

30 April 2019

Company Announcements Office  
Australian Securities Exchange

## **QUARTERLY REPORT – APPENDIX 4C**

In accordance with ASX Listing Rule 4.7B, Aeris Environmental Ltd (Aeris or the Company) attaches its March 2019 Quarterly Report – Appendix 4C.

### **Highlights – Financial**

- Record March quarter of invoiced sales revenue of \$1.57 million, taking the fiscal year-to-date total to over \$3 million.
- Significant forward order book, with over \$3 million in revenue targeted to be invoiced in the June 2019 quarter.
- Record March quarter cash receipts of \$1.15 million, with an additional \$580,000 increase in debtors from the Townsville, north Queensland project payable under insurance company credit terms. Resumption to normal payment terms is expected in May 2019.
- Net cash payments of \$1.82 million in the March 2019 quarter includes \$779,000 'catch up' payments following the March 2019 quarter capital raising. Excluding the Townsville mobilisation cost, which will be recovered, there were underlying net cash payments of \$749,000 for the quarter.
- \$4.6 million net cash and cash equivalents on hand at the end of the March 2019 quarter, after \$818,000 loans to Directors (principal and interest repaid in the March 2019 quarter).

### **Highlights – Operational**

- First commercial sales of new Southern Cross hygiene range made to Aus Made Express International Group Pty Ltd (Aus Made). Launch year purchase guaranteed minimum of \$8.5 million and a three-year initial contract term.
- First commercial order for approximately \$1 million was received from Goodman for sales into the USA market and this is expected to be invoiced in the June 2019 quarter.
- A Memorandum of Understanding (MoU) has been signed with BUNZL, including a joint marketing and new product development roadmap.
- A new customer, with Aeris as the master contractor, with orders estimated at over \$3 million, for works on a major remediation project in Townsville. Aeris has also successfully won additional projects where it is the head contractor, with a further pipeline in excess of \$5 million.
- A successful plant original equipment manufacturer (OEM) corrosion protection coating application trial was completed at the world's largest coil manufacturer in Texas, USA.
- Following over two years of testing, the first commercial order from Carrier in the Philippines (with the order being on the basis that Aeris' product has been approved for use in any Carrier facility worldwide) is to supply corrosion coating for factory application to coils for brand new residential and commercial air-conditioning units.

- **Following successful pilots, there is a strong pipeline of projects for BlueScope Steel and other leading Australian corporations. Multiple building management system maintenance agreements have been signed for the management of buildings for leading owners.**
- **A licence agreement has been signed with Novapharm Research (Australia) Pty Ltd, for exclusive rights in Greater China for the commercial and industrial field-of-use of the Southern Cross paper wipes and Evocide Extra disinfectant cleaner.**
- **Scale-up of new manufacturing and supply chain capability in the USA in anticipation of growth in revenue in multiple key international markets.**
- **Strong growth in business development in all four global operating units – AerisGuard consumables, AerisCoat Anti-Corrosion, and SmarHUB SmartENERGY and control.**

## Commentary

### North America

North America is the world's largest single market for air-conditioning consumables, with an annual revenue opportunity in Aeris' product categories exceeding \$250 million.

On 29 November 2018, the Company announced a global strategic alliance with Daikin, the largest heating, ventilating, and air-conditioning (HVAC) company in the world, through a partnership with Goodman, a leading manufacturer of air-conditioning equipment in North America. An opening order of circa \$1 million has been received as part of an initial roll-out into Goodman's North American company-owned and third-party distribution stores, which Aeris expects to be fulfilled and invoiced in the June 2019 quarter.

The Company has recently added two highly-regarded and experienced senior sales executives to its USA team. They will service both the Goodman sales channel and concentrate on revenue generation with multiple partners throughout the USA targeting some of the largest HVAC and industrial business-to-business distributors in North America.

Aeris has entered into an agreement with a highly-regarded manufacturing partner. This arrangement now affords the Company with direct USA-based manufacturing capability, a first-class supply chain, and leverages their deep insight into the HVAC industry and trade in North America.

### China

During the quarter, Aeris announced that it has entered into a pivotal distribution agreement with Aus Made for the sale of three launch products, being 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 via this strategic Australia-China partnership is anticipated. These novel hygiene products complement the Company's extensive portfolio of environmental technologies.

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 into China, that has made significant investments in business and regulatory development for these products, and has already generated significant media interest and customer demand. A significant launch event was held recently in Hunan, China, with Aeris' Aus Made partners, with over 400 trade attendees and media, and over 100,000 viewers on the WeChat online video streaming platform.

The Company has received opening orders in line with the agreed contractual offtakes and it is anticipated that commercial shipments will begin in July 2019.

