

De.mem acquires German industrial waste water treatment company

Highlights:

- Signed binding contracts for the acquisition of a 75% stake in industrial waste water treatment company Geutec GmbH based in Essen, Germany
- Geutec develops, manufactures and sells innovative chemicals-based products and solutions for industrial waste water treatment to customers across Germany and Europe
- Geutec's strategic know-how and product range is highly complementary to De.mem's innovative membrane solutions. Its range of water treatment chemicals including coagulants, cleaners and anti-scalants is often sold in conjunction with membranes
- De.mem's existing customer base, particularly clients from the mining and resources sector, has expressed strong demand for products typically sold by Geutec
- Furthermore, Geutec brings a strong, long-term customer base into the De.mem group as a platform for expansion into the European waste water treatment market
- Consideration for the 75% stake is approx. A\$915,000 in cash, or ~ 5x normalized earnings before tax

17 October 2019: Australian-Singaporean water and waste water treatment company De.mem (ASX:DEM) ("De.mem" or "the Company") is pleased to announce it has signed a binding agreement to acquire 75% of the shares in Geutec Umwelt- und Abwassertechnik GmbH, an industrial waste water treatment company based in Essen, Germany ("Geutec" or the "Target Company").

Overview of Geutec GmbH

Geutec supplies waste water treatment products and solutions to small and medium sized companies ("SMEs") and a number of multinational corporations from the heavy industrial, plating and metals processing industries. It has a strong customer base in Germany and Europe.

The Target Company's solutions are based on a range of proprietary chemical formulations which have been developed and optimised over decades of operation. The manufacturing of the chemicals is performed in Germany but could eventually be expanded by De.mem into its Australian or Asian locations.

Large and Well-established Customer Base Provides Stable, Recurring Revenues and Strong Profitability

Geutec is focused on corporate clients, with more than 100 Small-and-Medium Enterprises (SMEs) and a number of larger corporations as repeat customers.

In the 12 months ended 31 December 2018, the Target Company recorded approx. A\$1.8 million revenue and approx. A\$245,000 in normalized pre-tax profits (unaudited).



The Target Company's revenues are largely recurring from repeated supply to the existing customer base.

Target Company's Product Range Complements De.mem's Highly Innovative Membrane Solutions

Geotec's chemicals are highly complementary to De.mem's innovative membrane-based water treatment products, the core of De.mem Group's intellectual property.

De.mem manufactures a range of hollow-fibre membrane technologies at its factories in Singapore and Australia. The membranes and membrane modules produced are the key components in many of the Company's turn-key water and waste water treatment plants.

The sale of chemicals products provides stable, recurring revenues. There is strong demand from De.mem's existing customer base for Geotec's chemicals products. Chemicals such as coagulants and flocculants, cleaners and anti-scalants are often requested by customers in conjunction with membrane-based water treatment. Chemicals are also typically requested by customers as a follow-up to De.mem's equipment sales.

In Australia alone, De.mem has already sold approx. A\$450,000 in chemicals over the 12 months ended 30 June 2019. To date, De.mem has limited its chemicals sales to a small number of mining and industrial sites because its chemicals have been supplied to De.mem by third parties. The acquisition of Geotec will not only allow De.mem to supply additional customers with a broader range of chemical products, but also to increase its margins in this segment.

Cross-Sell Opportunities

Following the acquisition of Geotec, De.mem intends to set up a Chemicals Division across the group's different locations so that it can intensify its sales efforts for water treatment chemicals based on the proprietary product range of Geotec.

In addition to supplying mining, resources and heavy industrial sectors in Australia, there are strong opportunities also in Asia, with its large manufacturing sector.

Market Entry into Europe

With its well-established customer base, Geotec provides a platform for De.mem to roll-out its membrane technologies into the German and European industrial waste water treatment markets. This provides further geographic diversification and growth opportunities for the Company.

Attractive Valuation

Key Elements of the acquisition are as follows:

- De.mem acquires 75% of the Target Company's shares for approx. A\$915,000 in cash
- The valuation is approx. 5x Earnings Before Tax
- Option to acquire the remaining 25% at the same valuation of 5x Earnings Before Tax
- The founder, owner and Managing Director of the Target Company, Mr. Uwe Graessel, will remain with De.mem after the acquisition



Completion is subject to payment of the purchase price and expected within the next week.

Immediately following the transaction, Geutec GmbH will be re-named De.mem-Geutec GmbH.

Mr. Andreas Kroell, CEO of De.mem Group, commented: "Geutec's chemicals-based water and waste water treatment solutions are highly synergistic to our membrane products. The acquisition of Geutec GmbH provides a logical expansion of De.mem's product range into the supply of industrial chemicals for water and waste water treatment. Furthermore, the acquisition further diversifies our revenues and provides growth options in the German and European industrial waste water treatment markets."

Mr. Uwe Graessel, founder, owner and Managing Director of Geutec GmbH said: "We look forward to becoming part of the De.mem Group with its innovative membrane-based products. Our existing customers can benefit from the wider De.mem product offering and we look forward to supplying our innovative chemicals solutions to De.mem's customers globally. We see significant opportunities given the extended range of products and capabilities."

-ENDS-

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De.mem Limited (ASX:DEM) is an Australian-Singaporean 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 has commercialised 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 exclusively licensed from NTU 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

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Geotec Umwelt- und Abwassertechnik GmbH is a company based in Essen, Germany, which provides solutions for industrial waste water treatment applications. Its focus is in particular on corporate customers from the heavy industrial, plating and metals processing industries. Geotec develops and manufactures a range of chemicals for waste water treatment applications, which it provides to its customers together with the required equipment, filter systems, services and consumables. Geotec has an operating history of almost three decades.

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.

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