



**ASX RELEASE | De.mem Limited (ASX:DEM)**

## **CY2021 Consolidated Financial Report**

28 February 2022: Australian-Singaporean water and waste-water treatment company De.mem (ASX:DEM) ("De.mem" or "the Company") is pleased to release its Consolidated Financial Report for the 12 months ended 31 December 2021 ("CY 2021").

### **Key Milestones Achieved – CY 2021**

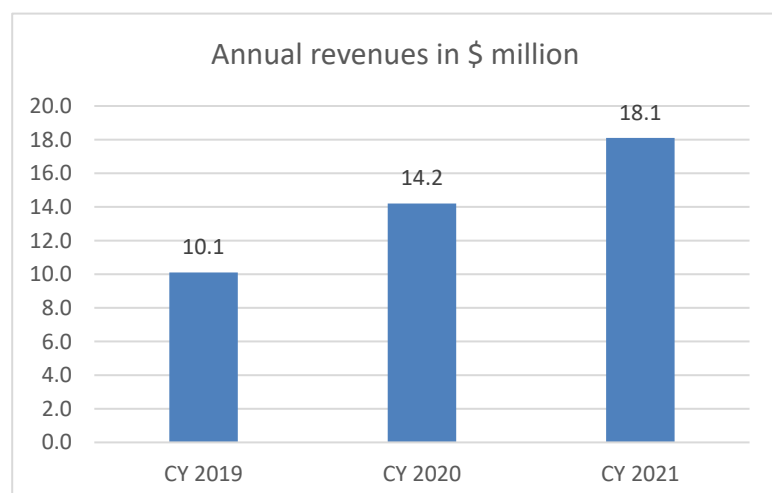
- Strong sales growth, with revenues up by +28% to \$18.1m in CY 2021
- Strong growth momentum, with 11 successive quarters of cash receipts growth vs prior corresponding periods as of 31 December 2021 (pcp)
- Substantially improved revenue quality with revenues from high margin recurring revenue segments up to approx. 70% of total (from 38% in CY 2018)
- As a result, gross margin up to 34% (from 25% in CY 2018)
- Presented "next generation" membrane technology based on Graphene-Oxide enhanced polymer membranes
- Signed key Build, Own, Operate contracts, deploying De.mem membranes with Australian industrial clients
- Substantial growth of strategic business acquisitions, in particular Capic (Western Australia)
- Adjusted EBITDA loss for the CY 2021 reduced to \$-2.2 million (from \$-3.1 million in CY 2020; amount includes the ongoing investment in Singapore membrane technology R&D)
- Visible pathway to EBITDA breakeven; expected at approx. \$25 million in revenues and/or cash receipts
- Well-funded for further growth with \$8.6m in cash as at 31 December 2021
- Strong outlook with further growth expected in CY 2022 and strategic focus shifting towards EBITDA break-even

### **Strong sales growth**

The Company achieved substantial revenue growth of 28% during CY 2021, up to \$18.1 million (CY 2020: \$14.2 million).

Overall revenue growth was driven by the strong performance of the group's recurring revenue segments (please see below for further details).

### **CHART 1: ANNUAL REVENUES IN \$ MILLION**





### **Strong growth momentum**

De.mem has now recorded 11 consecutive quarters of cash receipts growth vs. pcp – despite the extremely challenging macroeconomic environment due to the Covid-19 pandemic. For further details on the quarterly results and trends, please see the “Quarterly Activities Report and Appendix 4C” dated 25 January 2022.

De.mem expects this growth trend to continue, with a focus on the recurring revenue segments, and as orders for projects and equipment sales are expected to accelerate in CY 2022 with the end of Covid-19 lockdowns and state border closures in Australia.

In late December 2021, the Company received an important contract award for the supply of water treatment equipment worth \$370,000 to a customer from the lithium mining industry (see the “Quarterly Activities Report and Appendix 4C” dated 25 January 2022).

