



PHSI®

PURE WATER TECHNOLOGY®

Experience the Taste of Pure Water

Diversifying Your Revenue Stream With Water Purification Systems

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Chief Executive Officer
October 22, 2016



**USA
TODAY™**
03.17.16

IN SPORTS

**16 SEEDS THAT
COULD BREAK
YOUR BRACKET**

TODAY'S NCAA
TOURNAMENT
MATCHUPS

PHOTOGRAPH BY AP



BEYOND FLINT

HIGH LEAD LEVELS FOUND IN 2,000 WATER SYSTEMS ACROSS USA



LEAD IN YOUR WATER
A USA TODAY NETWORK INVESTIGATION

**Alison Young
and Mark Nichols**
USA TODAY



Melissa Hoffman, 40, expresses her concerns about high lead levels found at her children's school, Caroline Elementary, during a town hall meeting in Ithaca, N.Y., on March 3.

While a harsh national spotlight focuses on the drinking water crisis in Flint, Mich., a USA TODAY NETWORK investigation has identified almost 2,000 additional water systems spanning all 50 states where testing has shown excessive levels of lead contamination over the past four years.

The water systems, which reported lead levels exceeding Environmental Protection Agency standards, collectively supply water to 6 million people. About 350 of those systems provide drinking water to schools or day cares. The USA TODAY NETWORK investigation found at least 180 of the water systems failed to notify con-

**FIND MORE AT
LEAD.USATODAY.COM**

Learn how we identified systems with excessive lead and see whether your system failed EPA testing.

INSIDE

- How lead gets into your drinking water
- How to check your supply

sumers about the high lead levels as federal rules require.

Many of the highest reported lead levels were found at schools and day cares. A water sample at a Maine elementary school was 42 times higher than the EPA limit of 15 parts per billion, while a Pennsylvania preschool was 14 times higher, records show. At an el-

ementary school in Ithaca, N.Y., one sample tested this year at a stunning 5,000 ppb of lead, the EPA's threshold for "hazardous waste."

"This is most definitely a problem that needs emergent care," Melissa Hoffman, a parent in Ithaca, pleaded with officials at a public hearing packed with upset parents demanding answers.

In all, the USA TODAY NETWORK analysis of EPA enforcement data identified 600 water systems in which tests at some taps showed lead levels topping 40 parts per billion (ppb), which is more than double the EPA's action level limit. Though experts caution that Flint is an extreme case of

► STORY CONTINUES ON SA

National Focus

Hilary Clinton

"I spent a lot of time last week being outraged by what's happening in Flint, Mich., and I think every single American should be outraged." (Broadcast by US channel NBC)

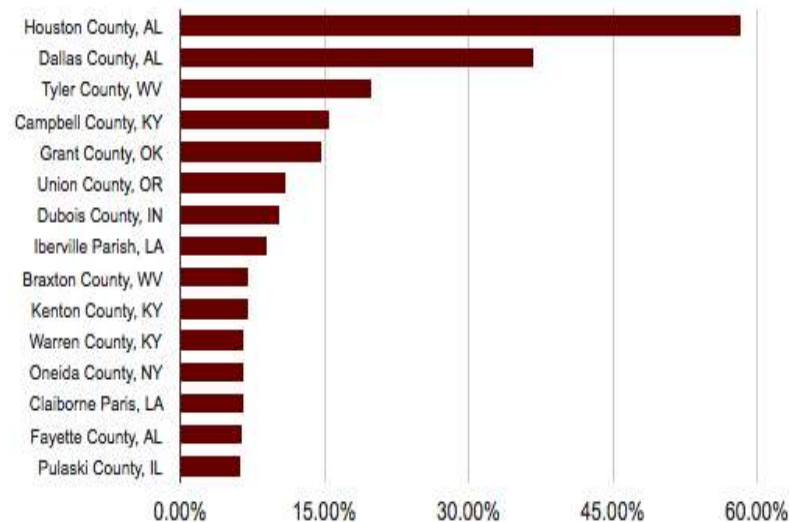


Donald Trump

"I think it's a horror show that it was allowed to happen and to be honest with you it should have never, ever been allowed to happen." (The Detroit News)



