

**DECEMBER 2020 QUARTERLY ACTIVITIES REPORT:**  
**Record quarterly and full-year cash receipts, first-ever cash positive quarter,  
 strong CY2021 outlook momentum**

**Key Highlights**

- **Inaugural positive quarterly operating cashflow of +\$544k**, successfully completing key business milestone.
- **Record quarterly cash receipts of \$5.6m, up 53% vs September Quarter**
- **Record full-year CY2020 cash receipts of ~\$16m, up 36% vs CY2019**
- **Record growth of acquired businesses**, with De.mem-Pumpstech (Tasmania) cash receipts up+67% in CY2020 to ~\$4.0m and De.mem-Geutec (Germany) up +18% to ~\$2.6m in CY2020.
- **Strong balance sheet**, with \$5.4 million cash and term deposits as at 31 December 2020.
- **Successful transition to ~58% recurring revenues** in CY2020, up from ~38% in CY2018.
- **Strong outlook momentum for CY2021**, with ~\$13m of visible cash receipts comprising ~\$3m of CY2020 contracted cash receipts from equipment sales carried over into CY2021 and ~\$10m of recurring cash receipts.

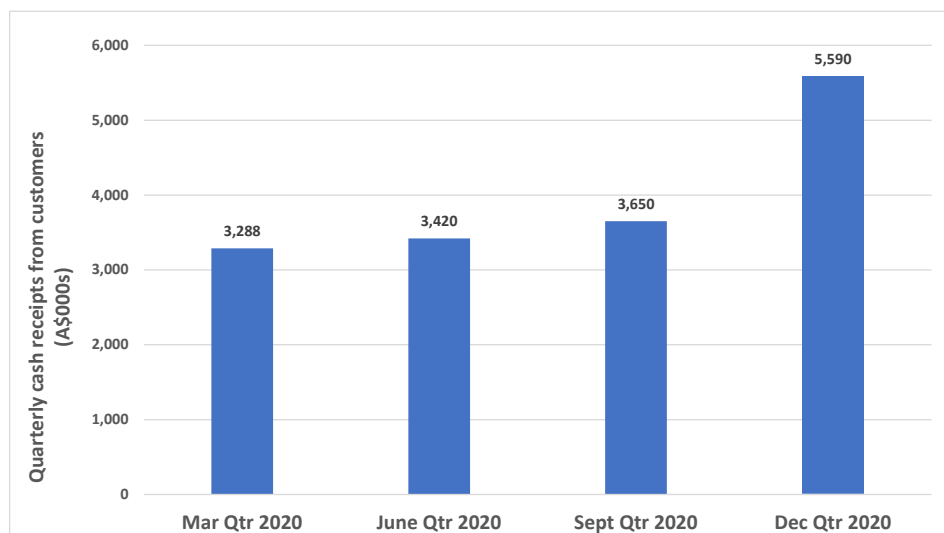
**20 January 2021:** Water and wastewater treatment company De.mem Limited (ASX: DEM) (“De.mem” or “the Company”) is pleased to report its best-ever operating results, record full-year cash receipts from customers and first ever operating cash flow positive quarter.

**Record Results**

De.mem is pleased to report the following record results:

- Positive operating cash flow for the December Quarter 2020 of \$544k.
- December 2020 Quarter cash receipts of \$5.6m, up 53% vs September Quarter 2020.
- Record full-year CY2020 cash receipts of ~\$16m, up 36% vs \$11.7m in CY2019, achieving CY2020 guidance of A\$15-18m.

**CHART 1: QUARTERLY CASH RECEIPTS**



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## Strong Growth Momentum

The Company is pleased to report strong growth momentum:

