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

INVESTOR PRESENTATION

3 June 2024: Australian headquartered, international water technology company **De.mem Limited (ASX:DEM)** (“De.mem” or “the Company”) is pleased to release the attached Investor Presentation with updated information about the business for current and future investors.

This announcement has been authorised for release by the Company’s CEO, Mr Andreas Kroell, on behalf of the Board of Directors.

-ENDS-

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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, Germany and Vietnam. It is commercialising an array of innovative proprietary 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.



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De.mem Limited (ASX:DEM)

Acquisition of Auswater Systems Pty Ltd
3 June 2024



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TRADING UPDATE

Record growth momentum and outlook



Record growth momentum

- 20 consecutive quarters of growth vs prior period
- 19% organic revenue growth from CY22-CY23, above industry average (see ASX release 29 Feb 2024)



Record March Quarter 2024

- Cash receipts of \$6.6m, up 14% vs March Quarter 2023 (see ASX release 29 April 2024)



On-track for record Calendar Year 2024

- CY23 cash receipts of A\$24.8m
- On track for record Calendar Year 2024
- March Quarter 2024 \$6.6m cash receipts, historically ~21% of full-year cash receipts



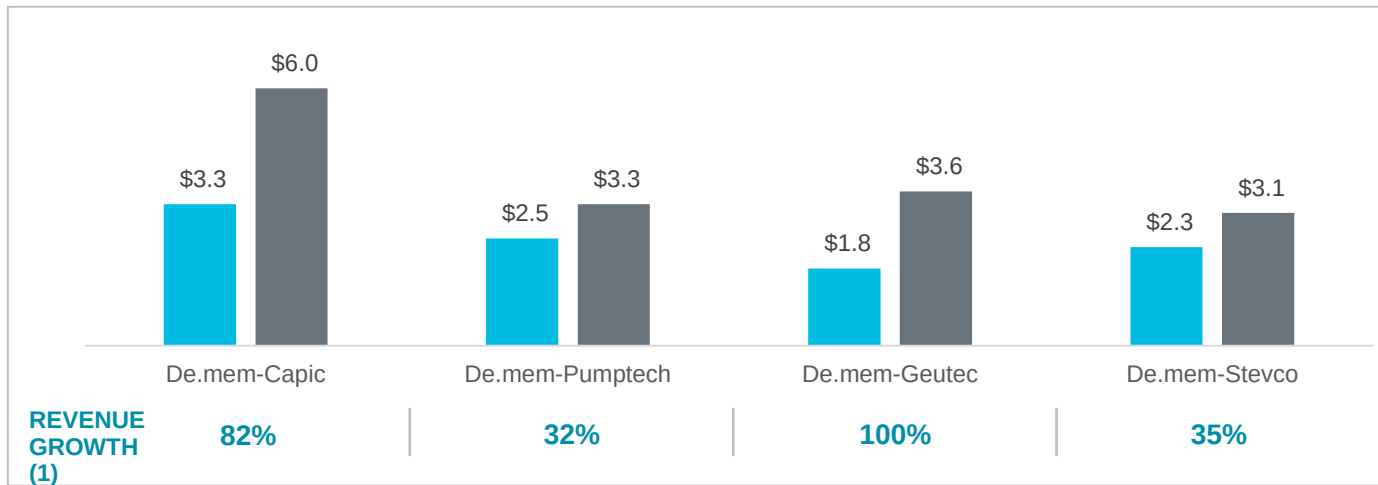
Upside from entry into North American household water filtration market

- National Sanitation Foundation (NSF) regulatory approval opens North American market entry
- Guidance reiterated of over \$1m revenue over 2 years from North American market only
- Further upside potential from other geographic markets (see ASX release 9 May 2024)

STRONG ACQUISITION VALUE-ADD TRACK RECORD

Since 2019, Demem has successfully grown 4 bolt-on acquisitions by average ~63%

Acquired business revenue growth



Demem
achieved 63%
revenue growth
of acquired
businesses

(1) revenue growth % = compares last financial year (preliminary/unaudited) vs. annual revenue pre acquisition. .