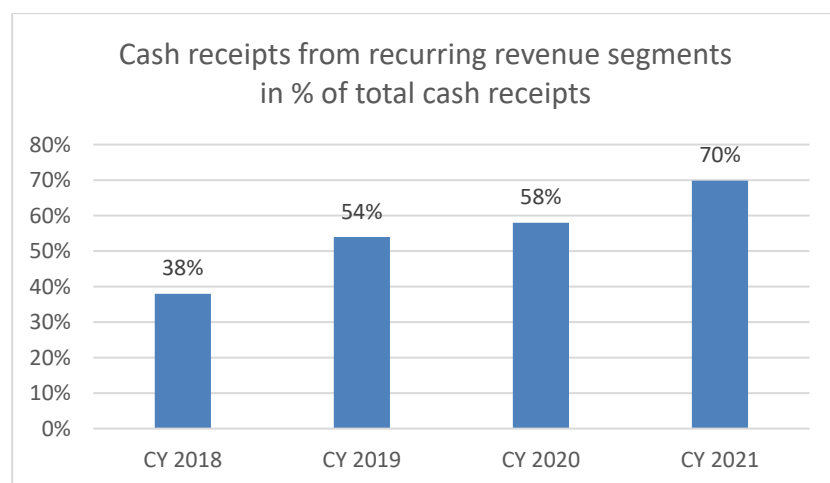
### **Growing Revenue Quality as Recurring Revenue Segments Continue to Drive Top-line and Margin Growth**

In line with the strategy communicated to the Company’s shareholders, growth initiatives have focused on De.mem’s recurring revenue segments. During 2021, recurring revenue segments accounted for approx. 70% of total revenues (CY 2018: 38%).

Recurring revenues segments include:

- Build, Own, Operate (“BOO”) and Operations & Maintenance contracts.
- Regular maintenance work on water treatment equipment.
- Membrane replacement sales into existing facilities.
- Specialty chemicals sales through the De.mem-Capic and De.mem-Geutec subsidiaries.
- Sales of pumps and related services through the De.mem-Pumptech subsidiary.
- Sales of small equipment and consumables.

### **CHART 2: RECURRING REVENUE IN % OF TOTAL REVENUES**



As a result of the above, the group’s gross margin has increased further to 34% (up from 31% in CY 2020, 26% in 2019 and 25% in CY 2018).



### **Substantially Reduced Adjusted EBITDA Loss**

De.mem recorded a substantially reduced Adjusted EBITDA loss of \$-2.2 million, from \$-3.1 million in 2020 (unaudited, adjusted for one-off items, please see further details in the section “Review of Operations” of the Consolidated Financial Report).

The Adjusted EBITDA includes an amount of approx. \$-1.0 million from the Singapore operations of the company, which mainly relate to membrane technology research & development activities. De.mem's state-of-the-art Singaporean facility contributes to the Company's competitive advantage of its unique portfolio of innovative water treatment technology and intellectual property suited for a wide range of applications.

### **Focus Shifting Towards Sustainable Operating Cash Flow Break Even**

With the significant growth achieved during the previous years, De.mem's focus will now shift towards achieving sustainable operating cash flow / EBITDA break even. Based on the current company structure and strategy, De.mem expects to achieve EBITDA break even at approx. \$25 million in annual revenues.

Net operating cash outflows were reduced substantially in the December Quarter 2021 to approx. \$-308,000 (including approx. \$130,000 in funding for the Company's membrane R&D activities in Singapore).

De.mem ends the year with a cash balance (incl. term deposits) of \$8.6 million which leaves the Company well funded to execute on its ambitious growth plans.

### **World Leading Membrane Technology Provides Strong Competitive Advantage**

De.mem has a unique competitive advantage of proprietary and/or patented technology, underpinning the Company's unique portfolio of hollow fibre Microfiltration, Ultrafiltration and Nanofiltration membranes.

De.mem 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.

A detailed overview of De.mem's technology portfolio and capabilities can be found in the presentation released to the ASX on 7 September 2021 “Technology Presentation – Advanced Membrane Technologies for Water and Waste Water Filtration”.

On 7 September 2021, De.mem also presented its “next-gen” membrane technology, based on Graphene Oxide (“GO”) enhanced polymer membranes, with substantially improved membrane characteristics such as 20-40% higher water flux (throughput), leading to significantly reduced operating cost for the water treatment process.

In the meantime, De.mem has initiated a process to complete NSF (National Sanitation Foundation, an American product testing, inspection and certification organization) certification for its GO enhanced membrane. This is a requirement for the extend use of the membrane in potable / drinking water applications. Further results are expected during the CY 2022.

### **Expansion of Unique Build, Own, Operate offering for Industrial Clients, With New Contracts Signed/Commissioned**

Based on its extended range of capabilities, De.mem is uniquely positioned as a supplier of Build, Own, Operate (“BOO”) services to industrial customers in Australia.

The Company signed important contracts during 2021, further validating its proprietary hollow-fibre membrane technology as a key part of these deployments:



- A Build, Own, Monitoring Transfer agreement for a hollow-fibre membrane based waste water treatment system to be deployed at the Selwyn Snow Resort in New South Wales, worth approx. \$1 million in revenues over 5 years (as announced to the ASX on 8 December 2021); and
- A Build, Own, Operate, Transfer agreement for the supply of an Ultrafiltration-based waste water treatment system worth approx. \$0.4 million in revenues per annum (as announced to the ASX on 15 September 2021).

