



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

## PLACEMENT CLOSES \$2.1M OVERSUBSCRIBED TO FUND AUSWATER BUSINESS ACQUISITION

**5 June 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 received firm commitments from investors for \$2.1m at 10 cents per share for the purposes of financing the acquisition of Auswater Systems Pty Ltd ("Auswater").

### HIGHLIGHTS

- **New and existing shareholders participate** in oversubscribed capital raising of \$2.1m
- **Significant Board investments** from Chairman, Chief Financial Officer and Non-executive Director
- **Capital raising to finance acquisition of Auswater Systems Pty Ltd**, a high-margin, specialty services provider with strong recurring revenues, servicing more than 50 high quality mining clients in Western Australia
- **Investor webinar** registrations open

### Investor Webinar

Investors are invited to register for an investor webinar scheduled at 11.00am on Wednesday 5 June 2024.

Please register [here](#)

### Oversubscribed Capital Raising

De.mem is pleased to report it has received firm commitments to invest \$2.1m (before costs) by way of a share placement of approximately 21 million fully paid ordinary shares at \$0.10 (10 cents) per share.

The placement received strong support from new and existing investors, including new institutional fund managers and Company executives.

Company executives - Chairman Mr. Cosimo Trimiglozzi, Non-Executive Director Mr. Harry De Wit and Chief Financial Officer Mr. Andrew Tay – have committed to invest \$300,000 as part of this Placement. Shareholder approval is required for the proposed subscriptions by Chairman Mr Cosimo Trimiglozzi and Director Mr. Harry De Wit which will be sought in due course.

The \$0.10 (10 cents) per share issue price represents a discount of approximately 19% to the 30-day VWAP (volume weighted average price) and approximately 17% discount to the 12 cents per share closing price on Friday 31 May 2024.

The placement comprises the issue of 21 million new shares in the Company, equivalent to approx. 8% of the Company's current shares outstanding. De.mem shall issue the new shares once the committed capital has been received, utilizing the Company's existing placement capacity available under 7.1A of the ASX Listing Rules.



The new shares to be issued under the placement, except for those to be issued to Mr. Trimiglozzi and Mr. De Wit, are expected to settle on Wednesday, 12 June 2024. The New Shares will rank equally with the existing fully paid ordinary shares of the Company.

## Use of Funds

The additional capital is intended to fund the acquisition of Auswater Systems Pty Ltd, Perth, WA.

For further details, please see ASX Investor Presentation dated 3 June 2024 and register for the investor webinar referred to above.

## Acquisition Strategy

De.mem has successfully implemented a strategy of consolidating the highly fragmented decentralized industrial water treatment segment, acquiring smaller operators and growing acquired businesses' revenues through cross-sell of high margin recurring products and services.

The Company operates in a highly fragmented sector, with several smaller niche players operating on a local basis (see *ASX Investor Presentation* dated 3 June 2024, page 11).

These smaller operators are unable to compete with De.mem's national reach, proprietary technologies, technical capabilities and "one stop shop" offering (including pumps, chemicals, proprietary membranes, and filters).

Accordingly, De.mem has been able to attract and retain a blue-chip clientele including Rio Tinto, South 32, AGL, Alcoa, Coca-Cola, Givaudan, AGL, and Treasury Wine Estates (see *ASX Investor Presentation* dated 3 June 2024, page 12).

De.mem's successful execution of its consolidation strategy is evidenced by the 63% revenue growth across its 4 acquisitions since 2019 (see *ASX Investor Presentation* dated 3 June 2024, page 4).

De.mem's Auswater acquisition is consistent with the Company's strategy (see *ASX Investor Presentation* dated 3 June 2024, page 5) to acquire businesses meeting the following criteria:

- Long-standing customers.
- Recurring revenues.
- High margins.
- Track record of profitability.
- Diversification (by customer, customer industry, geography, and/or product).
- Attractive acquisition multiples (target less than 1x revenue and 5x EBITDA).



The Auswater acquisition further complements De.mem's business portfolio across Australia and globally, as follows:

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

### Acquisition of Auswater Systems Pty Ltd (“Auswater”)

Auswater is a high-margin service business that operates & maintains water and waste water treatment plants for industrial clients, including the supply of chemicals and consumables for the customers' ongoing operations.

Auswater has an operating history of 29 years and services more than 50 recurring clients, mainly from the Western Australian mining sector.

Consistent with De.mem's acquisition strategy, the Auswater acquisition brings the following benefits:

- **Recurring revenues:** Auswater's revenues are almost entirely recurring and will add to De.mem's existing ~91% annual recurring cash receipts.
- **Margin accretion:** Auswater's gross margin of more than 60% will further boost De.mem's overall gross margin of 36% (CY 2023).
- **Synergies:** the Auswater acquisition provides the opportunity for both revenue cross-selling and cost synergies (due to physical proximity to the existing De.mem-Capic business in Perth).
- **Accelerated growth in a strategic location:** the combined De.mem Capic-Auswater business now has a leading position in the highly strategic West Australian mining region, servicing blue-chip mining and resources customers by providing technical services, specialty chemicals and consumables.
- **Accelerated path to EBITDA positive:** On a pro-forma basis, De.mem's adjusted EBITDA loss after the combination with Auswater reduces to approximately -\$300,000 for CY 2023. See below for further details.