Three main shareholder value-add strategies:

- **Revenue growth** – through cross sell of “one stop shop” offering of Membrane Systems, Services (BOO & O&M), higher margin Services, Specialty Chemicals, & Pumps, Services and Equipment
- **Economies of scale** – leveraging fixed operational and manufacturing costs across a growing, national footprint
- **High quality, recurring cash flows** – focus on acquiring and/or growing recurring cash receipts and margins, now >90% recurring (CY23 cash receipts ~A\$25m) and margins almost doubled to 36% since CY18

ACQUISITION RATIONALE

Demem's strict acquisition selection criteria and discipline has historically generated strong returns

ACQUISITION CRITERIA

1

Long-standing customers

2

Recurring revenues

3

High margins

4

Profitable

5

Diversification by:

- customer
- customer industry
- geography
- product

6

Attractive acquisition multiples:

- 0.7x revenue and
- 5.2x EBITDA average



BENEFIT

Enables rapid cross selling

- Limits integration risk
- Enhances earnings quality

- Margin expansion
- Increases cross-sell benefits

Accelerates path to profitability

- New growth sectors
- Enhances revenue stability

Shareholder value accretive

Well priced - average acquisition revenue multiple of 0.7x and EBITDA (normalised) multiple of 5.2x
Growth – average revenue growth of 63% across acquired businesses

Historical acquisition growth

- \$8.2m has been invested in 4 acquisitions (excluding recent Border Pumpworks) to acquire ~\$10m of revenue
- CY23 Group revenue \$23.4m CY23
- 19% organic growth in CY23 (see ASX release 29 February 2024)

BUSINESS, ACQUISITION DATE	FOCUS	PRICE PAID	REVENUE MULTIPLE (x)	EBITDA MULTIPLE (x)	ACQUISITION & SHAREHOLDER VALUE-ADD RATIONALE
Geutec Germany 2019 & 2022	• Specialty chemicals	\$0.92m cash \$0.34m scrip	0.7x	5.1x	• Geographic diversification – into Europe • Proprietary product expansion – speciality chemicals and synergistic membrane products • Cross-sell - existing Demem customer base demand for product range • Earnings accretion - ~\$245k EBITDA, 5.1x EBITDA multiple
Pumptech Tasmania, 2019	• Treatment systems • Pumps • Mechanical equipment	\$0.9m cash \$0.15m scrip	0.4x	5.0x	• Geographic diversification – into Tasmania • Customer industry diversification – into food & beverage sector • Earnings accretion - \$200k EBITDA (normalised), 5.0x EBITDA multiple
Capic Perth, WA, 2021	• Specialty chemicals	\$3.4m cash \$1.0m scrip	1.3x	7.3x	• Geographic diversification - into Western Australia market • Margin expansion – high margin specialty chemicals. • Cross-sell – added blue-chip customer base (mining clients) • Earnings accretive - ~\$600k EBITDA (normalised), 7.3x EBITDA multiple
Stevco Seals & Pumps , Victoria, 2022	• Pumps, water treatment & maintenance	\$1.25m cash \$0.25m scrip	0.7x	4.5x	• Cross-sell - long term customers require DEM water treatment, services, chemicals • Earnings accretion - ~\$330k EBITDA, 4.5x EBITDA multiple
Border Pumpworks Wodonga, VIC April 2024	• Pumps, small water treatment equipment and maintenance	\$0.4m cash	0.4x	4.0x	• Geographic diversification – into regional VIC/NSW • Cross-sell - specialty chemicals and water treatment products & services • Recurring, diversified revenues – more than 30 years operations and 50 customers including breweries, wineries, resorts, food & beverage, industrial manufacturing • Earnings accretion - ~\$100k EBITDA, 4x EBITDA multiple; ~\$1.1m revenue.
AVERAGE		\$8.6m	0.7x	5.2x	

Auswater acquisition enhances Demem's position in the strategically significant mining sector in Western Australia

