

Clean TeQ Water Ltd

Delivering water treatment solutions

Clean TeQ Water (ASX:CNQ) provides innovative metals recovery and water treatment solutions to governments and companies. The company's technology solutions include desalination, nutrient removal, zero liquid discharge and hardness removal. Clean TeQ Water focuses on municipal water, surface water, industrial wastewater and mining process water. The company listed on the ASX in July 2021, after being demerged from Sunrise Energy Metals Ltd (ASX:SRL), also presenting at the conference, in a pro-rata one CNQ share for every two SRL shares held. The company received \$16.5m in cash and cash equivalents on assuming control of the net assets and liabilities of companies transferred from Sunrise. The company is dependent on contract wins to design, manufacture and deliver water treatment equipment based on a portfolio of proprietary technologies' and provide ongoing consumables, services and aftermarket support. A recent contract win was a \$10m order to build a 15 megalitre a day recycled water treatment facility for the Townsville City Council, with the opportunity to scale up to 20 megalitres a day and upgrade the treatment technology to reach higher quality effluent.

Business model

CNQ has three divisions: water technology solutions, NematIQ graphene membranes, and Clean TeQ metals recovery. So far, the majority of CNQ's revenues have been generated by water technology solutions. CNQ's core technologies are CIF® a proprietary continuous ion exchange technology which was developed over two decades by Sunrise Energy Metals, BIOCLENS™ an intensified bacteriological water treatment method, and graphene membranes. CNQ earns revenue from selling its solutions on a semi-bespoke basis, consumables, aftermarket spares and services and service fee income. NematIQ's graphene membranes have been developed to gain a share in the world's existing >5b annual membrane market through lowering energy use and increasing fouling resistance. The graphene membrane manufacturing has been proven at scale and is now ready for market introduction starting with piloting in the next financial year. The company has offices, research and development, and manufacturing facilities in Melbourne, Beijing and Tianjin and commercial partnerships in Africa, the Middle East, China and South America. More than three-quarters of its FY22 revenues were generated in Australia. CNQ's 3rd division is focused on metals recovery and is currently providing paid technical support for Sunrise Energy Metals while it is looking to deploy its technologies for enhanced recovery of battery metals such as lithium, nickel and vanadium.

Still loss-making

Clean TeQ has reported its first accounts as a stand-alone entity for the 16+ month period from 15 February 2021 to 30 June 2022. The company reported a net loss after tax, but before non-cash share based payments, of \$10.68m, and incurred negative operating cashflows of \$10.885m for the period. It ended the period with \$5.57m cash in hand and another \$0.4m in restricted deposits. The company's auditors, KPMG, noted that forecast cashflows indicate that the group will continue to incur operating losses and maintain a positive cash position for at least the 12 months to August 2023, without significant changes to the current overhead structure and that the company had received a letter of intent in respect of two new contracts valued at \$16m. However, KPMG said there was material uncertainty relating to the company's going concern status should cashflow forecasts be adversely impacted and contracts do not eventuate.

Several listed peers in this space

Australia has several listed engineering and tech companies, several of which are focused on water treatment solutions including De.Mem (ASX:DEM) and Fluence Corporation (ASX:FLC). All these companies are still loss-making, to varying degrees, and have differing technologies, making comparisons difficult.

Historical earnings and ratios (in A\$m unless otherwise stated)

Year end ^A	Revenue	EBITDA adj.*	NPAT adj.*	NPAT rep.	EPS adj.* (c)	EV/Sales (x)
06/22a	11.35	(9.97)	(10.68)	(11.06)	(23.9)	1.7

Source: Company data ^AFor the period from 15 February 2021 to 30 June 2022 *EBITDA, NPAT and EPS adj for one-time, non-cash items

Construction & Engineering

9th September 2022

Share Details

ASX code	CNQ
Share price (8-Sept)	\$0.545
Market capitalisation	\$24.4M
Shares on issue	44.67M
Net cash at 30-Jun-2022	\$5.57M
Free float	~66.0%

Share Performance (since listing)



Upside Case

- Well-placed to benefit from growing global need for water treatment and re-use initiatives
- Well-connected board and management team
- Several pilot plants in place with opportunity to scale up

Downside Case

- Additional capital likely required, dilutionary
- Auditor has raised material uncertainty relating to going concern status of the company
- Dependent on the timing of contract wins

Catalysts

- Contract wins of scale
- Capital raise

Comparable companies (Aust/NZ)

Aeris Environmental (ASX:AER), De.Mem (ASX:DEM), Environmental Clean Technologies (ASX:ECT), Fluence Corporation (ASX:FLC)

Board and Management

Peter Voigt	Exec. Chair/CTO
Ian Knight	Ind. Non-Exec. Director
Sam Riggall	Non-Exec. Director
Robyn McLeod	Ind. Non-Exec. Director
Willem Vriesendorp	Chief Executive Officer
Magda Klapakis	Chief Financial Officer

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FINANCIAL SERVICES GUIDE

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