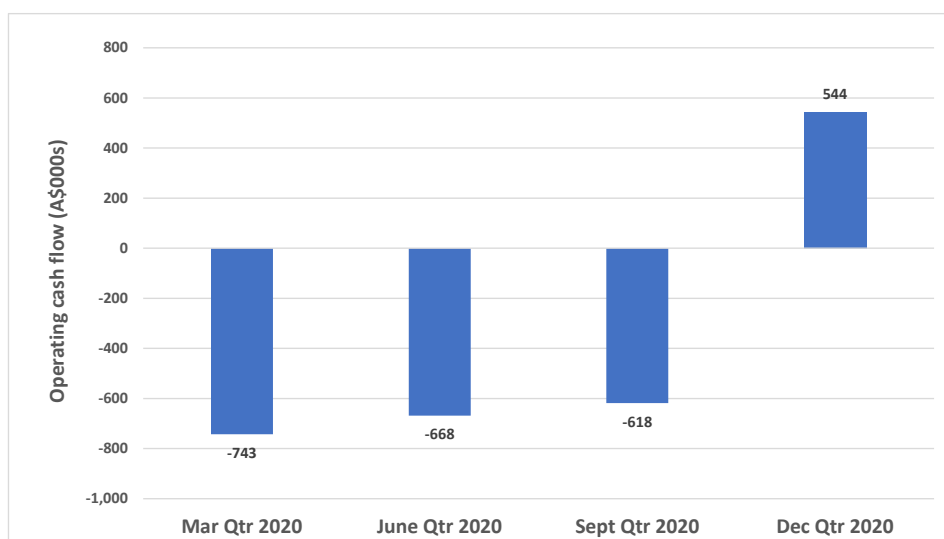
- **+70% growth in quarterly cash receipts** from customers from March to December 2020. Cash receipts have grown consistently from \$3.3m reported for the March 2020 quarter to \$3.4m (June 2020), \$3.7m (September 2020) and now \$5.6m in the December 2020 quarter (see Chart 1).
- **+53% growth in quarterly cash receipts from customers from September to December 2020 Quarter** (see Chart 1).
- **Inaugural \$544k cash positive December quarter** (see Chart 2).
- **+36% growth in full-year cash receipts** from customers from CY2019 to CY2020 (see Chart 3).
- **De.mem-Pumptech (Tasmania) cash receipts up +67%** in CY2020 to ~\$4.0m (see below).
- **Continued cash receipts growth expected in 2021**, underpinned by ~\$13m of visible cash receipts and a strong project pipeline, with repeat orders from several, long-standing clients.

## Financial Overview

**Record cash receipts of ~\$5.6m in the December Quarter 2020** reflect strong recurring revenue growth and record orders received in H2 CY2020. The Company previously summarised “*Record orders for Water Treatment Equipment*” in its September 2020 Quarterly Activities Report (see ASX release dated 29 October 2020). See Chart 1.

**Positive operating cash flows of \$544k in the December quarter 2020** completes the successful business turn-around. See Chart 2.

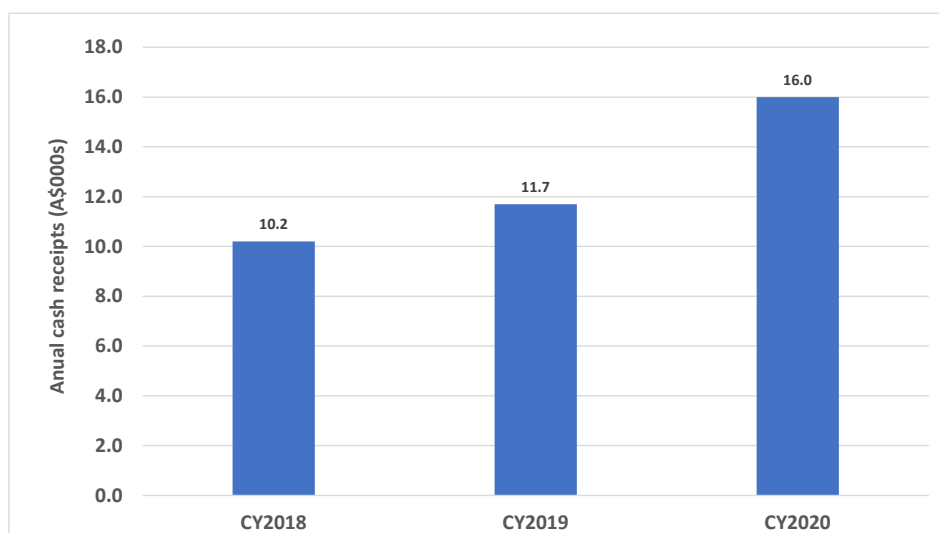
**CHART 2: QUARTERLY OPERATING CASHFLOW**



**Record annual cash receipts of ~\$16m in CY2020 represents:**

- +57% increase vs \$10.2m CY2018.
- +36% increase vs \$11.7m CY2019. See Chart 3.

**CHART 3: ANNUAL CASH RECEIPTS**



**De.mem ends the year with a strong balance sheet**, with \$5.4 million cash and term deposits as at 31 December 2020. This includes approx. \$350k in term deposits made during the December Quarter 2020 and September Quarter 2020, which are stated under the Cash Flows from Investing Activities (line 2.1 d) in attached Appendix 4C.

**Growing Recurring Cash Receipts**

**Growth Underpinned by Growing Recurring Cash Receipts**

Recurring cash receipts remained stable at \$2.4m, whilst cash receipts from projects and the sale of water treatment equipment increased by ~146% during the December Quarter 2020, vs. the September Quarter 2020.