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demem
stevco

demem
akwa

demem
Border Pumpworks

demem
pumptech
INDUSTRIAL PUMP
AND ENVIRONMENTAL
SPECIALISTS

ACQUISITION OVERVIEW

Auswater Acquisition continues proven bolt-on acquisition value-add strategy



Auswater Systems Pty Ltd (“Auswater”) acquisition

- Perth, Western Australia
- 50+ long term mining customers, service business with chemicals & consumables sales
- 29-year operating history

Auswater Financial Summary

- **Revenues:** ~A\$1.3m p.a
- **Profit before tax** (normalized): ~A\$450,000;
- **Acquisition price:** up to A\$1.75m (approximately 90% cash/10% DEM shares) including \$100k milestone payments
- **Acquisition multiples:** ~1.3x revenue, ~4x EBITDA
- **Margin accretive:** gross margin of approx. 60% vs De.mem 36% (CY23)

Auswater acquisition compared to historical acquisitions

- Attractive valuation – approximately 4x EBITDA (vs 5.2x historical average)
- Synergies – cost synergies (as well as usual revenue synergies) given proximity to existing Demem-Capic business (in Perth)
- Ultra high gross margins – 60% vs Demem 36%

Consistent with Acquisition Strategy

- **Strategic growth sector** – focused on mining in strategically significant Western Australian market
- **Revenue synergies** - Cross-sell of De.mem-Capic specialty chemicals into Auswater’s client base
- **Margin accretive** – over 60% margin
- **Recurring cash flow acquisition** – over 90% recurring cash receipts
- **Economies of scale** – low fixed cost base, high operating leverage; cost synergies
- **Financially accretive** – margin accretive, contributing to EBITDA break-even

Potential Return on Equity (ROE) enhancement

- Takes De.mem Group to near-EBITDA pro-forma break even
- Sustainable operating cashflow positive would enable potential access to debt finance to drive ROE



FINANCIAL OVERVIEW

Accelerates Demem path to sustainable full-year operating cashflow positive

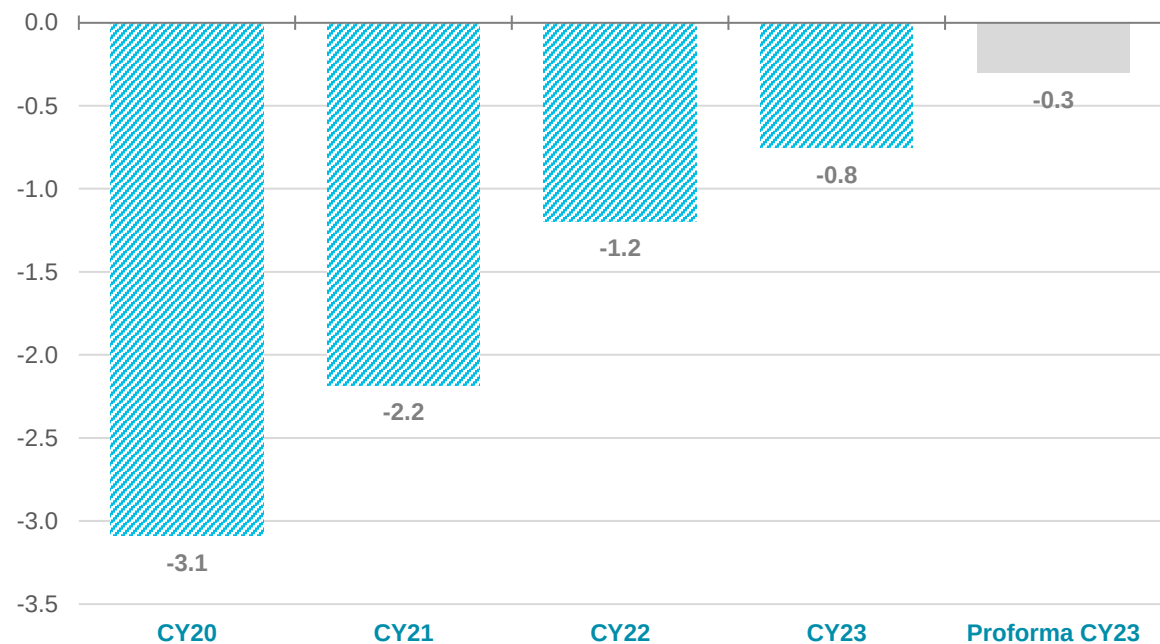
Auswater acquisition accelerates path to operating cashflow positive

