



# Business Overview

A Global Environmental Technology Water Remediation Group

October 2018

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# What is Phoslock Environmental Technologies?



- **A Global Environmental Remediation Company**
- **CSIRO technology -main target Blue-Green algae**
- **Secondary Targets Black Odorous Water**
- **Technologies Harmless to Fish and Plants**
- **Engineering Division building Wetlands**
- **Profitable, No Debt**
- **Massive Opportunities in China**

# Results: No effect on Plants or Fish



**Beijing Canal – March 2018**



**Same Beijing Canal – September 2018**

A combination of Phoslock, zeolites, bacterial products and aeration used to turn an algae infested canal into clean industrial water.

Phosphorus down **85%** and Nitrogen down **75%**

Phoslock Environmental Technologies

# What is Phoslock Environmental Technologies?

## Water Engineering & Water Treatment Materials Environmental Group: ASX listed (Code: PET)

### International Water Treatment Business

Using Phoslock® and other products to treat lake and rivers;

Eight licensees representing PET in over 20 countries

FY17-18 Revenue (Audited) \$4.7m (29% of Total Revenue)

FY18-19 Revenue (Forecast) \$7.0m (23% of Total revenue)

### China Water Treatment Business

Offices in four Chinese cities; a range of products and mobile plants to treat highly polluted canal/rivers/lakes,

FY17-18 Revenue (Audited) \$5.0m (31% of Total Revenue)

FY18-19 Revenue (Forecast) \$10.0m (34% of Total Revenue)

### China Engineering & Contracting Business

25 professionals provide design, engineering and implementation services for canals, river and wetland projects

FY17-18 Revenue (Audited) \$6.5m (40% of Total Revenue)

FY18-19 Revenue (Forecast) \$13.0m (43% of Total Revenue)

### 75% New Business; 25% Recurring Maintenance Business



# Financial Summary

- FY 17/18 Revenue **\$16.2m**
- NPBT **\$2.8m\***

\* excludes non cash accounting effect of May 2017 option issue

## Strong operating margins

- FY18/19 Forecast Revenue **\$27m-\$30m**
- NPBT **\$7m-10m\***

## Strong Balance Sheet:

- **A\$7m** in cash
- Receivables/Inventory of **\$14m**;
- Debt Free;
- Net Assets in excess of **\$20m**

**\$5.25m inflow** due from vested Performance Options

# Why China?



- **Chinese Central Government have committed \$2 Trillion to fix water plus \$2 Trillion to improve air quality over the next five years.**
- **Beijing Water Group (BEWG) is a Hong Kong listed \$7 billion market company 26% owned by the Beijing Municipal Government.**
- **Beijing BHZQ Environmental Technology Company (BHZQ) is a 70% owned subsidiary of BEWG.**
- **BHZQ has entered into a strategic partnership with PET to jointly work on water remediation projects throughout Asia.**
- **This alliance allows PET access to government and semi government contracts previously unavailable to smaller Australian companies.**
- **PET with it's international diverse results is well placed to ride an unprecedented global expansion of environmental redress**

# China Strategic Alliance: BHZQ

**Beijing BHZQ Environmental Engineering Technology Co., Ltd** is 70% owned by \$7bn Beijing Enterprises Water Group (HK: BEWG)



**中清环境**  
BHZQ • Environmental

- BHZQ is project manager and solutions provider for large integrated water environmental projects throughout China.
- BHZQ manages 30+ water environment projects valued at over A\$5 billion.
- PET is sub-contracting water quality management projects in China.
- Phoslock Beijing increasing its co-operation with BHZQ
- A senior BHZQ executive on PET Board.



# Key drivers for Growing the PET Business



## **PET has a 15 year track record in water environmental issues:**

- Specialist water remediation teams globally
- Proprietary knowledge and products remediate impaired lakes, rivers, canals, reservoirs.
- Factory in Changxing producing Phoslock (patented material) and other products
- Focus on R&D of new products, processes and devices

## **Strategic Alliance with BHZQ Environmental, 70% owned by BEWG ( \$2bn market cap) to develop PET business in China:**

- Engineering and Contracting Businesses in China started 2017, over \$30m new business in the first two years
- Water treatment business using Mobile Treatment Plants to process “black odorous” water from canals, rivers & wetland projects
- Wetland projects additional major development
- Offices in four Chinese cities with team of over 60 people and growing

## **Growing financial strength:**

- Debt free; \$7m cash and \$14m Debtors & Inventories
- \$5.25m expected shortly from vested Performance Options
- Now in S&P/ASX Emerging Companies Index

# Addressing a Global Problem – Fixing Up Water Bodies



# Wetland Projects worth more than \$15 million

PET has sourced over 130,000 tons of zeolites and volcanic materials to create two constructed wetland projects in south Beijing.