Recurring cash receipts have increased from 38% in CY18 to 54% of total cash receipts in CY19 and 58% of total cash receipts in CY20.

**TABLE 1: GROWING RECURRING CASH RECEIPTS (%)**

% total cash receipts	% FY18A	% FY19A	% FY20A	Mar Qtr 2020	June Qtr 2020	Sept Qtr 2020	Dec Qtr 2020
Recurring	38%	54%	58%	67%	67%	66%	44%
Projects	62%	46%	42%	33%	33%	34%	56%
<b>Total Revenue</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**TABLE 2: CASH RECEIPTS MIX (\$)**

	FY18A	FY19	FY20	Mar Qtr 2020	June Qtr 2020	Sept Qtr 2020	Dec Qtr 2020
Recurring	3.9	6.3	9.3	2.2	2.3	2.4	2.4
Projects	6.3	5.4	6.7	1.1	1.1	1.3	3.2
<b>Total cash receipts</b>	<b>10.2</b>	<b>11.7</b>	<b>16.0</b>	<b>3.3</b>	<b>3.4</b>	<b>3.7</b>	<b>5.6</b>

Recurring cash receipts comprise the following segments:

- De.mem Equipment Leasing – Build, Own, Operate water treatment facilities on behalf of customers.
- De.mem Services - Operations & Maintenance of water treatment facilities.

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Sales of pumps & hydraulic components through De.mem-Pumptech Pty Ltd, Launceston, Tasmania.  
Sales of water treatment chemicals through De.mem-Geutec GmbH, Essen, Germany.  
Sales of consumables, membranes, spare parts etc. through the different group entities.

### **Strong Performance of Recently Acquired Businesses**

The Company is pleased to report continued strong organic growth in its recently acquired businesses.

#### **De.mem-Pumptech (Tasmania)**

De.mem-Pumptech Pty Ltd (formerly: Pumptech Tasmania Pty Ltd) has achieved strong growth of cash receipts since acquisition by De.mem in August 2019 (see ASX release, "*De.mem completes acquisition of Pumptech Tasmania*", 7 August 2019).

Performance highlights are:

- **Total cash receipts up +67% in CY2020 to ~\$4.0m, vs ~\$2.4m in CY2019.**
- **December Quarter 2020 customer cash receipts of \$1.17m**, or ~4% higher than September Quarter 2020 customer cash receipts of ~A1.13k and ~67% increase on \$700k in March Quarter 2020.

Since its acquisition, De.mem-Pumptech's outperformance has been driven by:

- Successful integration into De.mem Group's sales & marketing organization.
- Access to the wider De.mem Group product range, cross- and up-selling initiatives. De.mem's "one-stop shop" diversified product and services offerings has been well received by Pumptech's long-standing customers, who particularly appreciate access to De.mem's sophisticated, membrane-based water treatment solutions.
- Robust demand from food & beverage customers.

#### **De.mem-Geutec (Germany)**

German subsidiary De.mem-Geutec GmbH, Essen ("*De.mem-Geutec*") was acquired by De.mem in October 2019 (see ASX release, "*De.mem acquires German industrial wastewater treatment company*", dated 17 October 2019).

De.mem-Geutec performed strongly in the December Quarter 2020, despite the Covid-19 pandemic.

Performance highlights are:

- **December quarter cash receipts of ~\$740k** are largely in line with September Quarter 2020 cash receipts of ~\$760k, and approx. 33% above ~\$550k in cash receipts of June and March Quarter 2020.
- **An 18% increase of CY2020 cash receipts to \$2.6m**, vs \$2.2m in CY 2019.

De.mem-Geutec's performance was remarkable, given the significant impact of Covid-19 on European industrial activity.

De.mem-Geutec's positive performance was driven by stable recurring revenues from the sale of water treatment chemicals to repeat customers as well new customers within the heavy industrials, plating, automotive and newly, food & beverage segments, located in the Western part of Germany.

### **Achievement of Strategic Milestones**

The Company is pleased to report that it has achieved its three main priorities for CY2020 (see *March 2020 Quarterly Activities Report*, dated 30 April 2020):

- **Enhancing revenue quality** through customer, industry, geographic and product diversification as well as growing recurring revenue segment contributions. We are expanding into high growth segments such as food & beverage and the power sector and building an Australian "national champion" in the water treatment solutions business.
- **Consistent revenue growth** since CY2018, with strong growth momentum in the December Quarter 2020 and a strong CY2021 growth outlook.
- **Achieving inaugural operating cash flow positive.**

In CY2021, the Company intends to continue its focus on these key milestones.

