



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

De.mem Announces Strategic Acquisition in Western Australia

16 March 2021: Australian-Singaporean water and waste water treatment company De.mem (ASX:DEM) (“De.mem” or “the Company”) is pleased to announce that the Company intends to acquire the Capic business (“Capic”), a well established, Perth-based supplier of “high value add”, high margin specialty chemicals, subject to final commercial and legal due diligence.

Key Highlights

- Capic provides high-value added, speciality chemicals for blue-chip, West Australian-based mining clients.
- The proposed acquisition provides De.mem with increased scale; geographic diversification into the key strategic market of Western Australia; a complementary product range; a complementary blue-chip, institutional customer base and potential revenue cross-sell synergies.
- De.mem has a strong acquisition value-add track record, with strong growth in recent acquisitions, Pumptech and Geutec.

Capic Overview

Capic is a well established, Perth-based supplier of specialty chemicals for water treatment applications, focusing on “high value add”, high margin, speciality products.

Capic has a **high quality, institutional customer base** including BHP Billiton, Northern Star, Pilbara Minerals and Iluka Resources.

Capic’s **specialty chemical products** include scale and corrosion inhibitors, process additives such as defoamers, viscosity modifiers and dewatering aids, reverse osmosis membrane antiscalants and cleaners and a complete range of cooling tower water treatment chemicals.

Upon transaction completion, Capic’s Founder/CEO will become De.mem’s Managing Director for the new De.mem-Capic subsidiary, which has been set up to acquire Capic’s assets and will represent De.mem’s Western Australia business going forward.

Acquisition Overview

The total maximum proposed acquisition consideration is \$5.1m, comprising Base Consideration and potential Milestone Payments.

The maximum Total Consideration of \$5.1m comprises \$3.7m cash and \$1.4m shares, as follows:



- *Base Acquisition Consideration* of \$4.4m payable upon completion of acquisition, comprising ~\$3.4m cash and \$1.0m DEM shares (issued at 30-day VWAP as at the the day prior to this announcement). All shares issued to the vendor will be under voluntary escrow for a period of 24 months from completion; and
- *Future potential Milestone Payments* of \$750k, comprising three separate payments of \$250k each, payable 50% in cash and 50% in De.mem shares, subject to the satisfaction of revenue milestones. The milestone criteria are as follows:
 - Milestone 1: Revenue growth of at least 15% in the 12 months ended on 31 December 2021, vs. the 12 months ended on 31 December 2020;
 - Milestone 2: Revenue growth of at least 35% in the 12 months ended on 31 December 2022, vs. the 12 months ended on 31 December 2020;
 - Milestone 3: Revenue growth of at least 60% in the 12 months ended on 31 December 2023, vs. the 12 months ended on 31 December 2020.

De.mem has entered into a term sheet with Capic, which provides De.mem with the right to negotiate the deal based on the above terms exclusively for a period of 3 months. The finalization of the acquisition is subject to definitive agreements being signed, which are currently at an advanced stage of negotiations, and subject to the completion of commercial and legal due diligence and final approval of the De.mem board.

De.mem's strong acquisition value-add track record

De.mem has a strong track record of adding value to strategic "bolt-on" acquisitions via cross/upsell, increasing Pumptech by +67% and Geutec by +18%.

De.mem's two recently acquired subsidiaries, Pumptech and Geutec, both reported strong growth momentum during CY2020. The Company's complete "one-stop shop" range of products, services, sales and leasing options, supported by its unique intellectual property technology portfolio, has consistently proven to be highly attractive to the customers of acquired businesses.

De.mem-Pumptech Pty Ltd (formerly: Pumptech Tasmania Pty Ltd) ("Pumptech") has increased total cash receipts +67% in CY2020 to ~\$4.0m, vs ~\$2.4m in CY2019, since its acquisition by De.mem in August 2019 (see ASX release, "*De.mem completes acquisition of Pumptech Tasmania*", 7 August 2019).

German subsidiary De.mem-Geutec GmbH, Essen ("Geutec") has increased total cash receipts +18% in CY2020 to \$2.6m, since its acquisition by De.mem in October 2019 (see ASX release, "*De.mem acquires German industrial wastewater treatment company*", dated 17 October 2019).

Further details about the acquisition can be found in the ASX announcement "Proposed Acquisition Overview", dated 16 March 2021 and released in conjunction with this document.

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, Germany and Vietnam. It is commercialising 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 uniquely offered by De.mem 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

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.