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

ACQUIRES BORDER PUMPWORKS BUSINESS

30 April 2024: De.mem Ltd (ASX: DEM) ("De.mem" or "the Company"), a leading provider of decentralized water and wastewater treatment solutions across Australia and globally, has signed a binding agreement to acquire the Border Pumpworks business, based in Wodonga in regional Victoria ("Border Pumpworks"), strengthening the Company's position in regional markets and further expanding its industrial customer base.

HIGHLIGHTS

- **Accretive acquisition:** $400,000 consideration, paid fully in cash, valued at approximately 0.4x revenue and 4x normalized EBITDA.
- **Contributing towards move to EBITDA and operating cash flow break-even:** adding approximately $100,000 in normalized annual EBITDA (before synergies) to the Company, and approximately $1.1 million in annual revenues.
- **Operational synergies:** significant operational synergies with Company subsidiary De.mem-Stevco (Melbourne/Victoria), facilitating a seamless integration process and driving cost efficiencies.
- **Recurring revenue focus:** high recurring revenues from service & maintenance work add to De.mem's high recurring revenue base.
- **Enhanced regional presence:** strengthens De.mem's position in regional Victoria and New South Wales**,** continuing geographic diversification.
- **Strategic rationale:** well established customer base; high recurring revenues; significant cross-sell opportunities; revenue and cost synergies; seamless integration opportunity; continued regional diversification in Victoria and New South Wales.

Border Pumpworks acquisition

Founded in Albury/Wodonga in 1992, Border Pumpworks has been operating for more than three decades in the region.

Border Pumpworks provides design, supply, installation and servicing of filtration, fluid flow and pumping systems, with revenues being mostly recurring, derived from service & maintenance work as well as pump, filter and consumables sales.

It services a wide range of customer segments, including:

- manufacturing,
- food production, breweries and wineries,
- resorts,
- hydroelectric and water supply utilities, and
- municipal clients.

Border Pumpworks operates out of its workshop in Wodonga, Victoria. Significantly, this acquisition adds another established workshop to the De.mem group in a strategic location, adding to the Company's nationwide service & support capability.

Mr. Quentin Ferry, the sole director and owner, will retain his role post-transaction, joining the De.mem management team and supporting the integration of the business into De.mem group.

The transaction is expected to complete (become legally effective) in early May 2024, subject to the finalization of a number of contracts mainly including the individual service agreements with Border Pumpworks' staff and the payment of the purchase price.

Visible path to EBITDA and operating cashflow positive

The Border Pumpworks acquisition is accretive to De.mem and continues the Company's visible path to sustainable EBITDA and operating cash flow positive.

Adding Border Pumpworks' financial performance to De.mem results in the following proforma De.mem annual Calendar Year 2023 ("CY23") financials:

- Proforma CY23 adjusted EBITDA reduced to approx. $-0.6m, adjusting De.mem's reported EBITDA of approx. $-0.7m (see the Annual Report for 2023, lodged to the ASX on 29 April 2024, "Review of Operations" section, p6) for Border Pumpworks' approx. $100k normalized annual EBITDA.
- CY23 revenue of $24.5m, including Border Pumpworks' $1.1m in annual revenues (see *ASX Investor Presentation*, 9 February 2024, page 4).
- Border Pumpworks' gross margin of 40% will be accretive to De.mem group's gross margin of 36% in CY23.

In addition to the above, De.mem expects further upside from:

- Revenue synergies with Border Pumpworks' long-term customer base, narrower product portfolio (relative to De.mem) and regional presence all combining to provide significant cross-sell and revenue growth opportunities.
- Cost synergies with De.mem's existing activities in Victoria, complementing the regional Victorian focus of Border Pumpworks.
- US domestic water filtration market entry. The Company reiterates that it expects over $1m in new revenue over 2 years from the North American and Australian domestic potable water solutions markets (see ASX release dated 15 April 2024, "*De.mem's Graphene Oxide enhanced membrane passes NSF test*").

Transaction Rationale

The acquisition is consistent with De.mem's successful strategy of consolidating and adding value to the highly fragmented, decentralized industrial water treatment solutions market.

Historically, the Company has added ~63% revenue growth to 4 acquired companies since 2019 (see *ASX Investor Presentation*, 9 February 2024, page 7).

Long-term industrial customer base provides substantial revenue growth opportunity

Border Pumpworks has more than 50 long-term, recurring clients in regional Victoria and New South Wales, which have been built and developed over more than three decades.

The customer segment mix is well aligned with De.mem's strategic industry focus, providing substantial potential for cross-selling the Company's diversified "one stop shop" range of industrial water treatment products and services.

Border Pumpworks' long term customer base traditionally also requires larger water treatment equipment, services and chemicals. This creates substantial potential for the cross-selling of De.mem's advanced membrane-based water treatment solutions and its specialty chemicals range.

Recurring revenues and revenue synergies

Border Pumpworks' revenues are largely recurring, mostly from high-margin service & maintenance work.

This complements De.mem's existing ~91% recurring cash receipts in CY23 (see *ASX Investor Presentation*, 9 February 2024, page 11).

Strengthening of De.mem's competitive position in regional Victoria and New South Wales

The Border Pumpworks acquisition further diversifies De.mem's business portfolio, as follows:

- Border Pumpworks – regional NSW and Victoria (pumps, filters and related services)
- De.mem Capic – Perth, Australia (specialty chemicals)
- De.mem Pumptech – Launceston, Australia (pumps, filters and related services)
- De.mem Stevco – Melbourne, Australia (pumps, filters and related services)
- De-mem-Akwa – Queensland, Australia (equipment and services)
- De.mem Geutec – Germany (specialty chemicals focus)
- De.mem Pte Ltd – Singapore (membranes, filters and services)

It also adds to De.mem group's existing business activities in regional Victoria and New South Wales (see ASX release dated 8 December 2021, "*First water treatment contract with Australian snow resort*").

Strong operational synergies

The Border Pumpworks business model of selling and servicing pumps and small water treatment equipment complements the Company's local operations through De.mem-Stevco in Melbourne/Victoria and provides economies of sales and potential cost savings.

Importantly, the similarities also allow for an easy and low-risk integration.

Adds to De.mem's nationwide service & support capability in Australia

Border Pumpworks provides De.mem with a workshop and service capability in Wodonga, Victoria.

This adds to the Company's nationwide service & support capability in Australia, together with the existing facilities in Melbourne/Victoria, Launceston/Tasmania, Brisbane/Queensland and Perth/Western Australia.

Management Commentary

De.mem Chief Executive Officer Andreas Kroell said:

"The acquisition of the Border Pumpworks business continues our track record of carefully identifying and acquiring strategic bolt-on acquisitions. It brings a unique customer base into De.mem and provides for substantial cross-selling opportunities. I am excited by the opportunity to introduce De.mem's extensive product and service range to their long-standing customers.

Given De.mem's strong track record of growing revenues across all four of our bolt-on acquisitions since 2019, we are very well placed to grow the combined Border Pumpworks and De.mem businesses, and we look forward to working with our teams to take the businesses to the next level."

Border Pumpworks Director Quentin Ferry said:

"We are delighted to conclude the transaction with De.mem. The combination of our offering and customer base with De.mem's wider product range around their innovative membrane technologies and specialty chemicals opens up substantial growth potential for our business.

De.mem is a perfect partner for our company and the transaction provides us with the opportunity to take our business to the next level. We look forward to jointly expanding the combined business within our region."

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

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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 and Germany. It is commercialising an array of innovative proprietary membrane technologies.

To learn more, please visit: www.dememb.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.