### **Facilities Management**

Aeris has signed a MoU, formed a supply relationship and launched joint sales activity with BUNZL, a leading multinational distributor of cleaning and hygiene products, food service, hospitality, health care and facilities management. BUNZL's large global operation is in over 30 countries, with 9 billion UK pounds in revenue. In 2019 BUNZL reported that 11% of its total revenue is in the cleaning and hygiene segment. The Company believes that its product range can address a large part of this category's requirements. Initial sales and marketing activity have been focussed on hospitality and food service verticals, which leverage BUNZL's customer reach and Aeris' differentiated product portfolio.

### **Mould Remediation**

Mould remediation and prevention is increasingly being recognised as both an important and large-scale market. The Company believes that it enjoys a substantial technical advance over conventional products, including broad materials compatibility and long lasting residual protection.

In addition to ongoing Sodexo business development and Aeris' launch with Carpet Cleaner Warehouse, the Company's mould remediation project management pipeline is over \$10 million, of which known revenue (i.e. the work has been won, but not yet completed or invoiced) is expected to be over \$3 million. This is via a mix of head and sub-contract agreements.

Aeris has recruited key staff members to supplement its existing resources, with a focus on growing the remediation project management division. Recently completed projects include the Townsville Entertainment Centre and the Townsville Civic Centre.

### **Corrosion Protection**

The Company believes that it now has the most comprehensive and advanced range of corrosion protection products, featuring ultra-thin, high-speed, long-lasting, aqueous-based coatings specifically designed for air-conditioning coils and components. It is expected that 10 air-conditioners will be sold every second over the next 30 years. Residential air-conditioners are estimated to increase from 1.2 billion units, as at today, to 4.5 billion units by 2050 – an increase of nearly 3.7 times.

In addition to existing business development with Daikin and Goodman, and following over two years of testing, Aeris has received its first commercial order from Carrier in the Philippines to supply corrosion coating for factory application to coils for brand new residential and commercial air-conditioning units.

The Company currently has visibility of large-scale OEM applications and is strategically positioned in the fastest growing area of HVAC coil design, namely micro-channel architecture. This segment is projected to represent over 80% of coils manufactured in the medium term and Aeris is well positioned to acquire global market leadership.

Worldwide, Daikin has 90 factories and Carrier has 51 factories. Each factory can potentially become a customer for the Company's coatings products for between US\$200,000 and \$5 million in coatings purchases per annum.

### **Smart Control and Optimisation**

The Aeris SmartHUB provides the Company's customers with cost-effective and highly-focussed data visualisation, a unique reporting tool that additionally drives recurring sales of the AerisGuard range of consumables by quantifying the benefits and outcomes in real time.

As illustrated by the Company's marquee projects with Dexus, Charter Hall and BlueScope Steel, Aeris' SmartHUB business development continues to leverage its cost advantage and



scalability on an increasing series of smaller footprint buildings where a large-scale enterprise Building Management System is not economical or technically feasible.

The Company is currently engaged with several customers for large-scale roll-outs of its proprietary SmartHUB and AerisView platforms.

### **Finance and Operations**

On 12 December 2018 Aeris successfully closed a share placement of \$4 million to a new cornerstone strategic investor group, professional investors and existing shareholders. The Company held an Extraordinary General Meeting (EGM) on 29 January 2019, at which Aeris' shareholders approved an additional share issue, and the placement was finalised on 31 January 2019 raising \$3.21 million. In January 2019 the Company also concluded a Share Purchase Plan (SPP) which raised \$257,000. The three capital raisings were completed at an issue price of \$0.17 per share.

Funds raised from the issues are providing expanded working and growth capital for Aeris, with a focus on rapidly developing the Company's commercial activity in North America. Additionally, following EGM approval, \$1.5 million of Directors' loans were converted to Aeris shares at the same price as the placement and SPP, being \$0.17 per share. The Company is now net debt free.

The two placements were underpinned by strategic investors Stephen Girdis and James Hodgkinson, and interests associated with FDC Construction & Fitout, Moelis Australia and the Ray White Group. Stephen Girdis and James Hodgkinson have since joined the Aeris advisory board, with a focus on leveraging their multi-decade expertise in the global property market.

### **Summary**

At the Company's November 2018 Annual General Meeting, Aeris outlined to its shareholders a proactive strategic growth plan, together with the Company's plans for re-capitalisation. Each of Aeris' business units is now gaining traction internationally, and the Company has put in place and executed key strategic partnerships supported by distribution relationships with some of the world's leaders in Aeris' targeted verticals. The Company believes that the stated inflection point is now being realised and Aeris is now focussed on scaling its revenue through these established paths to market, with a vision towards leadership, increasing growth and profitability.

