

## RECORD HALF YEAR RESULTS

29 August 2024: 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 6 months ended 30 June 2024 (“H1 2024”).

### HIGHLIGHTS

- **Record half-year cash receipts of approximately \$13.6m**, with approximately ~16% organic growth
- **Record growth momentum**, with 21 consecutive quarters of cash receipts growth
- **On-track for record full-year cash receipts**
- **More than 90% recurring revenues**
- **Record 40% gross margins**
- **Operating near EBITDA and operating cash flow positive**, with momentum to sustainable positive operating cashflow
- **Strong balance sheet**, with \$4.9m cash as at 30 June 2024

### Record results

De.mem is pleased to report record H1 2024 cash receipts of approximately \$13.6m, a 16% increase on the prior corresponding period (pcp) H1 2023 of \$11.7m. This 16% growth is almost entirely organic.

De.mem is experiencing strong growth momentum, with 21 successive quarters of cash receipts growth versus pcp, and expects to continue this growth momentum (Chart 1). Since H1 2019, the Company has grown cash receipts at a compound annual growth rate of 22% per annum.

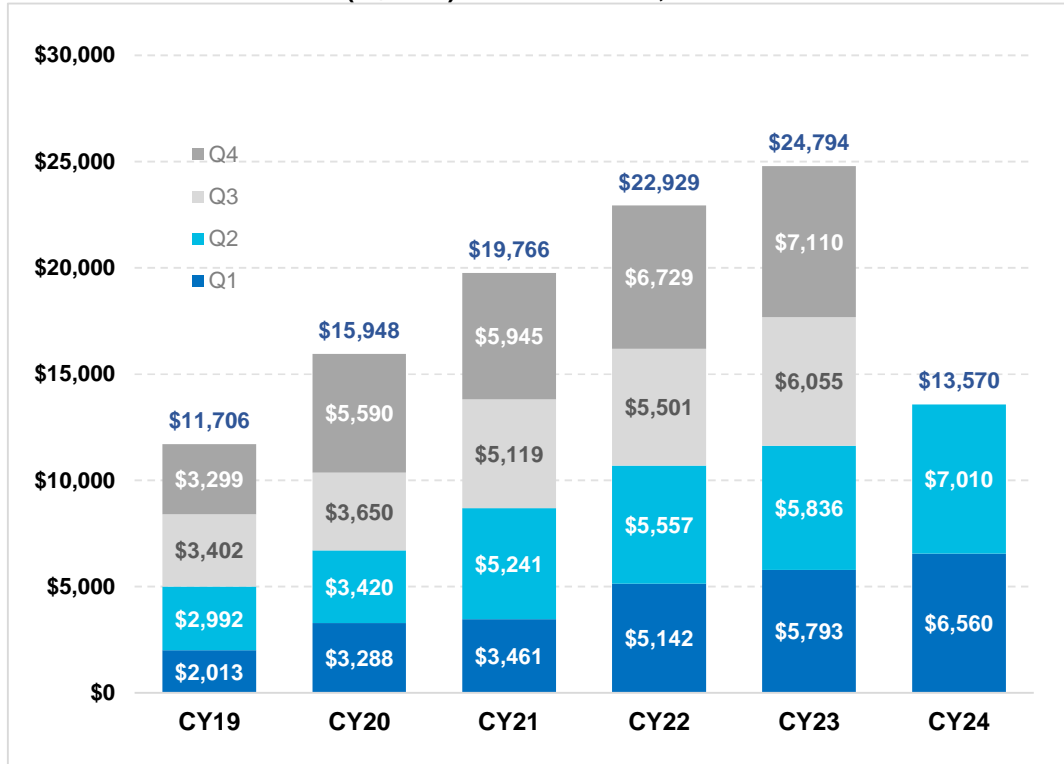
The Company is delivering on its strategy of transitioning to high margin recurring cash receipts through value-adding acquisitions, with record ~90% recurring cash receipts, record 40% gross margins and strong revenue growth across acquired businesses.

