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Aeris Environmental Ltd (ASX:AEI) Executes Landmark China Distribution Agreement

Highlights

- First commercial sales of new Southern Cross hygiene range to Aus Made Express International Group Pty Ltd (Aus Made).
- Southern Cross range includes an environmentally-sustainable, paper-based alternative to plastic-based wipes.
- Aus Made has undertaken significant preliminary expenditure in pre-launch marketing and regulatory approvals.
- Aus Made has been granted a three-year exclusive distribution deal for Greater China, with a launch year purchase minimum of A\$8.5 million.
- A new licence agreement has been executed with Novapharm Research (Australia) Pty Ltd (Novapharm), granting Aeris exclusive rights to sell product comprising the Southern Cross range globally for Commercial and Industrial field of use.
- Products that are certified 'Made in Australia' are generating high levels of demand in the China market.
- First orders and deposits have been received.

Overview

The Board of Aeris Environmental Ltd (Aeris) is pleased to announce that it has entered into a Distribution Agreement with Aus Made, an established trade distribution firm in China, for the sale of:

- Southern Cross Hard Surface Disinfectant dry paper wipes;
- Southern Cross Skin dry paper wipes; and
- Evocide Extra (a hospital grade disinfectant cleaner with unique residual efficacy).

A further pipeline of product opportunities is anticipated via this strategic Australia-China partnership. These novel hygiene products, being 'white-labelled' under the Southern Cross brand in China, complement Aeris' extensive portfolio of environmental technologies.

Peter Bush, Aeris' CEO, commented: "Aeris is excited to launch these environmentally-friendly, paper-based disinfection technologies in China. The Aus Made team, led by Mr Liu, has been extremely committed in its approach and has made significant investments in pre-launch marketing and regulatory approvals in China. From a manufacturing perspective, we have partnered with third-party groups in Australia with longstanding expertise in paper conversion and chemical manufacturing expertise. All the Southern Cross and Evocide Extra products will bear the 'Australian Made' logo and Aeris is targeting an ever-growing market in China that demands innovative, quality Australian products that provide both enhanced environmental hygiene and a greener planet. The paper-based technologies complement our existing AerisGuard range of sustainable products currently being rolled out with major partners around the world."

The Southern Cross range offers a direct replacement alternative for many plastic-based wipes, and incorporates the capability to disinfect both surfaces and hands by simply moistening these paper-based wipes. Evocide Extra provides hospital-grade disinfectant capability, effective against bacteria, viruses, mould and mildew, with superior cleaning and extended residual anti-microbial protection properties.

Aus Made is an Australian company with a track record of delivering world-leading, 'Australian Made' products to China. It has made significant investments in business and regulatory development for these products, and reports that it has already generated significant media interest and customer demand for the upcoming Greater China launch later this month.

Mr Liu Huifeng, Aus Made's CEO, commented: *"We believe this partnership with Aeris, one of Australia's leading environmental technology companies, will provide outstanding opportunities to Chinese businesses and consumers. This will generate ongoing export opportunities for Australian manufactured and developed products. We anticipate that the three products now being launched will represent the first step in a stream of innovations that we can bring to the Chinese market, with Aeris, ensuring a cleaner, greener future."*

Key Commercial Terms

The Distribution Agreement, with committed quantities during the initial term of three years, provides Aus Made with exclusive distribution rights for the first three products in Greater China, subject to the minimum commitments being met. It is anticipated that additional extensions of term will be provided, subject to agreed performance levels.

Following Aus Made's strong early market development and product sampling programmes, Aeris has received minimum purchase commitments, for all three products combined, of A\$8.5 million in the first 12 months of the Distribution Agreement. Subsequent sales minimums, whilst commercial in confidence, require an increase in purchases year-on-year in each year of the Agreement. Any purchases over the minimum requirements will contribute to the following year's minimum purchases.

Aeris has received opening orders in-line with the agreed contractual offtakes and it is anticipated that first commercial shipments will occur in the second or early in the third quarter of the 2019 calendar year.

Aus Made has also been granted non-exclusive rights to sell the products, under the 'Southern Cross' and Evocide Extra brand names, in Australia and South Africa.

Novapharm has undertaken, at its own cost, the research and development for all the Southern Cross and Evocide Extra products. Additionally, it has worked with Aus Made to gain full product registration for the products in China, facilitating the opportunity for immediate sales.

Aeris, subject to meeting the back-to-back minimums with Aus Made, has been granted an exclusive royalty-bearing licence for Greater China and internationally, for the Industrial and Commercial fields. Whilst the royalty rate is commercial in confidence, it aligns with well-documented industry standards and previous Novapharm transactions.

Maurie Stang, Aeris' Chairman, commented: *"The global market for improved environmental hygiene products is growing rapidly, and the Southern Cross dry wipes are targeting the replacement of plastic-based wipes, which have a very significant and negative effect on the environment, landfill, our oceans and our waterways. The Southern Cross wipes are 100% paper-based, manufactured exclusively from renewable resources and share the environmental advantages of cellulose-based (paper) technologies, which are rapidly replacing plastic in many fields."*



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ABOUT AERIS ENVIRONMENTAL LTD (ASX:AEI)

Clean | Protect | Monitor | Save

Aeris Environmental Ltd designs, manufactures and sells solutions that target measurable improvements in plants and buildings, improving operating efficiency, environmental safety and sustainability. Aeris' solutions are delivered through technical advice together with proprietary products.

Key applications include air-conditioning and refrigeration, surface hygiene, mould remediation and corrosion prevention. Aeris' global customers include major air-conditioning equipment manufacturers, trade wholesale consumables distributors, facility managers, service contractors, and building owners and occupants.

Aeris' proprietary products are uniquely environmentally-friendly and / or less toxic when compared to conventional chemicals. Additionally, these solutions offer longer term residual protection against mould, bacteria, growth and corrosion. Clean buildings and plants maximise operating efficiency, which maximises air quality.

AerisVIEW is a disruptive, cloud-based plant visualisation, monitoring and control platform that is uniquely scalable across all climate-controlled environments, including buildings of all sizes and vehicles. This system delivers energy savings, reduced greenhouse gas emissions together with reduced maintenance costs and real time air quality monitoring.