- Proforma combined CY23 EBITDA (Demem and Auswater) = ~\$0.3m
- Further upside to ~\$0.3m from:
 - Acquisition synergies (revenue and cost)
 - Organic growth (which was ~19% revenue growth in CY23)
 - North American domestic water revenues (\$1m plus revenue guidance over 2 years)

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DEM PROFORMA EBITDA (A\$M)

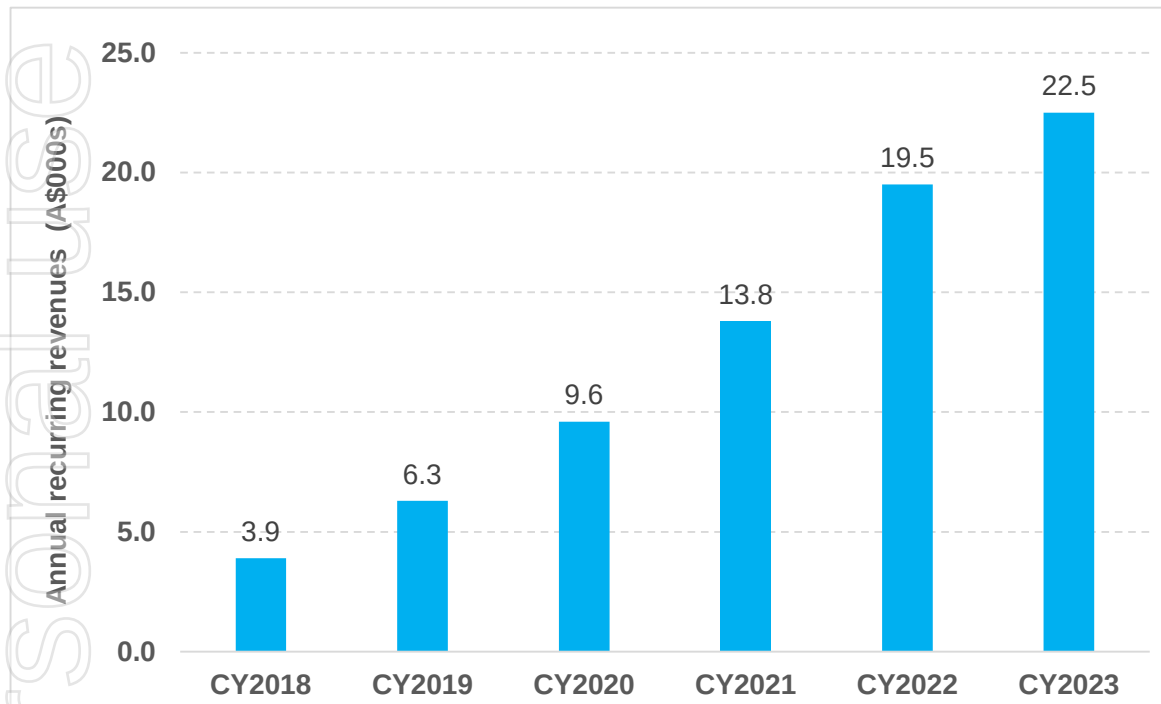


Note: (1) Proforma CY23 is the addition of Auswater EBITDA average of \$450k and CY23 Demem normalised EBITDA, adjusted for business acquisitions cost and share based payments expense

De.mem has successfully achieved its stated strategy of growing recurring revenues – resulting in a stable, high-margin business model

Recurring cash receipts 91% total CY23 cash receipts, up from 38% in CY18

Recurring revenue growth



DEM Recurring Revenue Segments

- **Contracts:**
 - Build, Own, Operate (“BOO”)
 - Operations & Maintenance (“O&M”)
- **Specialty chemicals sales**
- **Pumps** – sales, maintenance, services
- **Water treatment equipment** maintenance
- **Small equipment & consumables** sales
- **Membrane replacement** sales