### **Aeris Environmental Ltd**

#### **Peter Bush**

Chief Executive Officer

### **About Aeris Environmental Ltd**

Aeris develops, manufactures and markets proprietary, environmentally-friendly technology that drives measurable improvements in asset performance and sustainability. The Company's whole-of-system approach ensures that systems perform better, are safer, last longer and cost less to run.

Aeris' products solve real world problems more effectively than conventional toxic chemicals. Uniquely based on validated, green formulations, the Company's enzymes and treatments with residual protection provide long-term remediation, and prevention of mould, bacteria growth, corrosion and improved hygiene.

AerisVIEW, Aeris' cloud-based visualisation network, is uniquely scalable across all climate-controlled environments, including buildings of all sizes, and vehicles. The Company's solution delivers dramatic and proven energy savings, alongside documented benefits to system efficiency, and independently-validated indoor air quality with proven immediate improvements in sustainability and cash flow savings.



## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Name of entity

**Aeris Environmental Ltd**

ABN

**19 093 977 336**

Quarter ended ("current quarter")

**31 March 2019**

#### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1 Cash flows from operating activities</b>		
1.1 Receipts from customers	1,153	2,277
1.2 Payments for		
(a) research and development	(540)	(680)
(b) product manufacturing and operating costs	(644)	(1,491)
(c) advertising and marketing	(277)	(670)
(d) staff costs	(493)	(1,457)
(e) administration and corporate costs	(947)	(1,861)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2	11
1.5 Interest and other costs of finance paid	(70)	(74)
1.6 Income tax refund received (including R&D Tax Offset)	-	667
1.7 Government grants and tax incentives	-	-
1.8 Others (provide details if material)	-	2
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,816)</b>	<b>(3,276)</b>

	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>2 Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(6)	(11)
(b) businesses (item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(6)</b>	<b>(11)</b>
<b>3 Cash flows from financing activities</b>		
3.1 Proceeds from share placements and SPP	258	7,467
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	2
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	1,050
3.6 Repayment of borrowings	(750)	(750)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(492)</b>	<b>7,769</b>
<b>4 Net increase / (decrease) in cash and cash     equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year	6,956	158
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,816)	(3,276)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(6)	(11)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(492)	7,769
4.5 Effect of movement in exchange rates on cash held	-	2
<b>4.6 Cash and cash equivalents at end of quarter</b>	<b>4,642</b>	<b>4,642</b>

## 5 Reconciliation of cash and cash equivalents

at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts

5.1 Cash on hand and at bank

5.2 Term Deposits

5.3 Bank overdrafts

5.4 Deposits at call

**5.5 Cash and cash equivalents at end of quarter (item 4.6)**

Current quarter \$A'000	Previous quarter \$A'000
1,431	3,753
-	-
-	-
3,211	3,203
<b>4,642</b>	<b>6,956</b>

## 6 Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of loans to these parties included in item 2.3

6.3 Explanation necessary for an understanding of these transactions

Salaries paid to Peter Bush, Alternate Director and Chief Executive Officer

Current quarter \$A'000
61
-
61

## 7 Payments to related entities of the entity and their associates

7.1 Aggregate amount of payments to these parties included in item 1.2

7.2 Aggregate amount of loans to these parties included in item 2.3

7.3 Explanation necessary for an understanding of these transactions

Property outgoings and other charges paid to Ramlist Pty Ltd of which Messrs M Stang and B Stang are Directors.

Marketing and operational services provided by Ensol Systems Pty Ltd of which Mr M Stang is a shareholder.

R & D and other expenses paid to Novapharm Research (Australia) Pty Ltd of which Messrs M Stang, B Stang and S Kritzler are Directors.

Accounting services provided by Bright Accountants of which Mr Peter Bush is a related party.

Rent, Corporate overheads, distribution and administration expenses paid to Regional Healthcare Group Pty Ltd of which Messrs M Stang and B Stang are Directors.

Current quarter \$A'000
842
-
47
3
421
13
358

## 8 Financing facilities available

Add notes as necessary for an understanding of the position.

	Total facility \$A'000	Amount drawn \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Not Applicable

## 9 Estimated cash outflows for next quarter

	\$A'000
9.1 Research and development	40
9.2 Product manufacturing and operating costs	500
9.3 Advertising and marketing	200
9.4 Staff costs	500
9.5 Administration and corporate costs	500
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	1,740

## 10 Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)

	Acquisitions	Disposals
10.1 Name of entity	n/a	n/a
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: *Robert Waring*

(Director/Company Secretary)

Print name: **Robert J Waring**

Date: **30 April 2019**