### Record outlook

The Company reiterates that it is on track for record full year CY 2024 cash receipts, given the following:

- Record H1 2024 cash receipts of approximately \$13.6m;
- First half has historically contributed an average of ~45% of full-year results (5-year average);
- Continued organic growth momentum;
- Expected contribution from entering the US market for domestic water filtration; and
- The second half of CY 2024 is to include cash receipts of the recent acquisitions of Auswater Systems Pty Ltd and Border Pumpworks.

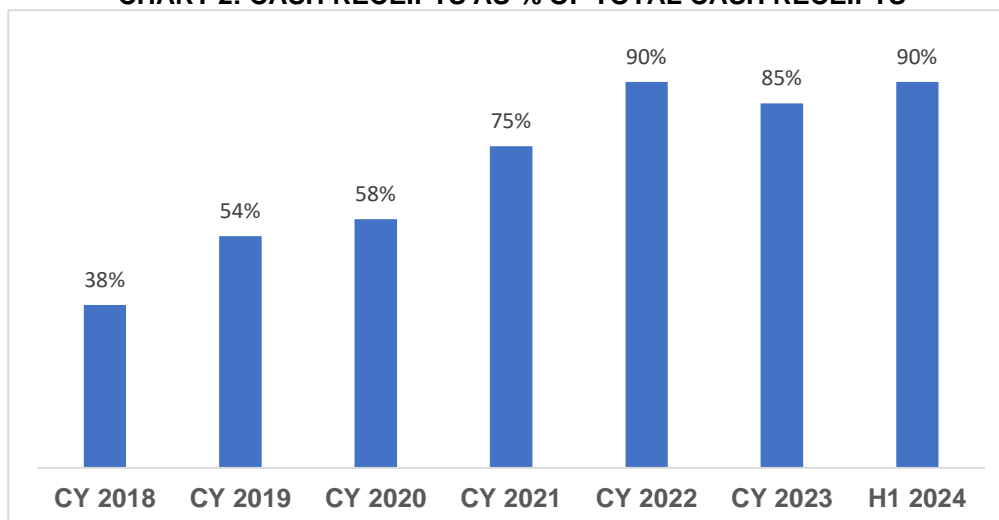
**CHART 1: CASH RECEIPTS (A\$000s) PER QUARTER, WITH ANNUAL TOTALS TO CY23**



## Recurring revenues underpin strong growth outlook

The Company's transition to a recurring revenue model is nearly complete, with ~90% recurring cash receipts in H1 2024, up from ~38% in CY 2018 (Chart 2). This is a significant milestone, having been a key strategic objective since the Company's inception.

**CHART 2: CASH RECEIPTS AS % OF TOTAL CASH RECEIPTS**



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Recurring revenues segments include:

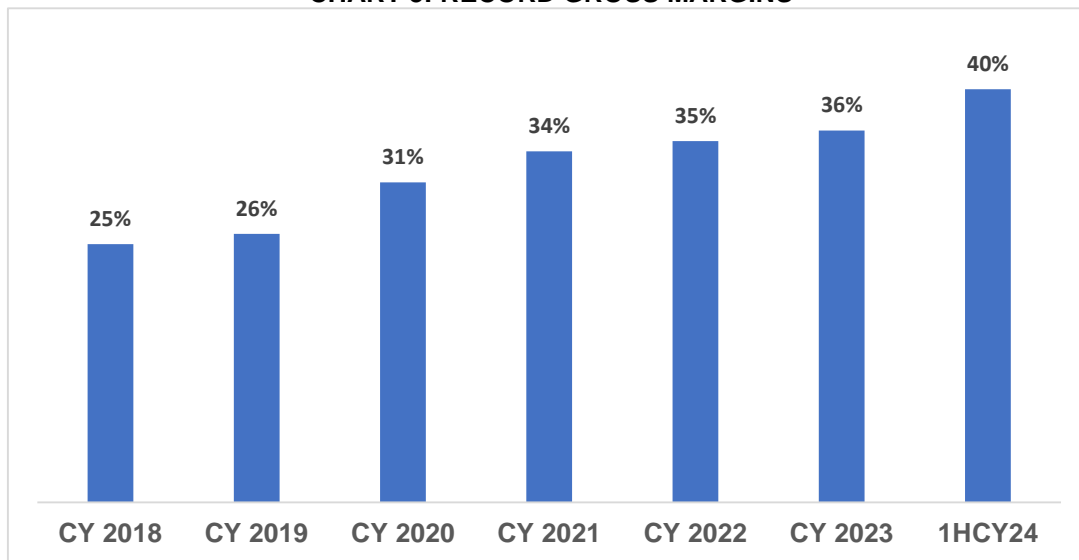
- Build, Own, Operate (“BOO”) and Operations & Maintenance contracts;
- Regular maintenance work on water treatment equipment;
- Membrane replacement sales into existing facilities;
- Specialty chemicals sales through the De.mem-Capic and De.mem-Geutec subsidiaries;
- Sales of pumps and related maintenance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