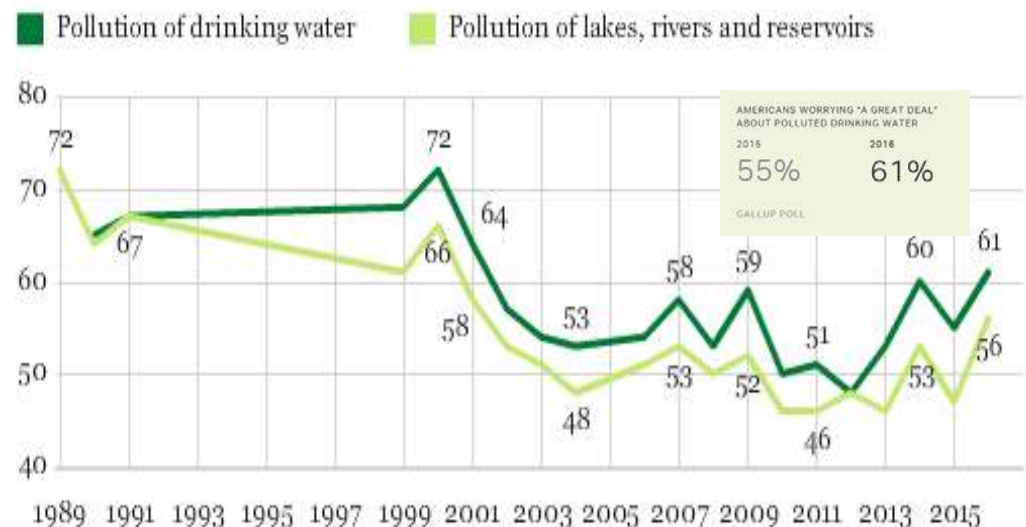
Confirmed blood-lead levels of 10 µg/dL or higher



Source: Beverage Marketing Corporation
The Wall Street Journal- April 8, 2015

Americans' Concerns About Water Pollution

% Worried "a great deal"



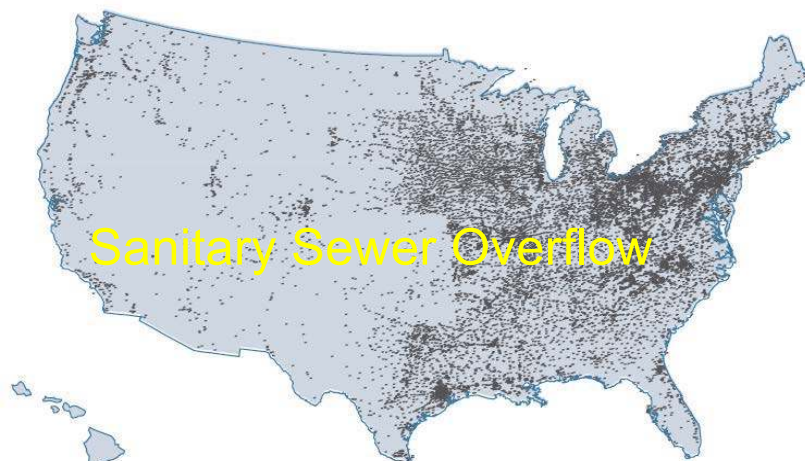
GALLUP

Water Threats

- There are 500,000 miles of sewer pipes in the US
- Pipes: average life expectancy 75-120 yrs.
 - ✓ Average replacement rate 200 yrs.
- 20% of pipes below water table
- Sewer overflow discharges 1.2 trillion gallons of sewage and storm water a year.
 - ✓ Enough to keep Niagara Falls roaring for 18 days.
- **10-20% of produced water is unaccounted for.....**



Sewage Main Break



http://www.epa.gov/npdes/pubs/csossoRTC2004_executive_summary.pdf



POINT OF USE (POU) FINAL BARRIER

WATER IS #1 CONSUMED BEVERAGE IN THE US!

