

COMPLETES AUSWATER BUSINESS ACQUISITION

2 July 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, advises that it has completed the acquisition of Auswater Systems Pty Ltd (“Auswater”), which was originally announced on 3 June 2024.

Acquisition of Auswater Systems Pty Ltd (“Auswater”)

Auswater is a Perth-based, high-margin service business, that operates & maintains water and waste water treatment plants for industrial clients, including the supply of chemicals and consumables for 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, which is below the average acquisition EBITDA multiple of DEM’s prior five acquisitions of 5.2x).

For further information, see *ASX Investor Presentation* dated 3 June 2024.

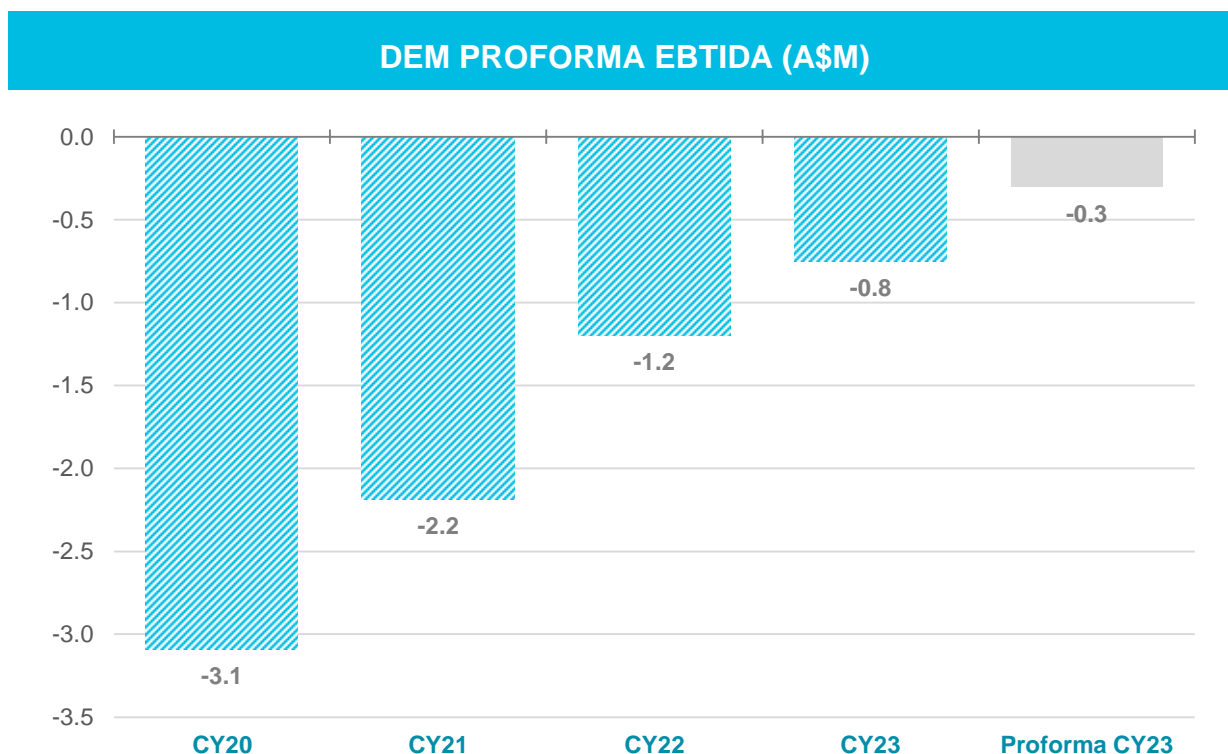
Accelerates path to operating cashflow positive

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

Chart 1 illustrates the consistent trend to operating cashflow positive.

- The stand-alone Demem business has substantially improved annual EBITDA from -\$3.1m EBITDA in CY20 to -\$0.8m in CY23.
- The proforma combined Demem-Auswater CY2023 EBITDA 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.

De.mem – strong acquisition track record

De.mem has a strong acquisition track record, reporting 63% revenue growth across 4 acquisitions since 2019 (see *ASX Investor Presentation dated 3 June 2024*, page 4).

The Company operates in a highly fragmented sector, with several niche, local operators (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).

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De.mem has successfully acquired smaller operators and increased revenues through cross-sell of high margin recurring products and services.

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 Auswater acquisition is consistent with the Company's historical acquisition strategy (see *ASX Investor Presentation* dated 3 June 2024, page 5) of acquiring businesses that meet 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).

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.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.