### Record gross margins

The Company has achieved another significant milestone, reporting record 40% gross margins in H1 2024, up from 25% in CY 2018.

Demem is achieving another key strategic objective of acquiring and integrating high margin acquisitions to accelerate revenue growth and expand margins.

**CHART 3: RECORD GROSS MARGINS**



### Momentum to positive operating cashflow

De.mem is continuing its momentum to positive operating cashflow, with H1 2024 adjusted EBITDA (EBITDA is adjusted for share based payments and business acquisition cost; refer “Review of Operations” of the Consolidated Financial Report) of -\$393k being in line with pcp, and several factors set to improve on the H1 2024 result. Net operating cash outflows have reduced to -\$243k in H1 2024 (H1 2023: \$-308k).

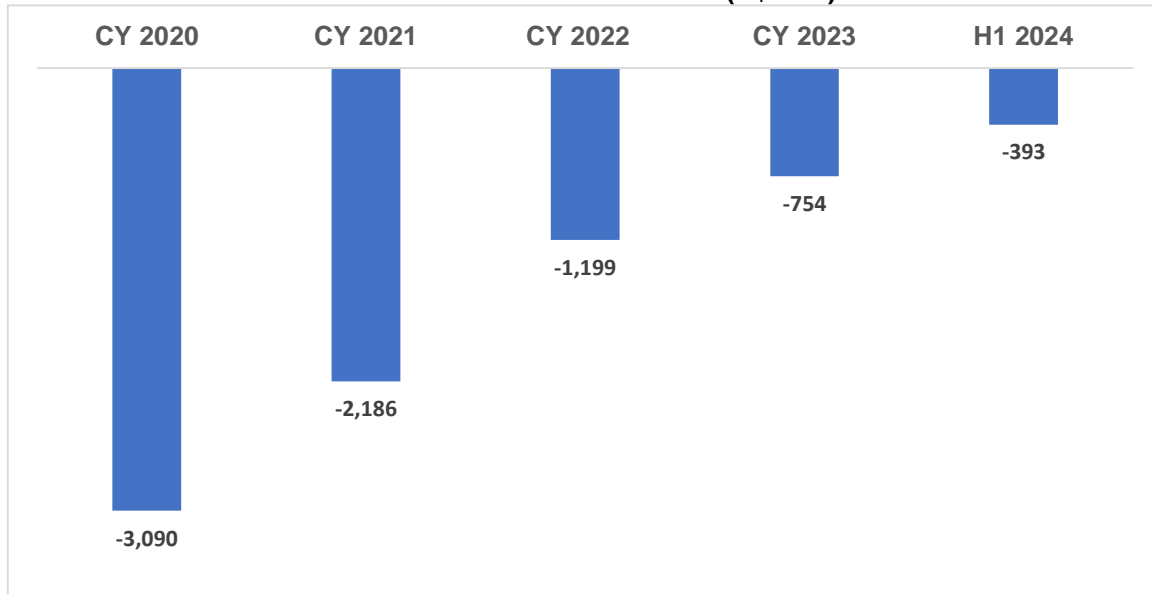
The Company expects the following H2 2024 factors to improve the H1 2024 adjusted EBITDA and operating cash flows respectively:

- Organic growth.
- A positive contribution from the two recent acquisitions (see section below).