Both contracts will start to generate recurring revenues from approx. mid-2022 onwards, which will further contribute to the Company's move towards sustainable, positive EBITDA.

During 2021, De.mem commissioned another two industrial BOO water treatment plants, based on contracts that had been signed prior to CY 2021:

- An Ultrafiltration-based waste water treatment plant was commissioned in June 2021. The system is supplied, operated & maintained by De.mem based on a BOO agreement with Givaudan Pte Ltd, Singapore, worth approx. \$1.7 million in revenues over 6 years (contract award announced to the ASX on 22 November 2019); and
- Another waste water treatment system was commissioned in July 2021, under a BOO agreement with the same client for a different facility in Singapore, worth approx. \$0.8 million over 10 years (contract award announced to the ASX on 10 September 2021).

### **Strong Acquisition Value-Add Track Record**

On 16 March 2021, De.mem announced the acquisition of the assets of Capic, a Perth-based supplier of high value-add specialty chemicals to blue chip mining clients. See ASX release, "*De.mem announces strategic acquisition in Western Australia*", dated 16 March 2021. The "asset acquisition" was formally completed (became legally effective) on 1 April 2021, with a new subsidiary, De.mem-Capic Pty Ltd, continuing Capic's business via the new entity and brand. Commercial integration, including sales pipeline development, commenced thereafter.

De.mem has a strong acquisition value-add track record, with all three businesses acquired since 2019 – De.mem-Capic, Perth, Western Australia, De.mem-Pumptech, Launceston, Tasmania, and De.mem-Geutec GmbH, Velbert, Germany – achieving significant growth in 2021, despite the challenging business 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.

The individual entities performed as follows:

- De.mem-Capic generated approx. \$3.5 million in revenue during the 9-month period since the acquisition on 1 April 2021 (average annual revenue pre-acquisition, over 12 months: \$3.3 million);
- De.mem-Pumptech Pty Ltd (formerly known as Pumpteck Tasmania Pty Ltd) recorded approx. \$3.7 million in revenue during 2021 (annual revenue pre-acquisition: \$2.5 million);
- De.mem-Geutec GmbH recorded revenues of approx. \$3.2 million in 2021 (annual revenue pre-acquisition: \$1.8 million).

### **Strong Outlook for 2022 with Further Growth Expected**

De.mem has positioned itself uniquely as a provider of comprehensive water treatment solutions to industrial customers. The Company's growth strategy will continue to focus on its recurring revenue segments and, in particular, on Build, Own, Operate and service contract opportunities, and the supply of its high-margin membrane products and specialty chemicals. The company expects the strong growth of its recurring revenue segments to continue.



De.mem will advise on the expected cash receipts / revenues for the full CY 2022 in due course. Based on the Company's strong recurring revenue base, and a significant and growing pipeline for its products and services, continued significant growth is expected.

With the significant growth achieved during the previous years, De.mem's focus will now shift towards achieving sustainable operating cash flow / EBITDA break even. Based on the current company structure and strategy, De.mem expects to achieve EBITDA break even at approx. \$25 million in annual revenues.

In case the Covid-19 situation should deteriorate further, and new lockdowns and/or state border closures should be imposed, this may impact the Company's projects business, particularly the ability to generate cash receipts from contracted projects according to schedule; and the ability to close new projects.

### **CEO Commentary**

De.mem Chief Executive Officer Andreas Kroell said:

"I am delighted to report continued strong growth of our Company, with key milestones achieved during the previous Calendar Year 2021.

Our track record of top-line growth is outstanding. With our strategic focus on our high value and high margin recurring revenue segments, which are now contributing almost three quarters of our revenues, we have significantly enhanced the quality of our revenue and business model. The recently acquired businesses have been integrated successfully, with outstanding growth rates being accomplished.

Our growth is driven by our advanced membrane technology and comprehensive product and service offering in particular for blue chip industrial clients. Key project awards during the previous year, such as the recent contract with an Australian snow resort, underpin our attractive offering for our customers.

We expect the growth to continue with the further easing of Covid-19 restrictions in Australia, and with a continued focus on our recurring revenue segments. Along with the successful growth of our business, our strategic focus will shift towards sustainable operating cash flow and EBITDA break even.

We look forward to delivering for our customers and shareholders in 2022."

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

-ENDS-

### **For further information, please contact:**

#### **De.mem Limited**

Andreas Kroell

CEO

De.mem Limited

[investor@demem.com.sg](mailto:investor@demem.com.sg)

**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.