potable water and sewage treatment plants at the Amrun mine in Queensland, Australia. Effectively, the new contract is a long-term extension of an existing arrangement with Rio Tinto. De.mem has been operating the water treatment facilities since 2016, based on short term, revolving contracts and purchase orders respectively.

The 3-year agreement provides security to the business over an extended period and has a value of approx. \$1.7 million in revenues. Additional revenue can be secured from the cross sell of additional equipment, specialty chemicals and other consumables.

Two important BOO/BOOT contracts start invoicing

During the quarter, De.mem completed the manufacturing of a containerized waste water treatment plant under a Build, Own, Operate and Transfer ("BOOT") contract which was announced to the ASX on 15 September 2021 (see ASX release, "[New contracts in move to service-based business model](#)"). This contract is worth approx. \$2,000,000 in total revenues over a fixed term of 5 years. The system, which incorporates De.mem's Ultrafiltration membrane technology as the key treatment process, has been shipped to the customer site and was commissioned by De.mem on site. Regular invoicing under the contract is starting from Q3 onwards contributing to H2 CY 2022 revenue / cash receipts.

Furthermore, the construction of another waste water treatment plant under a Build, Own, Monitor & Transfer contract with the Selwyn Snow Resort in New South Wales, Australia, has been completed. The contract has a term of 5 years with a total value of approx. \$1,000,000 in revenues. Detailed information about the contract can be found in the ASX release dated 8 December 2021, "[First water treatment contract with Australian snow resort](#)". It marks De.mem's first contract ever with a snow or ski resort. Regular invoicing under the contract started from July.

The successful delivery on both contracts will have a positive impact on De.mem's cash receipts, revenues and margins from H2 CY 2022 onwards.



De.mem containerized waste water treatment system (1)



De.mem containerized waste water treatment system (2)

Acquisition of Stevco provides strong basis for Cross Selling into Victorian customers

On 22 March 2022, De.mem announced its acquisition of Stevco Seals & Pumps Victoria Pty Ltd ("Stevco"), Epping/Melbourne, Victoria.

Established in and operating since 2004, Stevco is a well-known supplier of pumps, small water treatment equipment and related operations & maintenance services. Stevco's long-term customer base includes leading industrial players from the food & beverage, agricultural and heavy industrial sectors, as well as a number of municipalities in Victoria.

Stevco generated approx. \$2.3 million in annual revenues during the past 3 business years (on average) prior to the transaction. It generated approx. \$330,000 in normalized EBITDA (adjusted for one-off items). Revenues are largely recurring and a significant percentage is generated from the rendering of operations &

maintenance services. It is also believed that there is significant upside to this based on potential synergies and cross-sell opportunities.

De.mem paid \$1.25m in cash plus \$250,000 in DEM shares for 100% in Stevco's shares, which values the transaction at approx. 4.5x EBITDA. The cash payment was completed in the reporting period.

The key rationale for the transaction is as follows:

- Stevco brings an extensive, well-established industrial customer base in Victoria into De.mem group
- Substantial opportunity to cross-sell De.mem's wider product range and advanced membrane technology into Stevco's customer base
- Strong operational synergies between Stevco and the De.mem-Pumptech business in Tasmania
- Completion of De.mem group's Australian-wide footprint with nationwide service & support capability
- Recurring revenue focus as large part of revenues generated from operations & maintenance services
- Profitable business with approx. \$330,000 in normalized EBITDA per annum generated
- Accretive and well-priced acquisition
- Stevco founders will join De.mem management team
- Integration of Stevco will add further to De.mem's move towards EBITDA break even

Stevco acquisition follows track record of bolt-on acquisitions with substantial post-acquisition growth

Prior to the transaction with Stevco, De.mem acquired three companies since 2019. All three companies acquired generate stable, recurring revenues from a long-term industrial customer base, in line with the Company's strategy to focus its expansion on the recurring revenue segments. All three companies have achieved significant growth since the acquisition (see the June 2022 Quarterly Activities Report dated 26 July 2022 for further details), in spite of the challenging environment due to Covid-19.

This growth was driven by the introduction of De.mem's wider "one-stop shop" product range to the acquired companies' customers and new sales team investment generating substantial cross-sell and up-sell growth.

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.

Appointment of Danny Conlon as Non-Executive Director

On 20 June 2022, De.mem announced the appointment of proven water industry expert and veteran Mr. Danny Conlon to the Company's board of directors. Mr. Conlon has vast experience in developing water treatment businesses, with a strong focus on growing recurring revenues and long-term, stable service contracts, making his appointment a perfect fit to the strategic focus of the Company.