Soft Drinks



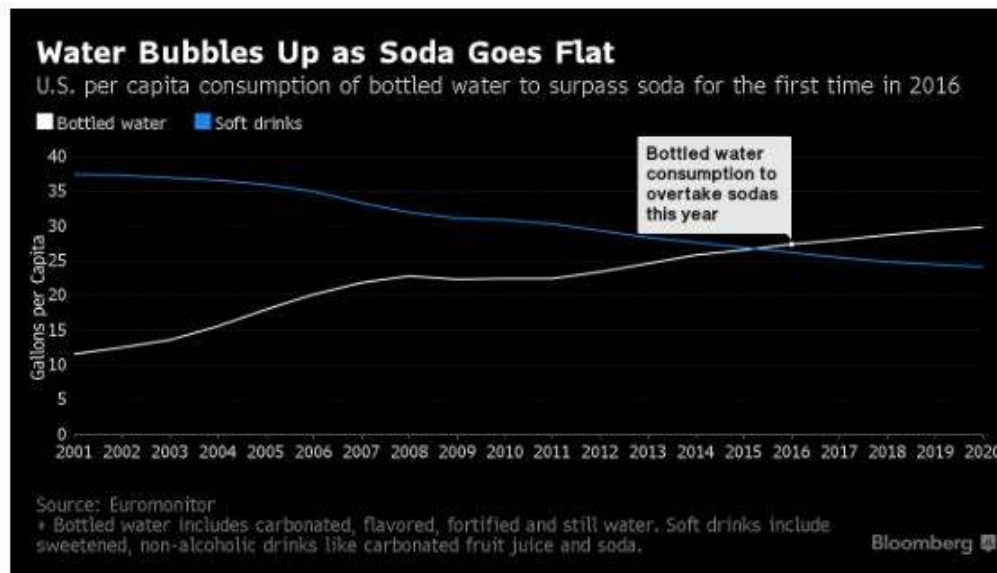
Healthfulness

Political & Social Focus

Hydration

Taste

→ Water



Drinking Water Solutions

5 Gallon Bottle Cooler



Point of Use (POU) Filtration/Purification



US Market Overview- Bottled coolers/POU

	2010	2011	2012	2013	2014	2015e
Bottled water coolers						
Units	4,330,000	4,300,000	4,305,000	4,310,000	4,390,813	4,461,066
% growth	-3.1	-0.7	+0.1	+0.9	+1.9	+1.6
Units per '000 people	13.9	13.7	13.6	13.5	13.6	13.7
Million litres	4,854.3	4,825.1	4,555.0	4,632.0	4,813.0	5,029.6
% growth	-1.5	-0.6	-5.6	+1.7	+3.9	+4.5
Point of Use						
Units	850,000	940,000	1,050,000	1,165,000	1,258,783	1,367,352
% growth	+6.3	+10.6	+11.7	+9.8	+8.1	+8.6
Units per '000 people	2.7	3.0	3.3	3.6	3.9	4.2
Total coolers						
Units	5,180,000	5,240,000	5,355,000	5,475,000	5,649,595	5,828,418
% growth	-1.7	+1.2	+2.2	+2.2	+3.2	+3.2
POU % share	16.4	17.9	19.6	21.3	22.3	23.5

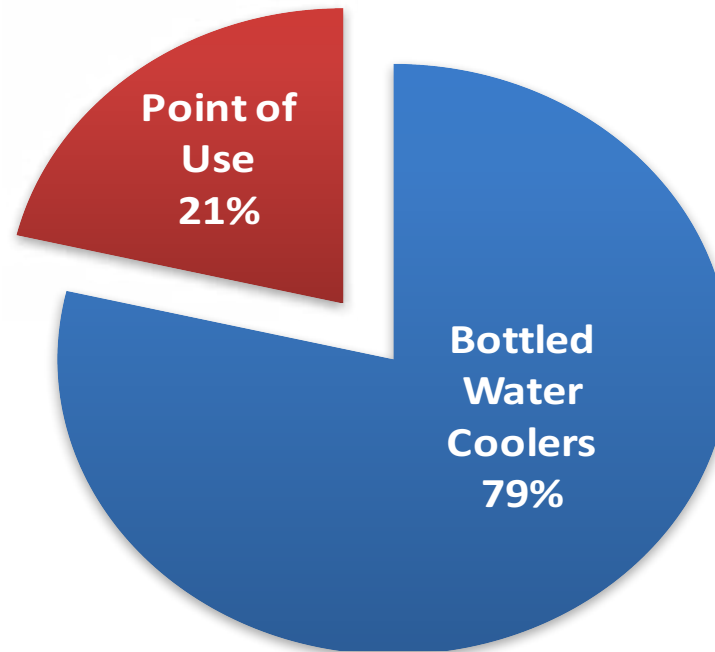
Key Message:

- Strong POU unit growth last 3-4 years
- POU cooler share grows from 16.4% to 23.5%

* Zenith International USA POU and Bottled Coolers Report 2015

Market Share- POU

Bottled Water Coolers vs. POU*



Key Message:

- POU market is small vs bottled coolers.
- Unit growth projections (2013-2018)
 - ✓ Total US segment growth (bottled + POU) 1-2%
 - ✓ POU 8-10%

Bottled Cooler and Point of Use (POU)

Bottle Cooler



Filtration POU



Purification Reverse Osmosis (RO) POU



Water Quality	Spring/RO Poor	Filtered Fair	Filtered Good	RO Better	RO Best
Tank Sanitation	None	None	Ultraviolet	Ultraviolet/ Silver	Ozone
Microprocessor	None	None	None	Yes/No	Yes
Filter	None	1 or 2 Filers	2-3 Filters	3-4 Filters	5-6 Filters
Monthly Price	Rental- \$5-\$15 Bottle- \$5-\$10	\$25-\$35	\$35-\$45	\$45-\$55	\$55-\$65



FALL COLORS

A TIME OF CHANGE

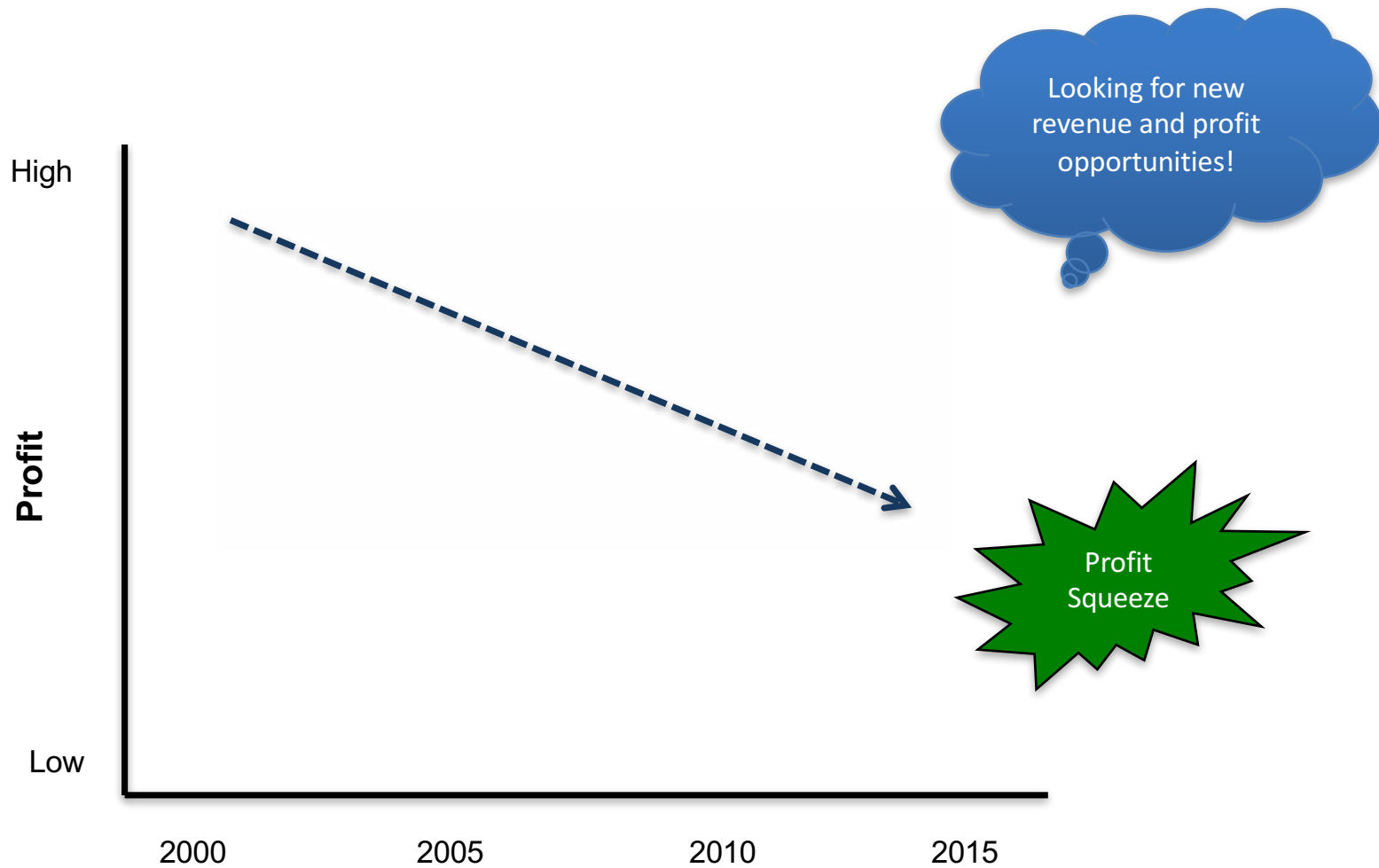
Analog-Digital-Cloud



Office Equipment Life Cycle

1. Introduction
(Infancy)
2. Growth
3. Maturity

Office Equipment Model Challenges



POU vs. Office Equipment Marketplace

Similarities

- Big market opportunity-early in market life cycle
- Decision makers
 - Uninformed and interested
 - Uncontested sales process
- Similar sales cycle to office equipment model
 - Cold call, appointment, trial, close
- Rental contracts
 - 60 Month contracts (Average 54 months)
 - Rental rates: \$60/mo.

Differences

- Bottled coolers are on month-to-month contracts
- Simple service model
 - Equipment install
 - Annual filter change
 - <1 service call/yr.
- Product obsolesce- slower for POU and higher quality units have a long life.
- Significantly higher margin for POU

POU Go-to-Market Plan