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## **Strong Momentum Continues into CY2021 Outlook**

The Company expects further cash receipts and revenue growth in CY 2021, with a strong outlook driven by:

- ~\$13m of visible cash receipts comprising ~\$3m of CY2020 contracted revenue from the sale of water treatment equipment carried over into CY2021 plus ~\$10m of recurring revenue.
- Newly hired Australian sales team is now well placed to manage a growing pipeline and interest across Australia.
- Increasing customer focus on buying from Australian suppliers to avoid global supply chain risks.
- Re-commissioning of projects previously paused due to Covid-19.

Some new contracts secured in the December Quarter 2020 which underpin 1HCY2021 include:

- A \$2.6 million seawater desalination project (see ASX release, *De.mem signs \$2.6 million desalination contract*, dated 12 October 2020), following the supply of a similar \$2.8 million seawater desalination plant for a Great Barrier Reef resort in 2019. Seawater desalination is a key target sector for De.mem and is considered a high growth segment of the water treatment industry.
- A \$300k, 24-month contract extension to an existing Build, Own, Operate agreement with a Singapore-based, multinational food & beverage corporation.

## **CEO Commentary**

De.mem Chief Executive Officer Andreas Kroell said:

"I am delighted to report the record performance of our company in 2020.

We ended the year with the achievement of several key milestones, including our first-ever cash positive quarter, record full-year cash receipts, locking in our structural shift to recurring revenues and stellar performance in our recently integrated businesses, particularly De.mem-Pumptech (Tasmania).

Record order intake during the second half of CY2020 and our growing recurring revenues provide sufficient confidence in continued growth in CY2021, despite challenging global conditions due to the Covid-19 pandemic.

Our unique portfolio of hollow-fibre membrane technologies has gained a strong place in the market, which will generate further organic growth opportunities for De.mem.

We believe that our balance sheet strength, strong investor support, significant recurring revenues, stable and resilient customer base and one-stop shop offering position De.mem to emerge as a market leader in industrial water treatment.

We look forward to delivering for our customers and shareholders in 2021."

## **Payments to related parties included in Appendix 4C**

The payments to related parties of De.mem disclosed in item 6.1 of the Appendix 4C for the quarter, accompanying this quarterly activities report, were payments of directors' fees and salaries.

This release was authorized by the Company's CEO, Andreas Kroell, on behalf of the board.

**-ENDS-**

**For further information, please contact:**

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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](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.

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## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

De.mem Limited

**ABN**

12 614 756 642

**Quarter ended ("current quarter")**

31 December 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	5,590	15,948
1.2 Payments for	-	-
(a) research and development		
(b) product manufacturing and operating costs	(3,337)	(10,845)
(c) advertising and marketing	-	(2)
(d) leased assets	(15)	(65)
(e) staff costs	(1,252)	(4,616)
(f) administration and corporate costs	(607)	(2,360)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	21	37
1.5 Interest and other costs of finance paid	(5)	(49)
1.6 Income taxes paid	(12)	(102)
1.7 Government grants and tax incentives	-	74
1.8 Other (provide details if material)	161	495
<b>1.9 Net cash from / (used in) operating activities</b>	<b>544</b>	<b>(1,485)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	(159)
(c) property, plant and equipment	(139)	(787)
(d) investments	(292)	(468)
(e) intellectual property	-	-
(f) other non-current assets	(11)	(11)

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	1
	(b) businesses	-	-
	(c) property, plant and equipment	-	7
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(442)</b>	<b>(1,417)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>	-	-
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(20)
3.5	Proceeds from borrowings	-	318
3.6	Repayment of borrowings	(465)	(539)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(465)</b>	<b>(241)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	5,394	8,179
4.2	Net cash from / (used in) operating activities (item 1.9 above)	544	(1,485)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(442)	(1,417)



## Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(465)	(241)
4.5	Effect of movement in exchange rates on cash held	9	4
4.6	<b>Cash and cash equivalents at end of period</b>	<b>5,040</b>	<b>5,040</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,413	1,467
5.2	Call deposits	3,627	3,927
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>5,040</b>	<b>5,394</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	99
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

*Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.*

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7. <b>Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	500	-
7.5 <b>Unused financing facilities available at quarter end</b>		500
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
Via its subsidiary De.mem-Akwa Pty Ltd, the Company has access to a short term working capital facility of up to A\$ 500,000 provided by National Australia Bank (NAB). The facility is secured by a cash deposit.		

8. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	544
8.2 Cash and cash equivalents at quarter end (item 4.6)	5,040
8.3 Unused finance facilities available at quarter end (item 7.5)	500
8.4 Total available funding (item 8.2 + item 8.3)	5,540
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>N/A</b>
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 20 January 2021

Authorised by: Board of Directors  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.