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- North American domestic water revenues (approx. \$1m revenue guidance over 2 years).

**CHART 4: ADJUSTED EBITDA (A\$000s)**



The above includes the ongoing investment into 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.

### Recent acquisitions to accelerate path to positive operating cashflow

The Company expects its two recently completed acquisitions, Border Pumpworks and Auswater Systems, to contribute significantly to cash receipts and EBITDA from 1 July 2024 onwards.

Border Pumpworks, based in Wodonga/regional Victoria, was acquired on 1 May 2024 (see ASX release dated 29 April 2024). Border Pumpworks has been operating since 1992, servicing and supplying pumps and small water treatment systems to mainly industrial customers in regional Victoria and New South Wales. At acquisition, Border Pumpworks reported approximately \$100k in normalized annual EBITDA.

Auswater Systems, based in Perth, Western Australia, was effective on 2 July 2024 (see the ASX Investor Presentation dated 3 June 2024). Auswater Systems has an operating history of 29 years and services water and waste-water treatment systems on behalf of more than 50 recurring clients, mainly from the Western Australian mining industry. At acquisition, Auswater Systems reported approximately A\$450k normalized annual EBITDA.

### Continues strong acquisition value-add track record

De.mem is pleased to report that its recent acquisitions of Border Pumpworks and Auswater Systems remain on track to meet the Company's return expectations.

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The Company is delivering on its strategy of transitioning to high margin recurring cash receipts through value-adding acquisitions. De.mem has a strong acquisition track record, reporting 63% revenue growth across 4 acquisitions since 2019 (see the ASX Investor Presentation dated 3 June 2024, page 4).

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

De.mem seeks to acquire businesses that meet the following criteria (see ASX *Investor Presentation* dated 3 June 2024, page 5):

- 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).

### **Progresses global domestic water filtration market entry**

On 9 May 2024, the Company announced its formal USA National Sanitation Foundation (NSF) certification under NSF Standard 53 for the Company's Graphene Oxide enhanced membrane technology (see ASX release "*Graphene Oxide enhanced membrane - NSF formal certification*", 9 May 2024).

Since then, De.mem has initiated the full commercial launch of its Graphene Oxide enhanced membrane for potable water treatment applications in the USA through its sales distribution partnership with Purafy Clean Technologies, Kingston, Ontario, Canada ("Purafy") (see ASX release, "*De.mem signs technology commercialization partnership agreement*", 19 July 2022) whereby the Company provides its unique membranes to Purafy on a wholesale basis, with De.mem taking no retail sales risk and assuming no distribution costs. De.mem expects approx. \$1m in revenues over 2 years from the initiative (see ASX release, "*De.mem passes NSF requirements*", 15 April 2024).

The global domestic water filtration market is a large commercial market that was estimated at US\$12.1 billion in 2022 and is expected to grow by 10.5% per annum to US\$26.7 billion by 2030 (source: *Grand View Research, November 2022*). The Asia-Pacific region accounts for the largest share in the overall market for domestic water filters.

De.mem had previously announced first revenues generated from the new product of \$55k (see ASX release, "*First order for Graphene Oxide enhanced membrane cartridges*", 7 February 2024).

### **CEO Commentary**

De.mem Chief Executive Officer Andreas Kroell said:

*"I am delighted to report continued growth of De.mem in this half year, with our organic cash receipts growth of approximately 16% being much faster than industry average."*



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*Our strategy of focusing on our high margin recurring revenue segments has created a stable revenue model and further expanded our gross margin to 40% in H1 2024.*

*We continue to operate near EBITDA and operating cash flow break even, and our outlook is strong given we expect positive contributions from both the Border Pumpworks and Auswater Systems acquisitions, and our domestic water filter initiative in the USA, in the second half.*

*We have built a high-quality revenue and business model, a unique and comprehensive offering of products & services, servicing long-term, stable industrial customers. This positions us well for further growth.*

*We look forward to delivering for our customers and shareholders in H2 2024 and beyond.”*

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

-ENDS-

**For further information, please contact:**

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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.