Most recently, from 2018 to 2020, Mr Conlon was Veolia's CEO and Managing Director for the Australia & New Zealand region. In this role, Mr Conlon oversaw Veolia's broad portfolio of water, waste and energy operations, with a strong focus on driving the growth of recurring revenues and the company's service business. Veolia's Australian & New Zealand water and wastewater business serves many clients from local and state government authorities to the oil & gas, mining, health care, food & beverage industries. Mr Conlon was responsible for more than 4,000 employees and 240 locations across the region.

Mr Conlon is joining the De.mem board as a non-executive director. In this new role, he will provide De.mem advice, particularly with respect to the strategic development of the Company as well as its sales & marketing, operations, and financial performance. He also brings a vast network within the Australian & New Zealand water, waste & recycling industries to De.mem.

World leading membrane technology provides strong competitive advantage

De.mem has a strong competitive advantage of proprietary and/or patented technology, underpinning the Company's unique portfolio of hollow fibre Microfiltration, Ultrafiltration and Nanofiltration membranes. The Company 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 the Company's wide range of specialty chemicals, pumps and consumables that are typically required by clients during operations of membrane based water treatment plants.

On 7 September 2021, De.mem presented its "next-gen" membrane technology, based on Graphene Oxide ("GO") enhanced polymer membranes, with substantially improved membrane characteristics such as 20-

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40% higher water flux (throughput), leading to significantly reduced operating cost for the water treatment process.

During H1 2022, De.mem initiated a process to obtain approval for use of the new GO membrane technology for potable water treatment applications by the NSF (National Sanitation Foundation, the American regulator for drinking water related products).

After the end of the reporting period, on 19 July 2022, De.mem announced a new partnership with Purafy, Canada, related to the commercialization of the GO membrane technology (see the ASX release dated 19 July 2022, "De.mem Signs Technology Commercialization Partnership Agreement" for further details). Purafy is part of Grafoid Inc., Canada, a graphene research, development and investment company, and promotes a range of products for domestic water treatment filtration as well as portable water treatment systems. Through the partnership, De.mem intends to launch the GO membrane technology initially into domestic point-of-use and point-of-entry water purification applications, which is estimated to be a US\$82.6bn global market by 2027 (source: *Market Research Future, study on the Water Purifier Market, May 2021*).

ESG Impact

With its core business model focusing on the re-use and recycling of industrial wastewater, De.mem is fulfilling an important environmental and social mission.

During the H1 CY 2022, De.mem treated a total of approx. 1.1 billion litres of water under industrial BOO and O&M contracts, across 15 sites in Australia and Singapore (roughly equivalent to the amount of water contained in ~440 Olympic sized swimming pools). The large majority of De.mem's contracts relate to the treatment of wastewater to a sufficient quality which exceeds regulatory discharge standards, whereby it is deemed sufficiently safe to release the treated water into the environment.

The two new Build, Own, Operate projects (see section above, "Two Important BOO/BOOT Contracts Started Invoicing") will add another approx. 15 million liters of water treated per quarter to the above.

De.mem's treatment systems facilitate the deployment of a membrane-based process. This process not only utilises relatively lower power consumption, but also meaningfully reduces usage of bulk and other harmful chemicals (only small amounts of high value specialty chemicals are required).

There were no breaches of any environmental (EPA, Environmental Protection Agency) standards or regulations reported during the quarter.

CEO Commentary

De.mem Chief Executive Officer Andreas Kroell said:

"De.mem made strong operational progress during the first half of the calendar year 2022. In particular, our Company has been able to deliver on existing BOO projects and signed new contracts, such as the 3-year service agreement with Rio Tinto.

The growth of our recurring revenue segments has been strong, which is driving our margins.

Our membrane technology development and commercialization efforts are progressing with our unique Graphene Oxide enhanced membrane approaching regulatory product certification for potable water applications.

De.mem's focus is now on moving towards EBITDA and operating cash flow break even, with the EBITDA loss in the first half of 2022 and in particular in the second quarter of 2022 already significantly reduced.

We look forward towards delivering a strong second half of the calendar year to our shareholders."

This release was authorized by the Company's CEO, Andreas Kroell, on behalf of the board.

-ENDS-

For further information, please contact:

Andreas Kroell

CEO, De.mem Limited

investor@demem.com.sg

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, both developed in-house and from its research and development partner, Nanyang Technological University (NTU) in Singapore, a world leader in membrane and water research. Its technology portfolio includes 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 for the concentration of liquids.

To learn more, please visit: 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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