PET is negotiating long term supplies of zeolites and volcanic materials for future projects.



Photo of a Wetland site as an example of a finished wetland project.  
The Beijing wetland projects are significantly larger.



# Delivering 130,000 tons of Materials for new Construction



# PET Materials used in treating “Black Odorous Water”

Ministry of Environmental Protection has launched supervision of severely-polluted regions to ensure:

- Over 80% of the country's water meets at least the industrial but not drinking water use (Level III) standard by 2020
- Focused on the treatment of "**black odorous water**" and drinking water sources by using demountable mini plants where needed



# Changxing Factory and R&D Centre

Multi purpose factory in central China, produces a range of products

## Phoslock Production Line – readily scalable:

- Current capacity 15,000tpa = \$40-50m sales pa
- 2<sup>nd</sup> production line can double production

## Video of Changxing Factory:

[www.phoslock.com.au/site/what-we-do/production-facility](http://www.phoslock.com.au/site/what-we-do/production-facility)

- Adding production lines for new products
- Currently ten R&D projects underway – various stages of development or trial
- Seeking to ensure guaranteed supply of raw materials





# PET International Business

- Operating since 2005
- Main focus is absorption of phosphorus in lakes and rivers using “Phoslock”
- “Phoslock” product is proven technology (over 70 peer-reviewed technical papers); patented/patent pending & trademarked in most key markets
- More than 300 successful projects in 20 countries
- Key markets are Europe/UK, Canada & US, Brazil, Australia & NZ
- Marketing focus expanding sales staff in Europe and Asia
- FY17-18 Revenue (Audited) \$4.7m  
FY18-19 Revenue (Forecast) \$7.0m



# PET International Business





# Why Invest in PET?



## Compelling Investment Case

- **PET has sales growth accelerating on robust margins**
- **Diversified business mix of International and Chinese Water Treatment businesses and China Engineering & Contracting Business**
- **75% new Business; 25% Recurring maintenance business**
- **Super Growth to come from China**  
**Scale of China's pollution is immense**  
**PET has products and engineering capability to address problems**  
**PET has developed special relationships to partner on projects**
- **Solid Balance Sheet: Debt free, \$7m cash + \$5.25m to be received shortly plus \$14m receivables/debtors/inventories**
- **Forecasting FY18-19 Revenue \$27-30m and NPBT (before Opt Exp) \$7-10m**
- **Recently admitted to S&P/ASX Emerging Companies Index**

# Capital Structure



## Capital Structure (16<sup>th</sup> October, 2018)

<b>Company Name:</b>	<b>Phoslock Environmental Technologies Limited</b>
<b>ASX Code:</b>	<b>PET</b>
<b>Current Price:</b>	<b>41.5 Cents</b>
<b>Trading Range: (last 12 months)</b>	<b>18 – 48 Cents</b>
<b>Total Issued Shares:</b>	<b>497.2m</b>
<b>Total Issued Options:</b>	<b>65m (50m recently vested, balance expire 20/12/19)</b>
<b>Market Capitalisation:</b>	<b>A\$206m</b>

# Results of a Remediated Waterbody



**The fishermen have returned !**

# PET Contact Details



## Phoslock Environmental Technologies Limited

### ASX Code - PET

Suite 403  
25 Lime Street  
Sydney NSW 2000  
Australia

### Robert Schuitema – Managing Director

m: + 61 (0) 412 305 442

e: [rs@phoslock.com.au](mailto:rs@phoslock.com.au)

### Michael Kotowicz – Investor Relations

m: + 61 (0) 416 233 145

e: [michael@wentworthplacegroup.com.au](mailto:michael@wentworthplacegroup.com.au)

Tel: +61 2 8014 7611

Web: [www.phoslock.com.au](http://www.phoslock.com.au)