The Auswater acquisition is for up to \$1.75m and is priced at approx. 4x normalized EBITDA. The acquisition consideration comprises the following:

- \$1.65m payable in two tranches, including \$1.5m in cash and the remainder in DEM shares; and
- Up to another \$100,000 in cash and DEM shares, subject to achievement of revenue milestones.

See *ASX Investor Presentation* dated 3 June 2024, page 14, for further transaction structure details.

The transaction is expected to complete (become legally effective) in late June 2024, subject to the finalization of a number of contracts mainly including the individual service agreements and the payment of the purchase price.

Mr. Jaafar Roz, 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, for a minimum of 2 years.

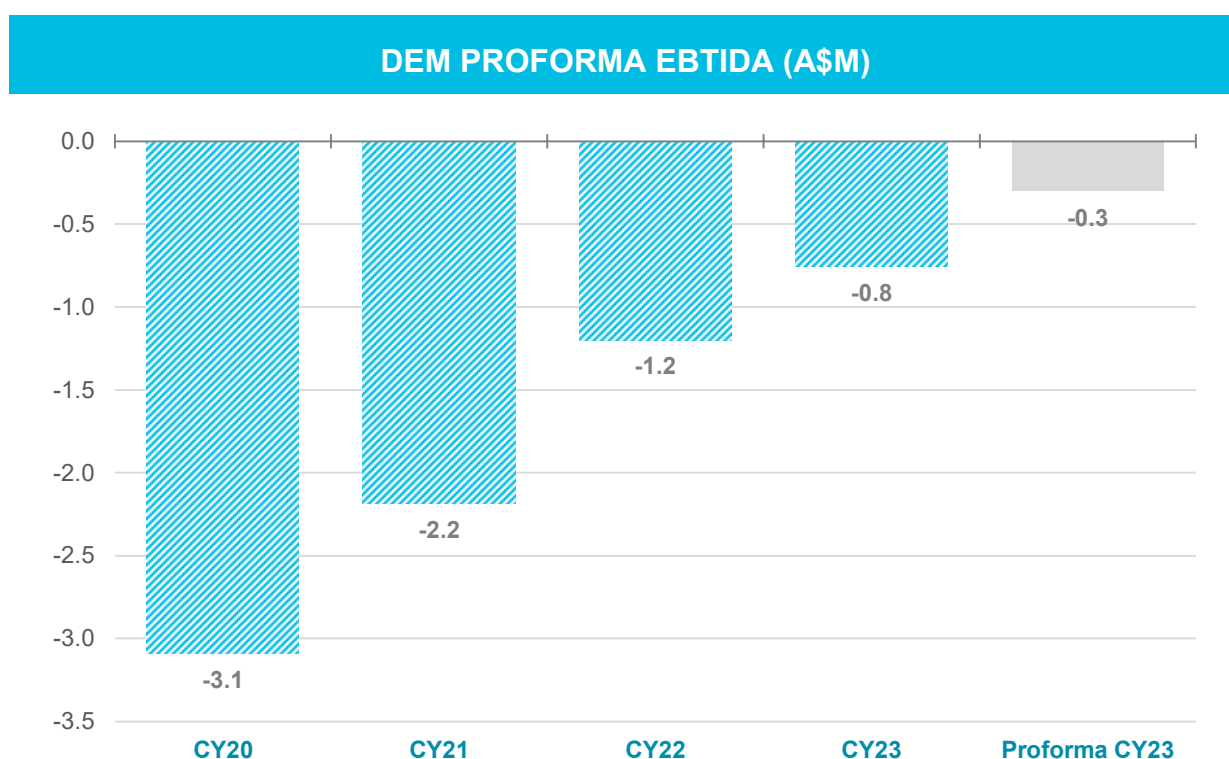
### Accelerates path to operating cashflow positive

The Auswater acquisition accelerates De.mem's path to operating cashflow positive.

The De.mem trend to operating cashflow positive has continued since CY20, down from -\$3.1m EBITDA in CY20 to -\$0.8m in CY23, as shown in Chart 1 below.

Chart 1 illustrates that the proforma EBITDA of the combined De.mem-Auswater businesses in CY2023 is approximately -\$0.3m EBITDA.

CHART 1: De.mem Proforma CY23 EBITDA (A\$M)



Source: ASX Investor Presentation dated 3 June 2024, page 9

Furthermore, there is upside to the -\$0.3m CY23 proforma EBITDA from the following:

- **Acquisition synergies** (revenue and cost).
- **Organic growth**, with ~19% organic revenue growth reported in CY23, a period during which there were no acquisitions (see *ASX release dated 29 February 2024*).
- **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"). There is further upside to this guidance if the Company enters new geographies and/or introduces new products in these markets.

## Management Commentary

De.mem Chief Executive Officer Andreas Kroell said:

*"I am excited by the potential of our combined De.mem-Auswater businesses. Together, we have a leading position in the highly strategic Western Australian mining region, enabling us to continue servicing blue chip mining and resources clients locally and across Australia."*

*I welcome new investors to our share register and thank existing investors for their ongoing support. I would like to thank the Board and senior management for the strong endorsement with their personal investment in the Company as part of this placement."*

Auswater Founder and CEO Mr. Jaafar Roz said:

*"We are delighted to join the De.mem Group. Our offering and customer base, combined with De.mem's comprehensive product range around their innovative membrane technologies and specialty chemicals, provides a substantial growth opportunity."*

*De.mem is the perfect partner to take our business to the next level, enabling us to enhance our customer service proposition. 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.

-Ends-

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

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

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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.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.