- 🔵 Dedicated sales team
 - ✓ Sales Reps: 4-6
- 🔵 New business prospecting
 - Face-to-face
 - Telesales appointment scheduling
- 🔵 Marketing plan
 - ✓ Email & direct mail
- 🔵 Service team
- 🔵 Leverage existing office equipment contacts
- 🔵 Capital investment- \$200K



Unit Economics

(\$60 Month, 5yr. Contract & 3yr. Renwal)

Initial Term	5 Years
Revenue	\$3,600
<u>Expense</u>	
Equipment	(\$750)
Sales Cost	(\$504)
Service Cost	<u>(\$600)</u>
Net Profit	<u>\$1,746</u>

Auto Renewal	Years 6-8
Revenue	\$2,160
<u>Expense</u>	
Equipment	\$0
Sales Cost	\$0
Service Cost	<u>(\$360)</u>
Net Profit	<u>\$1,830</u>

EQUIPMENT COST- \$750
REVENUE- \$5,760
PROFIT- \$3,576 (62%)*

** Results will vary depending upon business model (sales and service productivity and customer retention rates).*

In The News

-  “Global intake water doubling every 20 years”
(Three Reasons Why Drinking Water is Unsafe By Charles Crawford)
-  “Water Is Now Most Popular Beverage In US Knocking Soda Off Top”
 Associated Press
-  “The evidence is that being hydrated is associated with better cognition and mental performance, and helps combat tiredness and fatigue, all of which can help organizational productivity”
(Dr. Emma Derbyshire, an adviser to the Natural Hydration Council (NHC))
-  “EWG found that about two thirds of the American population- 218 million people- are drinking water contaminated with Potentially unsafe levels of Chromium 6”
(Remember that “Erin Brockovich” Chemical? There’s a Good Chance in Your Water 9/22/16)



IS YOUR CUP FULL OR EMPTY?



**“There are times when it is good to be in a business
And there are other times when it is great...
This is one of those Great Times!”**