LARGE ADDRESSABLE MARKET: STRONG REGULATORY TAILWINDS

Decentralized water and waste water treatment is large and fragmented
many small companies operating in certain niche segments

- Treated wastewater being embraced as a sustainable alternative to fresh water
- Growing cost of compliance, increased regulatory & social governance pressures
- Water is a scarce resource which is fundamental to certain industries
- Increased recognition of requirement to invest in ESG & regenerative practises

Sources:

- (1) Company estimates
- (2) From the Australian Pump Industry Association website, April 2022
- (3) RFDTV, Australian Water Treatment Chemicals Market Size in 2018, 29/11/2021
- (4) Research & Markets, "Decentralized Water Treatment Market – Global Outlook and Forecast 2021-26", 24/9.2021

Significant Addressable Market

A\$2.3bn

Total Addressable Market
in Australia

Decentralised
wastewater
systems
A\$300m p.a.¹

Pumps
equipment
market
>A\$1bn p.a.²

Water
treatment
chemicals
>A\$1bn p.a.³

US\$39bn

Global market for
decentralised water treatment
by 2026⁴

Global, blue-chip customers with multiple sites provide significant cross-sell opportunities
De.mem's sales strategy is based on a "land and expand" strategy with multi-site customers

Mining	Infrastructure	Food & Beverage	Other Industrial
- Potable/sewage treatment for mining camps - Waste water - Mining water supply       	- Potable - Sewage treatment - Water treatment for industrial facilities       	- Waste water - Process water - Ultrapure water - Recycling       	- Industrial waste water - Process water - Ultrapure water - Recycling      

Allows substantial cross-selling and recurring revenue growth to >90% total



Membrane Systems

- Provide containerized water and waste water treatment plants to solve customers' specific requirements
- Systems leverage De.mem proprietary hollow fibre membrane technology and specialty chemicals
- Revenue is project based and usually recognized / paid in instalments

Services (BOO & O&M)

- Operations & maintenance (O&M) of water treatment plants as systems require regular maintenance to facilitate effective operations
- **Build, Own, Operate (BOO) offering where the plant is supplied under a rental arrangement plus O&M**
- Revenues are recurring and highly predictable

Speciality Chemicals

- Specialty chemicals for the operation of the water treatment plants and stand alone applications
- Products include scale and corrosion inhibitors, membrane cleaning aids, and process additives
- Revenues are recurring in nature and highly predictable

Pumps, Services & Equipment

- Supply pumps, equipment and related maintenance services which are required for plants operations
- Revenues are recurring in nature and predictable as products are necessary for plant operations, and require ongoing maintenance

DEM Recurring Revenue Segments

DEM has signed a Share Purchase Agreement to acquire Auswater Pty Ltd

Unconditional payments

- **Tranche 1** (payable immediately): \$1,380,000 in cash plus \$120,000 in DEM shares (based on 20 day weighted average share price)
- **Tranche 2** (payable after 12 months from completion): \$110,000 in cash plus \$40,000 in DEM shares (based on 20 day weighted average share price prior to the respective date in 12 months)

Incentive tranches

- **Milestone 1** (12 months):
 - **Milestone:** revenue increase by Auswater of at least 15% in the first 12 months after completion (relative to the 12 months prior to completion)
 - **Milestone payment:** \$25,000 in cash plus \$25,000 in DEM shares (based on 20 day weighted average share price prior to the respective date in 12 months)
- **Milestone 2** (24 months):
 - **Milestone:** revenue increase by Auswater of at least 30% in the second 12 months after completion (relative to the 12 months prior to completion)
 - **Milestone payment:** \$25,000 in cash plus \$25,000 in DEM shares (based on 20 day weighted average share price prior to the respective date in 24 months)

Definitive Agreement Signed, subject to the following Completion Conditions

- Final board approval by De.mem
- Payment of purchase price and issuance of share tranche
- Finalization of a number of sub-agreements such as the service agreement with the vendor
- Intended that the vendor will stay on as Managing Director of Auswater for at least 2 years



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